Republic of the Philippines
COMMISSION ON AUDIT
Commonwealth Ave., Quezon City

ANNUAL AUDIT REPORT

on the

PHILIPPINE NATIONAL OIL COMPANY

(A Corporation Wholly-Owned by the Government of the Republic of the Philippines)

For the Year Ended December 31, 2017

EXECUTIVE SUMMARY

A. Introduction

Philippine National Oil Company (PNOC)

1. PNOC was created through Presidential Decree No. 334 on November 9, 1973 to provide and maintain an adequate and stable supply of oil. Focusing its efforts and resources in learning the ropes of the petroleum industry, PNOC rose to occupy market leadership in an industry thought to be the domain of multinationals. Its charter was amended in December 1992 to include energy exploration and development.

   It initiated the exploration of the country's indigenous oil and non-oil energy resources. Its purpose is to build an energy sector that will bring energy independence to the country. Eventually, PNOC expanded its operations to include total energy development, including indigenous energy sources like oil and gas, coal, and geothermal.

2. PNOC's Vision by 2030

   The company has provided vital energy resource/development and energy infrastructure, conducive to a clean environment and balanced and sustainable economic growth.

3. PNOC's Mission

   Through the efforts and initiative of a dedicated and competent workforce, PNOC is committed to develop and implement projects and programs in a financially prudent and responsible manner aimed at increasing the country's self-sufficiency level in oil, gas and other energy sources; ensure security of supply; contributing to energy price stability and affordability; foster sustainable and environmentally-friendly sources of energy; promote energy efficiency and conservation; and maintain the highest standard of service and corporate governance.

4. The Governance Commission for GOCCs (GCG) mandated PNOC to transform from a mere holding to also an operating company in September 2014. Thus, GCG recommended the abolition of PNOC Alternative Fuels Corporation (PAFC) and the PNOC Development and Management Corporation (PDMC), which was duly approved by the Office of the President that same month.

5. PNOC will continue to act as holding company in relation to PNOC Exploration Corporation (PNOC-EC) and PNOC Renewables Corporation (PNOC-RC) while it took over the ongoing programs and assumed the functions of the abolished subsidiaries, PAFC and PDMC.

Objectives and Scope of Audit

6. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards of Supreme Audit Institutions (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.

7. The audit covered the examination on a test basis of the accounts and financial transactions and operations of PNOC for the period January to December 31, 2017 in accordance with ISSAIs. The audit also involved performing procedures to ascertain the propriety of financial transactions and compliance of the Corporation to prescribed laws, rules and regulations.

B. Financial Highlights (In Million Pesos)

Financial Position

	2017	2016	Increase (Decrease)
Assets	40,666.598	40,533.947	132.651
Liabilities	3,555.585	3,486.694	68.891
Equity	37,111.013	37,047.254	63.759

Results of Operation

	2017	2016	Increase (Decrease)
Income			
Business Income	570.705	1,253.180	(682.475)
Non-Operating Income/Gain	1.023	9.635	(8.612)
Total Income	**571.728**	**1,262.815**	**(691.087)**
Expenses			
Personnel Expenses	(91.973)	(92.345)	(0.372)
Maintenance and Other Operating Expenses	(121.898)	(123.368)	(1.470)
Financial Expenses	(2.025)	(1.408)	0.617
Non-Cash Expenses	(41.276)	(68.912)	(27.636)
Total Expense	**(257.172)**	**(286.033)**	**(28.861)**
Profit Before Tax	**314.556**	**976.782**	**(662.226)**
Income Tax Expense	**(25.324)**	**(8.046)**	**17.278**
Profit After Tax	**289.232**	**968.736**	**(679.504)**
Other Comprehensive Income for the Period	**0.140**	**0.045**	**0.095**
Comprehensive Income	**289.372**	**968.781**	**(679.409)**

C. Auditor's Opinion

The Auditor rendered an unqualified opinion on the fairness of presentation of the financial statements of PNOC as at December 31, 2017 as stated in the Independent Auditor's Report in Part I.

D. Significant Audit Observations and Recommendations

Although the Auditor rendered an unqualified opinion, there are significant audit observations that were noted in the review of transactions. These, together with the audit recommendations that need immediate action as well, are presented below. Details are in Part II of this Report.

1. The Investment property accounts in the amount of P7.614 million and P49,800 were deleted/dropped from the books without supporting documents and adjustment of P6.562 million based on 2006 valuation data was reflected in the book of accounts of PNOC as of December 31, 2017, contrary to Paragraphs 20, 30 and 66 of Philippine Accounting Standards (PAS) 40 - Investment Property.

   Recommendations:

   a. Provide the legal basis/supporting documents for deleting the property in Mandaue, Cebu City costing P49,800;

   b. Submit a written justification and/or brief summary of actions taken by management when it encountered that the tax declaration was in the name of Looc, Mandaue, City, when there was a Deed of Transfer as per records from Bulk Properties from Petron;

   c. Provide the legal basis/supporting documents for deleting the property in Bauan, Batangas costing P7,614,111.19; and

   d. Submit a written justification as to why the valuation basis of the adjustments made in 2016 was based on valuation data of 2006.

2. Collection was not strictly enforced on receivables which remained outstanding for more than five years amounting P5.882 million relative to the HMO premiums/health card availed by PNOC personnel and Board of Directors in CY 2012 contrary to Section 7.1 of COA Circular 2016-005 and Section IV of COA Memorandum No. 2017-010, thus depriving the agency of resources.

   Recommendations:

   a. Increase the amount of deduction from salaries of employees to shorten the payment period to a maximum of two years only; and

   b. Immediately issue demand letters to resigned and separated employees.

3. Non-submission of the Report of the Annual Physical Inventory of Property and Equipment is contrary to Sections IV, V.2, V.3 and V.4 of COA Circular No. 80-124 dated January 18, 1980. More so, the conduct of inventory was not in accordance with PNOC System Procedures Manual on Inventory of Fixed Assets.

   Recommendations:

   Strictly comply with the Guidelines on Inventory-taking in accordance with COA Circular 80-124 and PNOC System Procedures Manual by:

   a. Preparing and gathering all the necessary Inventory Sheets, PEL and Employee Ledger Cards and other documents needed prior to the physical count;

   b. Ensuring that all properties have complete and readable asset tags for easy identification and preparing and placing asset tags for those assets without tags or unreadable tags;

   c. Renewing the Memorandum Receipts (Gen. Form No. 32) now PAR every three years; and

   d. Requiring the submission to COA of a fully accomplished and reconciled Inventory Report pursuant to Section 122 of PD 1445.

4. Sufficient and relevant documents on the payment of honorarium of P5.608 million for CY 2017 to personnel assigned in PNOC's Special Project entitled "Integration of PAFC and PDMC Operations to PNOC" were not submitted contrary to DBM Budget Circular No. 2007-2 dated October 1, 2007 and COA Circular 2012-001 dated June 14, 2012, thus, the reasonableness and validity of the payment cannot be established.

   Recommendations:

   Submit and comply with the following requirements:

   a. Specific time frame or definite period of completion of the project as required under Section 4.3 of DBM Circular 2007-2;

   b. Performance ratings of personnel used as basis for the computation of honorarium per Section 4.6 of DBM Circular 2007-2;

   c. Performance evaluation plan developed/formulated by project management for rating purposes of those receiving honorarium based on Section 4.7 of DBM Circular 2007-2; and

   d. Strictly comply with the Guidelines on the grant of honoraria for PNOC's Special Project per DBM Circular 2007-2.

5. Management did not submit to the Commission on Audit all of the CY 2017 documents/reports required in preparation of the 2017 Annual Audit Reports as per letter of the Supervising Auditor dated January 22, 2018 issued pursuant to Section 41 of PD 1445, therefore, defeating the purpose of providing important financial information to the users of the financial statements.

   Recommendation:

   Enforce strictly the submission of all required reports within the prescribed period. The concerned officials should look into the root cause of the delayed preparation and submission of the said reports and immediately take the necessary action to solve this problem.

E. Summary of Total Disallowances, Suspensions and Charges as of December 31, 2017

There were no Notices of Disallowance (ND) issued to PNOC for the Calendar Year (CY) 2017.

F. Status of Implementation of Prior Years' Recommendations

Out of the 22 remaining audit recommendations embodied in the previous years' Annual Audit Reports, six (6) were fully implemented, 14 were partially implemented and two (2) were not implemented. Details are presented in Part III of this Report.

TABLE OF CONTENTS

PART I - AUDITED FINANCIAL STATEMENTS

PART II – AUDIT OBSERVATIONS AND RECOMMENDATIONS

PART III - STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

PART IV - APPENDICES

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

INDEPENDENT AUDITOR'S REPORT

THE BOARD OF DIRECTORS
Philippine National Oil Company
Energy Center, Fort Bonifacio
Taguig City, Metro Manila

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Philippine National Oil Company (PNOC), which comprise the statement of financial position as at December 31, 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of PNOC as at December 31, 2017, and its comprehensive income and its cash flows for the year then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for Opinion

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

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 PFRSs, 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 PNOC'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 PNOC or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing PNOC's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISSAIs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of PNOC'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 PNOC'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 PNOC to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on Other Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements as a whole. The supplementary information in Note 33 to the 2017 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 the auditing procedures applied in our audits of the basic financial statements. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

COMMISSION ON AUDIT

By:

TEODORA M. VEGA
State Auditor IV
OIC - Supervising Auditor

May 15, 2018

STATEMENT OF MANAGEMENT'S RESPONSIBILITY

FOR FINANCIAL STATEMENTS

The Management of the Philippine National Oil Company is responsible for the preparation of the financial statements as at December 31, 2017, including the additional components attached thereto in accordance with the prescribed financial reporting framework indicated therein. The responsibility includes designing and implementing internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement whether due to fraud or error, selecting and applying appropriate accounting policies and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the financial statements before such statements are issued to the regulators, creditors and other users.

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

ALFONSO G. CUSI
PNOC Chairman of the Board

June 14, 2018
Date Signed

GLENDA G. MARTINEZ
PNOC Senior Vice President for Management Services

Date Signed

ADM REUBEN S LISTA (RET)
PNOC President and CEO

Date Signed

SUBSCRIBED AND SWORN TO BEFORE ME this JUN 19 2018 of __________ 2018 at Taguig City, affiants exhibited to me their respective identification cards with the details shown below as follows:

Name	TIN
Alfonso G. Cusi	130-661-594
Reuben S. Lista	137-725-162
Glenda G. Martinez	132-679-205

Maria Vivian E. Banayad

MARIA VIVIAN E. BANAYAD
Appointment No. 12 (2018-2019)
Notary Public for Taguig City
Until 31 December 2019
NOTARY PUBLIC
PNOC Bldg. VI Energy Center, Rizal Drive
Bonifacio Global City, Taguig City, 1634
Roll No. 38316 / 05/12/93
PTR No. 5521316; 01.04.18; Quezon City
IBP Lifetime Membership No. 786857 / Manila IV

Doc. No. 116
Page No. 24
Book No. V
Series of 2018

PHILIPPINE NATIONAL OIL COMPANY
(A Corporation Wholly-Owned by the Government of the Republic of the Philippines)
STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2017

	NOTE	2017	2016
ASSETS			
Current Assets			
Cash and Cash Equivalents	6	57,374,560	4,150,827
Financial Assets	7	790,651,182	0
Other Investments	7	326,700,720	1,166,038,628
Receivables	8	1,414,015,731	1,432,869,410
Other Current Assets	13	466,706,612	465,563,409
Total Current Assets		**3,055,448,805**	**3,068,622,274**
Non-Current Assets			
Financial Assets	7	6,662,600,000	6,447,450,000
Investments in Associates/Affiliates	7	99,978,000	99,978,000
Investments in Subsidiaries	7	4,859,775,056	4,859,775,056
Other Investments	7	96,632,450	96,632,450
Receivables	8	66,178,947	62,436,175
Investment Property	10	11,337,559,375	11,389,321,206
Property and Equipment	11	352,845,201	376,904,708
Banked Gas Inventory	9	13,789,376,675	13,789,376,675
Deferred Tax Assets	12	345,874,200	343,121,969
Other Non-Current Assets	13	328,877	328,877
Total Non-Current Assets		**37,611,148,781**	**37,465,325,116**
Total Assets		**40,666,597,586**	**40,533,947,390**
LIABILITIES			
Current Liabilities			
Financial Liabilities	14	148,856,137	48,835,274
Inter-Agency Payables	15	6,438,590	3,097,447
Trust Liabilities	16	204,665,270	202,141,174
Other Payables	17	148,537,969	143,762,721
Total Current Liabilities		**508,497,966**	**397,836,616**
Non-Current Liabilities			
Deferred Credits/Unearned Income	18	266,370,302	276,493,236
Provisions	19	26,281,650	24,202,909
Deferred Tax Liabilities	20	2,754,435,024	2,788,160,906
Total Non-Current Liabilities		**3,047,086,976**	**3,088,857,051**
Total Liabilities		**3,555,584,942**	**3,486,693,667**
EQUITY			
Revaluation Surplus		9,181,439,315	9,295,926,603
Retained Earnings		24,815,844,060	24,637,737,851
Stockholders' Equity		3,114,595,519	3,114,595,519
Cumulative Changes in Fair Value		(866,250)	(1,006,250)
Total Equity		**37,111,012,644**	**37,047,253,723**
Total Liabilities and Equity		**40,666,597,586**	**40,533,947,390**

The notes on pages 10 to 64 form part of these statements.

PHILIPPINE NATIONAL OIL COMPANY

(A Corporation Wholly-Owned by the Government of the Republic of the Philippines)

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED DECEMBER 31, 2017

	NOTES	2017	2016
Income			
Business Income	22	570,704,566	1,253,179,660
Non-Operating Income/Gain	27	1,022,800	9,634,978
Total Income		**571,727,366**	**1,262,814,638**
Expenses			
Personnel Services	23	(91,973,315)	(92,344,910)
Maintenance and Other Operating Expenses	24	(121,897,794)	(123,368,318)
Financial Expenses	25	(2,024,903)	(1,408,096)
Non-Cash Expenses	26, 27	(41,275,519)	(68,912,219)
Total Expenses		**(257,171,531)**	**(286,033,543)**
Profit Before Tax		**314,555,835**	**976,781,095**
Income Tax Expense	28	**(25,324,108)**	**(8,046,000)**
Profit After Tax		**289,231,727**	**968,735,095**
Other Comprehensive Income for the Period		**140,000**	**45,000**
Comprehensive Income		**289,371,727**	**968,780,095**

The notes on pages 10 to 64 form part of these statements.

PHILIPPINE NATIONAL OIL COMPANY
(A Corporation Wholly-Owned by the Government of the Republic of the Philippines)
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED DECEMBER 31, 2017

	Cumulative Changes in Fair Value of Investments	Revaluation Surplus	Retained Earnings/ (Deficit)	Contributed Capital	TOTAL
BALANCE AT JANUARY 1, 2016	**(1,051,250)**	**9,295,926,603**	**24,175,293,011**	**3,114,595,519**	**36,584,763,883**
CHANGES IN EQUITY FOR 2016					
Add/(Deduct):					
Comprehensive Income					
for the year	0	0	968,735,095	0	968,735,095
Dividends	0	0	(505,238,555)	0	(505,238,555)
Other Adjustments:					
Changes in fair value of					
available-for-sale securities	45,000	0	0	0	45,000
Adjustment on value of land	0	0	(1,051,700)	0	(1,051,700)
BALANCE AT DECEMBER 31, 2016	**(1,006,250)**	**9,295,926,603**	**24,637,737,851**	**3,114,595,519**	**37,047,253,723**
CHANGES IN EQUITY FOR 2017					
Add/(Deduct):					
Comprehensive Income					
for the year	0	0	289,231,727	0	289,231,727
Dividends	0	0	(148,028,416)	0	(148,028,416)
Other Adjustments:					
Changes in fair value of					
available-for-sale securities	140,000	0	0	0	140,000
Realized gain on disposal of land	0	(2,320,000)	0	0	(2,320,000)
Decrease in valuation of land	0	(112,167,288)	0	0	(112,167,288)
Deferred tax liability for the					
decrease in valuation of land	0	0	33,650,186	0	33,650,186
Adjustment on dividend payable					
for CY 2016	0	0	6,455,788	0	6,455,788
Prior Period Adjustments	0	0	(3,203,076)	0	(3,203,076)
BALANCE AT DECEMBER 31, 2017	**(866,250)**	**9,181,439,315**	**24,815,844,060**	**3,114,595,519**	**37,111,012,644**

PHILIPPINE NATIONAL OIL COMPANY
(A Corporation Wholly-Owned by the Government of the Republic of the Philippines)
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2017

	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Inflows		
Collection of Income/Revenue	336,149,250	306,868,931
Collection of Receivables	40,815,422	9,013,329
Trust Receipts	4,998,686	3,046,843
Other Receipts	46,905,404	63,783,652
Total Cash Inflows	**428,868,762**	**382,712,755**
Adjustments	135,186	0
Adjusted Cash Inflows	**429,003,948**	**382,712,755**
Cash Outflows		
Payment of Expenses	205,445,237	204,445,239
Grant of Cash Advances	5,409,385	7,701,914
Prepayments	16,058,028	50,813,519
Refund of Deposits	4,372,538	329,355
Payments of Accounts Payable	1,439,778	4,971,105
Remittance of Personnel Benefit Contributions and Mandatory Deductions	18,705,334	21,045,000
Release of Inter-Agency Fund Transfers	24,477,891	15,572,346
Payment of Inter-Agency Payable	0	8,053,818
Other Payables	0	115,799
Other Disbursements	0	269,197
Total Cash Outflows	**275,908,191**	**313,317,292**
Adjustments	11,596,797	2,597,673
Adjusted Cash Outflows	**287,504,988**	**315,914,965**
Net Cash Provided by Operating Activities	**141,498,960**	**66,797,790**
CASH FLOWS FROM INVESTING ACTIVITIES		
Total Cash Inflows		
Proceeds from Sale/ Disposal of Investment Property	2,246,017	10,000,000
Receipt of Interest Earned	211,336,871	221,876,652
Receipt of Cash Dividends	7,335,523	372,094,324
Proceeds from Matured Investments	839,337,908	488,050,000
Proceeds from Sale of Other Assets	184,000	0
Total Cash Inflows	**1,060,440,319**	**1,092,020,976**
Adjustments	1,897,604	0
Adjusted Cash Inflows	**1,062,337,923**	**1,092,020,976**
Cash Outflows		
Purchase/Construction of Investment Property	580,357	2,565,333
Purchase/Construction of Property and Equipment	7,200,230	8,772,194
Purchase of Investments	1,005,651,182	912,915,628
Total Cash Outflows	**1,013,431,769**	**924,253,155**
Adjustments	0	212,518
Adjusted Cash Outflows	**1,013,431,769**	**924,465,673**
Net Cash Provided By Investing Activities	**48,906,154**	**167,555,303**
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash Outflows		
Payment of Cash Dividends	137,181,381	271,799,184
Total Cash Outflows	**137,181,381**	**271,799,184**
Net Cash Used In Financing Activities	**(137,181,381)**	**(271,799,184)**
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**53,223,733**	**(37,446,091)**
CASH AND CASH EQUIVALENTS, JANUARY 1	**4,150,827**	**41,596,918**
CASH AND CASH EQUIVALENTS, DECEMBER 31	**57,374,560**	**4,150,827**

Philippine National Oil Company
(A Corporation Wholly-Owned by the Government of the Republic of the Philippines)
Notes to Financial Statement
For the year ended December 31, 2017

1. GENERAL INFORMATION

The financial statement of Philippine National Oil Company *(herein referred to as PNOC or "the Company")* was authorized for issue on June 14, 2018 as shown in the Statement of Management Responsibility for Financial Statements signed by Alfonso G. Cusi, the PNOC Chairman of the Board.

PNOC is a Corporation established on November 9, 1973 and operates under the authority of the Presidential Decree No. 334.

Mandate

PNOC shall undertake and transact the corporate business relative primarily to oil or petroleum operations and other energy resources exploitation.

Oil or Petroleum Operation shall include actual exploration, production, refining, tankerage and/or shipping, storage, transport, marketing, and related activities concerning oil and petroleum products.

Energy resources exploitation shall include exploration, discovery, development, extraction, utilization, refining, processing, transport, and marketing of all forms of energy resources.

Energy resources are any substance, mineral or otherwise, which by itself or in combination with other substance or after processing or refining or the application to it of technology emanates, gives off, generates or causes, the emanation or generation of heat or power or energy such as, but not limited to, petroleum or oil, coal, marsh gas, methane gas, geothermal sources of heat and power, uranium and other minerals and fossils deposits.

Vision

By 2030, PNOC has provided vital energy resource/development and energy infrastructure, conducive to a clean environment and balanced and sustainable economic growth.

Mission

Through the efforts and initiative of a dedicated and competent workforce, PNOC is committed to:

- Develop and implement projects and programs in a financially prudent and responsible manner aimed at increasing the country's self-sufficiency level in oil, gas and other energy sources;

- Foster sustainable and environment-friendly sources of energy and promote energy efficiency and conservation; and

- Maintain the highest standards of service and corporate governance.

Governance Commission for GOCCs (GCG) mandated PNOC to transform from a mere holding to also an operating company in September 2014. Thus, GCG recommended the abolition of PNOC Alternative Fuels Corporation (PAFC) and the PNOC Development and Management Corporation (PDMC), which was duly approved by the Office of the President that same month.

PNOC will continue to act as a holding company in relation to PNOC Exploration Corporation (PNOC-EC) and PNOC Renewables Corporation (PNOC-RC) while it took over the ongoing programs and assumed the functions of the abolished subsidiaries, PAFC and PDMC.

The Entity's registered office is located in PNOC Building 6, Energy Center, Rizal Drive, Bonifacio Global City, Fort Bonifacio, Taguig City.

2. STATEMENT OF COMPLIANCE AND BASIS OF PREPARATION OF FINANCIAL STATEMENTS

The financial statements have been prepared in compliance with the Philippine Financial Reporting Standards (PFRS) prescribed by the Commission on Audit through COA Resolution No. 2014-003 dated January 24, 2014.

The accounting policies have been consistently applied throughout the year presented.

The financial statements have been prepared on the basis of historical cost, unless stated otherwise. The Statement of Cash Flows is prepared using the direct method.

The financial statements are presented in peso (P), which is also the country’s functional currency.

Amounts are rounded off to the nearest peso, unless otherwise stated.

The preparation of financial statements in compliance with the adopted PFRS requires the use of certain accounting estimates. It also requires the entity to exercise judgment in applying the entity’s accounting policies. The areas where significant judgments and estimates have been made in preparing the financial statements and their effects are disclosed in note 3.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 *Basis of accounting*

The financial statements are prepared on an accrual basis in accordance with the PFRS.

3.2 *Financial Instruments*

A. Financial assets

i. Initial recognition and measurement

Financial assets within the scope of Philippine Accounting Standards (PAS) 39-Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables or available-for-sale financial assets, as appropriate. PNOC determines the classification of its financial assets at initial recognition.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the marketplace (regular way trades) are recognized on the trade date, i.e., the date that PNOC commits to purchase or sell the asset.

PNOC's financial assets include: cash and cash equivalents; trade and other trade receivables; loans and other loans receivables; quoted and unquoted financial instruments. PNOC has no derivative financial instrument as at December 31, 2017.

ii. Subsequent measurement

The subsequent measurement of financial assets depends on their classification.

a. Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term.

The fair value of financial instruments traded in active markets at reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without deduction for transaction costs. When current bid and ask prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For all other financial instruments not traded in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which observable market prices exist, and other relevant valuation models.

b. Available-for-sale financial assets

This includes non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. They are included in non-current assets under the Financial Assets account in the Statement of Financial Position unless Management intends to dispose of the investment within 12 months from the balance sheet date.

All financial assets within this category are subsequently measured at fair value, unless otherwise disclosed, with changes in value recognized in equity, net of any effects arising from income taxes. Gains and losses arising from securities classified as available-for-sale are recognized in the Statement of Comprehensive Income when they are sold or when the investment is impaired. In the case of impairment, the cumulative loss previously recognized directly in equity is transferred to the Statement of Comprehensive Income. If circumstances change, impairment losses on available-for-sale equity instruments are not reversed through the Statement of Comprehensive Income. On the other hand, if in a subsequent period the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in the Statement of Comprehensive Income, the impairment loss is reversed through the profit or loss.

c. Held-to-maturity

Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as held-to-maturity when PNOC has the positive intention and ability to hold it to maturity.

After initial measurement, held-to-maturity investments are measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The losses arising from impairment are recognized in profit or loss.

d. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such financial assets are subsequently measured at amortized cost using the effective interest method, less impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. Losses arising from impairment are recognized in the profit or loss.

iii. Derecognition

PNOC derecognizes a financial asset or, where applicable, a part of a financial asset or part of PNOC of similar financial assets when:

1. the contractual rights to the cash flows from the financial asset expired or waived; and

2. PNOC has transferred its contractual rights to receive the cash flows of the financial assets, or retains the contractual rights to receive the cash flows of the financial assets but assumes a contractual obligation to pay the cash flows to one or more recipients in an arrangement that meets the conditions set forth in PAS 39-Financial Instruments: Recognition and Measurement; and either the entity has:

   - transferred substantially all the risks and rewards of ownership of the financial asset; or

   - neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset, but has transferred the control of the asset.

iv. Impairment of financial assets

PNOC assesses at each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include the following indicators:

1. The debtors or a group of debtors are experiencing significant financial difficulty;

2. Default or delinquency in interest or principal payments;

3. The probability that debtors will enter bankruptcy or other financial reorganization; and

4. Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults).

a. Financial assets carried at amortized cost

For financial assets carried at amortized cost, PNOC first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If PNOC determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.
iThe carrying amount of the asset is reduced through the use of an The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in profit or loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or transferred to PNOC. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in profit or loss.

b. Available-for-sale financial assets

For Available-for-sale (AFS) financial assets, PNOC assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired.

In the case of equity investments classified as AFS, impairment indicators would include a significant or prolonged decline in the fair value of the investments below its cost. Where there is evidence of impairment, the cumulative loss, measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in the profit or loss, is removed from equity and recognized in the profit or loss. Impairment losses on equity investments are not reversed through the profit or loss. Increases in fair value after impairment are recognized directly in the profit or loss.

In the case of debt instruments classified as AFS, impairment is assessed based on the same criteria as financial assets carried at amortized cost. Future interest income is based on the reduced carrying amount and is accrued based on the rate of interest used to discount future cash flows for the purpose of measuring impairment loss. Such accrual is recorded as part of "Interest income" in the profit or loss. If, in a subsequent year, the fair value of a debt instrument increases and that increase can be objectively related to an event occurring after the impairment loss was recognized in the profit or loss, the impairment loss is reversed through the profit or loss.

B. Financial liabilities

i. Initial recognition and measurement

Financial liabilities within the scope of PAS 39 are classified as financial liabilities at fair value through profit or loss, or loans and borrowings, as appropriate. The entity determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings, plus directly attributable transaction costs.

PNOC's financial liabilities include trade and other payables.

ii. Subsequent measurement

The measurement of financial liabilities depends on their classification.

a. Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term.

This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by PAS 39.

Gains or losses on liabilities held for trading are recognized in profit or loss.

b. Loans and borrowings

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the effective interest method amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate.

PNOC has no existing loans and borrowings as at December 31, 2017.

iii. Derecognition

A financial liability is derecognized when the obligation under the liability expires or is discharged or cancelled.

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 profit or loss.

C. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount reported in the statement 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 assets and settle the liabilities simultaneously.

D. Fair value of financial instruments

The fair value of financial instruments that are traded in active markets at each reporting date is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

3.3 *Cash and Cash Equivalents*

Cash and cash equivalents comprise cash on hand and cash in bank, deposits on call and highly liquid investments with an original maturity of three months or less, which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts.

3.4 *Inventories*

The cost of banked gas inventory is based on acquisition cost.

3.5 *Investment Property*

Investment property are measured initially at cost, including transaction costs. The carrying amount includes the replacement cost of components of an existing investment property at the time that cost is incurred if the recognition criteria are met and excludes the costs of day-to-day maintenance of an investment property.

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. Subsequent to initial recognition, investment property are measured using the cost model and are depreciated over their estimated useful life as follows:

Property classification	Estimated useful lives
Building and Improvements	25
Fencing	5

Investment property are derecognized either when they have been disposed of or when they are permanently withdrawn from use and no future economic benefit or service potential is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the profit or loss in the period of derecognition.

Transfers are made to or from investment property only when there is a change in use.

PNOC uses the cost model for the measurement of investment property after initial recognition.

3.6 *Property and Equipment*

a. Recognition

An item is recognized as property and equipment if it meets the characteristics and recognition criteria as a Property and Equipment.

The characteristics of Property and Equipment are as follows:

i. tangible items;

ii. are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and

iii. are expected to be used during more than one reporting period.

An item of Property and Equipment is recognized as an asset if:

i. it is probable that future economic benefits or service potential associated with the item will flow to the entity;

ii. the cost or fair value of the item can be measured reliably; and

iii. the cost is at least P15,000.

b. Measurement at recognition

An item recognized as Property and Equipment is measured at cost.

A Property and Equipment acquired through non-exchange transaction is measured at its fair value as at the date of acquisition.

The cost of the Property and Equipment is the cash price equivalent or, for Property and Equipment acquired through non-exchange transaction, its cost is its fair value as at recognition date.

Cost includes the following:

i. Its purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates;

ii. expenditure that is directly attributable to the acquisition of the items; and

iii. initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired, or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

c. Measurement after recognition

After recognition, all Property and Equipment are stated at cost less accumulated depreciation and impairment losses.

When significant parts of Property and Equipment are required to be replaced at intervals, PNOC recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. Likewise, when a major repair/replacement is done, its cost is recognized in the carrying amount of the Property and Equipment as a replacement if the recognition criteria are satisfied.

All other repair and maintenance costs are recognized as expense in profit or loss as incurred.

d. Depreciation

Each part of an item of Property and Equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognized as expense unless it is included in the cost of another asset.

i. Initial recognition of depreciation

Depreciation of an asset begins when it is available for use such as when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

For simplicity and to avoid proportionate computation, the depreciation is for one month if the Property and Equipment is available for use on or before the 15th of the month. However, if the Property and Equipment is available for use after the 15th of the month, depreciation is for the succeeding month.

ii. Depreciation method

The straight line method of depreciation is adopted unless another method is more appropriate for PNOC operation.

iii. Estimated useful life

PNOC uses the life span of Property and Equipment prescribed by COA in determining the specific estimated useful life for each asset based on its experience.

iv. Residual value

PNOC will adopt a residual value equivalent to at least five percent (5%) of the cost of the Property and Equipment in CY 2018.

e. Impairment

An asset's carrying amount is written down to its recoverable amount, or recoverable service amount, if the asset's carrying amount is greater than its estimated recoverable amount or recoverable service amount.

f. Derecognition

PNOC derecognizes items of Property and Equipment and/or any significant part of an asset upon disposal or when no future economic benefits or service potential is expected from its continuing use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the profit or loss when the asset is derecognized.

3.7 *Leases*

PNOC as a lessor

Operating lease

Leases in which PNOC does not transfer substantially all the risks and rewards of ownership of an asset are classified as operating leases.

Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term.

Rent received from an operating lease is recognized as income on a straight-line basis over the lease term. Contingent rents are recognized as revenue in the period in which they are earned.

The depreciation policies for Property and Equipment are applied to similar assets leased by the entity.

3.8 *Provisions, Contingent Liabilities and Contingent Assets*

a. **Provisions**

Provisions are recognized when PNOC has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Where PNOC expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset only when the reimbursement is virtually certain.

The expense relating to any provision is presented in the statement of comprehensive income net of any reimbursement.

Provisions are reviewed at each reporting date, and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation, the provisions are reversed.

b. **Contingent liabilities**

PNOC does not recognize a contingent liability, but discloses details of any contingencies in the notes to financial statements, unless the possibility of an outflow of resources embodying economic benefits or service potential is remote.

c. **Contingent assets**

PNOC does not recognize a contingent asset, but discloses details of a possible asset whose existence is contingent on the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of PNOC in the notes to financial statements.

Contingent assets are assessed continually to ensure that developments are appropriately reflected in the financial statements. If it has become virtually certain that an inflow of economic benefits or service potential will arise and the asset's value can be measured reliably, the asset and the related revenue are recognized in the financial statements of the period in which the change occurs.

3.9 *Changes in Accounting Policies and Estimates*

PNOC recognizes the effects of changes in accounting policy retrospectively. The effects of changes in accounting policy are applied prospectively if retrospective application is impractical.

PNOC recognizes the effects of changes in accounting estimates prospectively through profit or loss.

PNOC corrects material prior period errors retrospectively in the first set of financial statements authorized for issue after their discovery by:

a. Restating the comparative amounts for prior period(s) presented in which the error occurred; or
b. If the error occurred before the earliest prior period presented, restating the opening balances of assets, liabilities and net assets/equity for the earliest prior period presented.

3.10 *Foreign Currency Transactions*

Transactions in foreign currencies are initially recognized by applying the spot exchange rate between the functional currency and the foreign currency at the transaction date.

At each reporting date:

a. Foreign currency monetary items are translated using the closing rate;

b. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and

c. Nonmonetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

Exchange differences arising (a) on the settlement of monetary items, or (b) on translating monetary items at rates different from those at which they are translated on initial recognition during the period or in previous financial statements, are recognized in profit or loss in the period in which they arise, except as those arising on a monetary item that forms part of a reporting entity's net investment in a foreign operation.

3.11 *Revenue from Non-exchange Transactions*

a. **Recognition and measurement of assets from non-exchange transactions**

An inflow of resources from a non-exchange transaction, other than services in-kind, that meets the definition of an asset are recognized as an asset if the following criteria are met:

i. It is probable that the future economic benefits or service potential associated with the asset will flow to the entity; and

ii. The fair value of the asset can be measured reliably.

An asset acquired through a non-exchange transaction is initially measured at its fair value as at the date of acquisition.

b. **Recognition of revenue from non-exchange transactions**

An inflow of resources from a non-exchange transaction recognized as an asset is recognized as revenue, except to the extent that a liability is also recognized in respect of the same inflow.

As PNOC satisfies a present obligation recognized as a liability in respect of an inflow of resources from a non-exchange transaction recognized as an asset, it reduces the carrying amount of the liability recognized and recognizes an amount of revenue equal to that reduction.

c. **Measurement of revenue from non-exchange transactions**

Revenue from non-exchange transactions is measured at the amount of the increase in net assets recognized by the entity, unless a corresponding liability is recognized.

d. **Measurement of liabilities on initial recognition from non-exchange transactions**

The amount recognized as a liability in a non-exchange transaction is the best estimate of the amount required to settle the present obligation at the reporting date.

e. **Taxes**

Taxes and the related fines and penalties are recognized when collected or when these are measurable and legally collectible. The related refunds, including those that are measurable and legally collectible, are deducted from the recognized tax revenue.

f. **Fees and fines not related to taxes**

PNOC recognizes revenue from fees and fines, except those related to taxes, when earned and the asset recognition criteria are met. Deferred income is recognized instead of revenue if there is a related condition attached that would give rise to a liability to repay the amount.

Other non-exchange revenue are recognized when it is probable that the future economic benefits or service potential associated with the asset will flow to the entity and the fair value of the asset can be measured reliably.

g. **Gifts and donations**

PNOC recognizes assets and revenue from gifts and donations when it is probable that the future economic benefits or service potential will flow to the entity and the fair value of the assets can be measured reliably.

Goods in-kind are recognized as assets when the goods are received, or there is a binding arrangement to receive the goods. If goods in-kind are received without conditions attached, revenue is recognized immediately. If conditions are attached, a liability is recognized, which is reduced and revenue recognized as the conditions are satisfied.

On initial recognition, gifts and donations including goods in-kind are measured at their fair value as at the date of acquisition, which are ascertained by reference to an active market, or by appraisal. An appraisal of the value of an asset is normally undertaken by a member of the valuation profession who holds a recognized and relevant professional qualification. For many assets, the fair values are ascertained by reference to quoted prices in an active and liquid market.

h. **Transfers**

PNOC recognizes an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset, except those arising from services in-kind.

i. **Services in-kind**

Services in-kind are not recognized as asset and revenue considering the complexity of the determination of and recognition of asset and revenue and the eventual recognition of expenses.

j. **Transfers from other government entities**

Revenue from non-exchange transactions with other government entities and the related assets are measured at fair value and recognized on obtaining control of the asset (cash, goods, services and property) if the transfer is free from conditions and it is probable that the economic benefits or service potential related to the asset will flow to PNOC and can be measured reliably.

3.12 *Revenue from Exchange Transactions*

a. **Measurement of revenue**

Revenue is measured at the fair value of the consideration received or receivable.

b. **Interest income**

Interest income is accrued using the effective yield method. The effective yield discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount. The method applies this yield to the principal outstanding to determine interest income each period.

c. **Dividends**

Dividends or similar distributions are recognized when PNOC's right to receive payments is established.

d. **Rental income**

Rental income arising from operating leases on investment property is accounted for on a straight-line basis over the lease terms and included in revenue.

3.13 *Impairment of Non-Financial Assets*

a. **Impairment of cash-generating assets**

At each reporting date, PNOC assesses whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, PNOC estimates the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets.

Where the carrying amount of an asset or the cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

For assets, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, PNOC estimates the asset's or cash-generating unit's recoverable amount.

A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss.

b. **Impairment of non-cash-generating assets**

PNOC assesses at each reporting date whether there is an indication that a non-cash-generating asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, PNOC estimates the asset's recoverable service amount. An asset's recoverable service amount is the higher of the non-cash-generating asset's fair value less costs to sell and its value in use.

Where the carrying amount of an asset exceeds its recoverable service amount, the asset is considered impaired and is written down to its recoverable service amount. PNOC classifies assets as cash-generating assets when those assets are held with the primary objective generating a commercial return. Therefore, non-cash-generating assets would be those assets from which PNOC does not intend (as its primary objective) to realize a commercial return.

3.14 *Related Parties*

PNOC regards a related party as a person or an entity with the ability to exert control individually or jointly, or to exercise significant influence over PNOC, or vice versa.

Members of key management are regarded as related parties and comprise the Members of the Board of Directors, the President and Chief Executive Officer and the Members of the Management Committee.

3.15 *Borrowing Costs*

For loans borrowed directly by PNOC, the allowed alternative treatment is used. As at December 31, 2017, PNOC has no existing loans.

3.16 *Employee Benefits*

The employees of PNOC are members of the Government Service Insurance System, which provides life and retirement insurance coverage.

PNOC recognizes the undiscounted amount of short term employee benefits, like salaries, wages, bonuses, allowance, etc., as expense unless capitalized, and as a liability after deducting the amount paid.

3.17 *Measurement Uncertainty*

The preparation of financial statements in conformity with PFRS requires management to make estimates and assumptions that affect the reporting amounts of assets and liabilities, and disclosure of contingent assets and liabilities, at the date of the financial statements and the reported amounts of the revenue and expenses during the period. Items requiring the use of significant estimates include the useful life of a capital asset, estimated employee benefits, rates for amortization, impairment of assets, etc.

Estimates are based on the best information available at the time of preparation of the financial statements and are reviewed annually to reflect new information as it becomes available. Measurement uncertainty exists in these financial statements. Actual results could differ from these estimates.

4. CHANGES IN ACCOUNTING POLICIES

PNOC adopted the following new accounting policies:

4.1 *Adoption of Revised Chart of Accounts (RCA)*

As at December 31, 2017, PNOC adopted the conversion of accounts and account codes to the Revised Chart of Accounts in compliance with COA Circular 2015-010, "*Adoption of the RCA for Government Corporations (GCs) which consists of Government-Owned and Controlled Corporations (GOCCs), Government Financial Institutions (GFIs), Government Instrumentalities with Corporate Powers (GICPs)/ Government Corporate Entities (GCEs), and their Subsidiaries and Water Districts",* dated December 1, 2015 and COA Circular 2016-006, "*Conversion from the Philippine Government Chart of Accounts under the New Government Accounting System"* per COA Circular No. 2004-008 dated September 20, 2004, as amended to the *"Revised Chart of Accounts for Government Corporations under COA Circular 2015-010 dated December 1, 2015, new, revised and deleted accounts, and relevant accounting policies and guidelines in the implementation thereof"*, dated December 29, 2016.

4.2 *Preparation of Financial Statements and Other Financial Reports*

Also as at December 31, 2017, PNOC implemented COA Circular 2017-004, "*Guidelines on the Preparation of Financial Statements and Other Financial Reports and Implementation of the Philippine Financial Reporting Standards by Government Corporations Classified as Government Business Enterprises and Philippine Public Sector Accounting Standards by Non-Government Business Enterprises*", dated December 13, 2017.

These accounting changes have an impact on PNOC's presentation of financial statements and related books of accounts.

5. PRIOR PERIOD ADJUSTMENTS

PNOC adjusted the decrease in the cost of land recorded under Investment Properties and Property and Equipment amounting to P112,167,288 to the Retained Earnings account based on the appraisal reports submitted by CAL-FIL Appraisal and Management Inc. and Asian Appraisal, Inc. in 2014, 2015 and 2016. The corresponding deferred tax liability for the decrease was recognized in the amount of P33,650,186 and reflected in the Retained Earnings account. PNOC recognized unrealized gain on revaluation for said land in CY 2007 and CY 2008.

Adjustment on cash dividend declared for 2016 net earnings was the result of the revised computation of the cash dividend in compliance with the revised Implementing Rules and Regulations to Republic Act No. 7656 (2016) by using corporate income tax calculations instead of accounting statements in applying the dividend rate. Prior period adjustments amounting to P3,203,076 pertain mainly to the payment of deficiency tax for 2015.

6. CASH AND CASH EQUIVALENTS

Particulars	As at December 31, 2017	As at December 31, 2016
Cash in Bank-Local Currency	4,484,661	4,035,009
Cash in Bank-Foreign Currency	130,263	115,818
Cash Equivalents	52,759,636	0
Total Cash and Cash Equivalents	**57,374,560**	**4,150,827**

Cash in banks are cash deposits that earn interest at the respective bank deposit rates. PNOC depository banks include the Land Bank of the Philippines, Development Bank of the Philippines, Philippine National Bank and Philippine Veterans Bank.

Cash equivalents consist of money market placements in Treasury Bill which is made for a period of three months and earn interest at 2.13% deposit rate.

7. INVESTMENTS

7.1 Financial Assets

a. Reconciliation of the Current Financial Assets

CURRENT FINANCIAL ASSETS As at December 31, 2017		
Particulars	**Financial Assets-Held to Maturity**	**Total**
Beginning Balance as at January 1, 2017	**0**	**0**
Addition investments made	790,651,182	790,651,182
Balance as at December 31, 2017	**790,651,182**	**790,651,182**

CURRENT FINANCIAL ASSETS As at December 31, 2016		
Particulars	**Financial Assets-Held to Maturity**	**Total**
Beginning Balance as at January 1, 2016	**0**	**0**
Additional investments made	0	0
Balance as at December 31, 2016	**0**	**0**

Financial Assets-Held to Maturity consist of investment in Treasury Bills which are made for varying periods of more than 90 days but less than one year and earn interest at 2.50 to 2.96 percent deposit rates.

b. Reconciliation of the Non-Current Financial Assets

Particulars	Financial Assets Held to Maturity	Available for Sale Financial Assets	Total
Beginning Balance as at January 1, 2017	**6,445,000,000**	**2,450,000**	**6,447,450,000**
Additional investments made	185,000,000	0	185,000,000
Fair value increase	0	150,000	150,000
Reclassification from a different class of investment	30,000,000	0	30,000,000
Balance as at December 31, 2017	**6,660,000,000**	**2,600,000**	**6,662,600,000**

Particulars	Financial Assets Held to Maturity	Available for Sale Financial Assets	Total
Beginning Balance as at January 1, 2016	**6,933,050,000**	**2,400,000**	**6,935,450,000**
Fair value increase	0	50,000	50,000
Less: *Investments sold/collected*	(488,050,000)	0	(488,050,000)
Balance as at December 31, 2016	**6,445,000,000**	**2,450,000**	**6,447,450,000**

Financial Assets-Held to Maturity consist of investments in treasury bonds with a term of more than one year to 25 years from value date and interest rates ranging from 2.70 to 6.125 percent.

Available-for-sale (AFS) Financial Assets consist of Investment in quoted and unquoted equity shares.

Investment in quoted equity shares is measured at fair market value based on the latest quoted price, as at financial reporting date in an active market.

Unquoted equity shares represent shareholdings of the Company in various entities which are neither qualified to be investment in a subsidiary, associate or jointly controlled entity and are valued at cost. Management believes that there are no indications that these investments are impaired.

The unrealized gain (loss) on changes in fair value of AFS investment recognized and presented as part of other comprehensive income amounted to P140,000 in 2017 net of deferred tax liability of P10,000 and 45,000 net of deferred tax liability amounting to P5,000 in 2016.

The cumulative changes in fair value of AFS securities of these quoted shares amounted to (P866,250) in 2017 and (P1,006,250) in 2016, net of cumulative deferred tax of P158,750 in 2017 and P168,750 in 2016.

c. Financial Assets

Particulars	As at December 31, 2017	As at December 31, 2016
Total Current Financial Assets	790,651,182	0
Total Non-Current Financial Assets	6,662,600,000	6,447,450,000
Total	**7,453,251,182**	**6,447,450,000**

7.2 Investment in Associates

Particulars	Percentage of Ownership	As at December 31, 2017	As at December 31, 2016
Gulf Oil Philippines, Inc.	35	54,978,000	54,978,000
Philippine Mining Development Corp.	36	45,000,000	45,000,000
Total		**99,978,000**	**99,978,000**

7.3 Investment in Subsidiaries

Particulars	Percentage of Ownership	As at December 31, 2017	As at December 31, 2016
Investment in operating subsidiaries			
PNOC Alternative Fuels Corporation (PAFC)	100	2,400,000,000	2,400,000,000
PNOC Exploration Corporation (PNOC- EC)	99.79	2,019,188,332	2,019,188,332
PNOC Renewables Corporation (PNOC- RC)	100	374,972,000	374,972,000

Particulars		As at December 31, 2017	As at December 31, 2016
PNOC Development & Management Corp. (PDMC)	98.08	65,614,724	65,614,724
Total Investment in operating subsidiaries		**4,859,775,056**	**4,859,775,056**
Investment in non-operating subsidiaries			
PNOC Coal Corporation (PCC)	100	427,067,950	427,067,950
PNOC Shipping and Transport Corporation (PSTC)	100	190,000,000	190,000,000
PNOC Oil Carriers, Inc.	100	101,615,343	101,615,343
PNOC Tankers Corporation	100	50,000,000	50,000,000
Total		**768,683,293**	**768,683,293**
Less: *Allowance for impairment of non-operating subsidiaries*		**(768,683,293)**	**(768,683,293)**
Total Investment in non-operating subsidiaries		**0**	**0**
Total Investment in Subsidiaries		**4,859,775,056**	**4,859,775,056**

PAFC and PDMC

On September 8, 2014, a Memorandum from then Executive Secretary was issued stating that the Governance Commission for GOCCs' (GCG) recommendation to abolish PAFC and PDMC has been approved. The GCG issued Memorandum Circular No. 2014-26 on the implementation of the abolition of PAFC and PDMC. The transition and turnover plan for PAFC and PDMC were submitted to the GCG in 2015 and the going concerns of PAFC and PDMC were continued and transitioned into PNOC in 2016 and is undergoing integration in PNOC's operations in 2017 in accordance with the Plan.

PSTC

On February 7, 2013, in the special PSTC stockholders' meeting joined by all the PNOC Board of Directors, the PNOC Board passed Resolution No. 2111, Series of 2013, approving the recommendation to shorten the corporate life of the PSTC effective March 15, 2013. This is to protect the interest of PNOC, as the sole stockholder, from the continued deterioration of the financial condition of PSTC. On March 6, 2013, PSTC filed the cessation of registration with the Bureau of Internal Revenue (BIR) effective March 15, 2013 to be able to be given a tax clearance as requirement to the SEC dissolution. On December 26, 2013, a Deed of Assignment of Assets and Assumption of Liabilities was executed between PSTC being the Assignor and PNOC as the Assignee.

PCC

The PCC ceased to operate effective May 31, 2002 due to continued losses. The PNOC Board under Board Resolution No. 1392, S'2002 shortened the corporate life of the company by amending its Articles of Incorporation. Its coal trading activities was absorbed by the PNOC Exploration Corporation (PNOC-EC) effective June 1, 2002. The account of PCC is still retained in PNOC books pending the order of Revocation of Registration from SEC.

PNOC Oil Carriers, Inc. / PNOC Tankers Corporation

In 2003, SEC issued a certificate for the revocation of the PNOC Oil Carriers, Inc. and PNOC Tankers Corporation, but the accounts of these corporations are retained pending receipt of the clearances from the BIR. PNOC has provided 100 percent allowance for impairment of its investment to the dissolved subsidiaries pursuant to Philippine Accounting Standards 36.

7.4 Other Investments

a. Reconciliation of Other Investments - Current

Other Investments - Current As at December 31, 2017		
Particulars	**Investment in Time Deposits**	**Total**
Beginning Balance as at January 1, 2017	1,166,038,628	1,166,038,628
Less: *Investments sold/collected*	(839,337,908)	(839,337,908)
Balance as at December 31, 2017	**326,700,720**	**326,700,720**

Other Investments - Current As at December 31, 2016		
Particulars	**Investment in Time Deposits**	**Total**
Beginning Balance as at January 1, 2016	292,336,000	292,336,000
Additional investments made	873,702,628	873,702,628
Balance as at December 31, 2016	**1,166,038,628**	**1,166,038,628**

b. Reconciliation of Other Investments – Non-Current

Particulars	As at December 31, 2017	As at December 31, 2016
Investment in Stocks		
PLDT Preferred Shares	179,100	179,100
Total Investment in Stocks	**179,100**	**179,100**
Other Investments		
Goodyear Philippines (11% - Percentage of Ownership)	96,453,350	96,453,350
Talisay Bioenergy Inc.	57,685,382	57,685,382
Allowance for Impairment- Talisay Bioenergy Inc.	(57,685,382)	(57,685,382)
Total Other Investments	**96,453,350**	**96,453,350**
Total	**96,632,450**	**96,632,450**

c. Other Investments

Particulars	As at December 31, 2017	As at December 31, 2016
Total Current Financial Assets	326,700,720	1,166,038,628
Total Non-Current Financial Assets	96,632,450	96,632,450
Total	**423,333,170**	**1,262,671,078**

8. RECEIVABLES

8.1 Loans and Receivables

Accounts	2017			2016		
	Current	Non-Current	Total	Current	Non-Current	Total
Accounts Receivable	0	66,178,947	66,178,947	0	62,436,175	62,436,175
Interests Receivable	58,892,010	0	58,892,010	45,657,500	0	45,657,500
Total	**58,892,010**	**66,178,947**	**125,070,957**	**45,657,500**	**62,436,175**	**108,093,675**

There were no securities held for each class of loans/receivables.

8.2 Aging/Analysis of Receivables

As at December 31, 2017

Accounts	Total	Not past due	Past due		
			< 30 days	30-60 days	> 60 days
Interests Receivable	58,892,010	0	18,773,606	12,882,293	27,236,111
Inter-Agency Receivables	1,346,417,458	1,065,320	489,472	107,651	1,344,755,015
Other Receivables	8,706,263	0	3,694,349	77,387	4,934,527
Total	**1,414,015,731**	**1,065,320**	**22,957,427**	**13,067,331**	**1,376,925,653**

8.3 Inter-Agency Receivables

Accounts	2017	2016
Due from Government Corporations	112,543,142	112,543,142
Due from Subsidiaries	1,472,668,027	1,491,920,594
Less: *Allowance for Impairment-Due from Subsidiaries*	(238,793,712)	(228,684,205)
Total	**1,346,417,457**	**1,375,779,531**

8.4 Other Receivables

Accounts	2017			2016		
	Current	Non-Current	Total	Current	Non-Current	Total
Due from Officers and Employees	7,694,821	0	7,694,821	8,019,576	0	8,019,576
Other Receivables	1,011,442	0	1,011,442	3,412,803	0	3,412,803
Total	**8,706,263**	**0**	**8,706,263**	**11,432,379**	**0**	**11,432,379**

8.5 Total Receivables

Particulars	As at December 31, 2017	As at December 31, 2016
Total Current Receivables	1,414,015,731	1,432,869,410
Total Non-Current Receivables	66,178,947	62,436,175
Total	**1,480,194,678**	**1,495,305,585**

9. BANKED GAS INVENTORY

Accounts	2017	2016
Inventory Held for Sale		
Carrying Amount, January 1	13,789,376,675	13,789,376,675
Total Carrying Amount, December 31	**13,789,376,675**	**13,789,376,675**

This account pertains to the banked gas bought by PNOC from the Department of Energy in September 2009 amounting to P14.4 billion which is equivalent to 108.6 Petajoules (PJ). The banked gas is an accumulation of the volume of natural gas that has been paid for but not yet taken by the Ilijan Power Plant of the National Power Corporation (NPC). The NPC and Power Sector Assets and Liabilities Management Corporation's (PSALM) entered into a Gas Sale and Purchase Agreement (GSPA) with SC 38 Consortium, whereby NPC is committed to take a minimum volume of gas every year or take-or-pay commitment. Any unconsumed gas, but has been paid for, goes to the banked gas. In November 2013, PSALM has drawn a total quantity of 4.605 PJ amounting to P610.6 million.

In March 2016, a Gas Sale Purchase Agreement between PNOC and Pilipinas Shell Petroleum Corporation (PSPC) was signed for the 6.324 PJ of banked gas. The start date of PSPC drawing the gas is June 2018 until February 2024.

As of December 31, 2017, the banked gas has a remaining volume of 103.995 PJ amounting to P13,789,376,675. The remaining volume of unsold/contracted banked gas after the PSPC gas sale is equivalent to 97.67PJ.

PNOC Board has approved two options to monetize the Banked Gas:

1) it is bundled with the establishment of the PNOC LNG Hub where the proponents have to include its monetization plan in their proposals; and

2) PNOC to offer the banked gas for sale to the public.

These two options are being undertaken simultaneously and whoever offers that is beneficial and advantageous to the government will be considered.

10. INVESTMENT PROPERTY

Particulars	2017			
	Investment Property-Land	Investment Property-Land Improvements	Investment Property-Buildings	Total
Carrying Amount, January 1	**11,334,950,207**	**1,577,044**	**52,793,955**	**11,389,321,206**
Additions/Acquisitions	0	556,893	6,297,927	6,854,820
Total	**11,334,950,207**	**2,133,937**	**59,091,882**	**11,396,176,026**
Disposals	(7,551,604)	0	0	(7,551,604)
Depreciation	0	(244,916)	(5,220,443)	(5,465,359)
Adjustment to Cost	(45,599,688)	0	0	(45,599,688)
Carrying Amount, December 31	**11,281,798,915**	**1,889,021**	**53,871,439**	**11,337,559,375**

Particulars	2017			
	Investment Property-Land	Investment Property-Land Improvements	Investment Property-Buildings	Total
Gross Cost	11,281,798,915	3,007,156	130,249,045	11,415,055,116
Accumulated Depreciation	0	(1,118,135)	(76,377,606)	(77,495,741)
Carrying Amount, December 31	**11,281,798,915**	**1,889,021**	**53,871,439**	**11,337,559,375**

Particulars	2016			
	Investment Property-Land	Investment Property-Land Improvements	Investment Property-Buildings	Total
Carrying Amount, January 1	**11,527,156,314**	**1,514,477**	**55,569,144**	**11,584,239,935**
Additions/Acquisitions	0	286,038	2,279,295	2,565,333
Total	**11,527,156,314**	**1,800,515**	**57,848,439**	**11,586,805,268**
Disposals	(2,560,000)	0	0	(2,560,000)
Depreciation	0	(223,471)	(5,054,484)	(5,277,955)
Transfers to Property and Equipment	(189,646,107)	0	0	(189,646,107)
Carrying Amount, December 31	**11,334,950,207**	**1,577,044**	**52,793,955**	**11,389,321,206**
Gross Cost	11,334,950,207	2,450,263	123,951,118	11,461,351,588
Accumulated Depreciation	0	(873,219)	(71,157,163)	(72,030,382)
Carrying Amount, December 31	**11,334,950,207**	**1,577,044**	**52,793,955**	**11,389,321,206**

The leases mostly contain a lease period of minimum of four years and maximum of 25 to 30 years. Upon expiration of the contract, the lease may be renewed upon the mutual agreement of the parties under such terms and conditions as may be agreed upon by them.

Investment property also includes the land and building in the Energy Center and eight properties conveyed by the National Development Company to PNOC as redemption of the preferred shares through a two-tranche dacion en pago.

Bulk of the properties was initially assessed by a third party appraiser in 2007 and 2008 and the fair value was treated as deemed cost.
Rental income earned from the investment properties amounted to P336,616,375 in 2017 and P306,822,812 in 2016.

Additions to Investment Property of P6,297,927 in 2017 pertains to improvements at PNOC Building 5 amounting to P6,194,380 and at Limay, Bataan amounting to P103,101 while the land improvements of P556,893 pertains to the putting up of perimeter fence in Bauan, Batangas.

During the year PNOC donated to Philippine Coast Guard the property (warehouse) in Anonas Street, Sta. Mesa Manila with a book value of P1,897,604. In 2016, PNOC sold two parcels of land costing P2,560,000 resulting to a gain amounting to P7,440,000.

Also in 2017, PNOC adjusted the cost of the land that resulted to a decrease amounting to P45,599,688.

The fair market value of investment properties amounted to P19,112,677,075 in 2017 and P15,644,490,849 in 2016.

11. PROPERTY AND EQUIPMENT

As at December 31, 2017

	Land	Land Improvements	Buildings and Other Structures	Machinery and Equipment	Total
Carrying Amount, January 1	**267,635,007**	**118,488**	**97,835,937**	**11,315,276**	**376,904,708**
Additions/Acquisitions	0	0	63,488,069	2,306,724	65,794,793
Total	**267,635,007**	**118,488**	**161,324,006**	**13,622,000**	**442,699,501**
Disposals	0	0	0	0	0
Depreciation	0	(21,016)	(16,373,731)	(6,189,710)	(22,584,457)
Adjustment	(66,567,600)	0	0	(702,243)	(67,269,843)
Carrying Amount, December 31	**201,067,407**	**97,472**	**144,950,275**	**6,730,047**	**352,845,201**
Gross Cost	**201,067,407**	**210,357**	**385,072,365**	**71,616,715**	**657,966,844**
Accumulated Depreciation	0	(112,885)	(240,122,090)	(64,886,668)	(305,121,643)
Carrying Amount, December 31	**201,067,407**	**97,472**	**144,950,275**	**6,730,047**	**352,845,201**

As at December 31, 2016

	Land	Land Improvements	Buildings and Other Structures	Machinery and Equipment	Total
Carrying Amount, January 1	**76,730,600**	**210,357**	**108,333,186**	**16,006,536**	**201,280,679**
Additions/Acquisitions	2,310,000	0	4,029,426	2,432,768	8,772,194
Total	**79,040,600**	**210,357**	**112,362,612**	**18,439,304**	**210,052,873**
Disposals	0	0	0	(118,819)	(118,819)
Depreciation	0	(91,869)	(14,474,594)	(7,060,894)	(21,627,357)
Adjustment	0	0	(52,081)	55,685	3,604
Reclassification from Investment Property	188,594,407	0	0	0	188,594,407
Carrying Amount, December 31	**267,635,007**	**118,488**	**97,835,937**	**11,315,276**	**376,904,708**
Gross Cost	**267,635,007**	**210,357**	**321,584,296**	**76,043,911**	**665,473,571**
Accumulated Depreciation	0	(91,869)	(223,748,359)	(64,728,635)	(288,568,863)
Carrying Amount, December 31	**267,635,007**	**118,488**	**97,835,937**	**11,315,276**	**376,904,708**

Construction in progress pertains to additions in Building and Other Structures represents improvements on the building amounting to P63,488,069 pertains mostly to the retrofitting of PNOC Building 6 amounting to P56,214,075.

During the year, PNOC decreased P66,567,600 to the cost of some land accounts. Also, the decrease of P702,243 was due to the adjustment in cost amounting to

P6,733,920 and accumulated depreciation amounting to P6,031,677 of the Machinery and Equipment.

As at December 31, 2017 and 2016, total cost of fully depreciated property and equipment still in use amounted to P55,200,314 and P46,867,742, respectively.

12. DEFERRED TAX ASSETS

	Tax effect of Temporary differences	Unrealized loss in AFS	Total
January 1, 2017	342,951,969	170,000	343,121,969
Charged to other comprehensive income for the year	0	(10,000)	(10,000)
Credited to profit or loss for the year	2,762,231	0	2,762,231
December 31, 2017	**345,714,200**	**160,000**	**345,874,200**

	Tax effect of Temporary differences	Unrealized loss in AFS	Total
January 1, 2016	331,083,983	175,000	331,258,983
Charged to other comprehensive income for the year	0	(5,000)	(5,000)
Credited to profit or loss for the year	11,867,986	0	11,867,986
December 31, 2016	**342,951,969**	**170,000**	**343,121,969**

13. OTHER ASSETS

Current and Non-Current Other Assets

Particulars	2017			2016		
	Current	Non-Current	Total	Current	Non-Current	Total
Advances	13,000	0	13,000	69,241	0	69,241
Prepayments	15,580,062	0	15,580,062	17,479,143	0	17,479,143
Deposits	194,848,440	0	194,848,440	181,807,240	0	181,807,240
Other Assets	256,265,110	328,877	256,593,987	266,207,785	328,877	266,536,662
Total	**466,706,612**	**328,877**	**467,035,489**	**465,563,409**	**328,877**	**465,892,286**

Other Assets includes the following:

	2017	2016
Deferred Charges	43,306,113	47,954,526
Other Assets	212,958,997	218,253,259
	256,265,110	**266,207,785**

Other assets is comprised mainly of prepaid interest on investment in bonds and deferred charges for the corresponding contracts payable for the Construction in Progress at Building 6.

14. FINANCIAL LIABILITIES

Particulars	2017	2016
Payables		
Accounts Payable	106,144,112	47,635,936
Due to Officers and Employees	1,371,068	1,007,838
Service Concession Arrangements Payable	41,340,957	191,500
Total	**148,856,137**	**48,835,274**

15. INTER-AGENCY PAYABLES

Particulars	2017	2016
Due to BIR	5,044,106	1,693,475
Due to GSIS	1,242,804	1,238,126
Due to Pag-IBIG	71,199	86,852
Due to PhilHealth	80,481	78,994
Total	**6,438,590**	**3,097,447**

16. TRUST LIABILITIES

Particulars	2017	2016
Trust Liabilities	181,976,610	179,107,750
Guaranty/Security Deposits Payable	22,688,660	23,033,424
Total	**204,665,270**	**202,141,174**

Trust liabilities pertain mainly to fund for the Decentralized Energy System (DES) Project.

17. OTHER PAYABLES

PNOC has payables to entities not classified as financial liabilities pertaining to:

Particulars	2017	2016
Unclaimed Balances	152,291	17,105
Dividends Payable	148,028,416	143,637,169
Other Payables	357,262	108,447
Total	**148,537,969**	**143,762,721**

Dividends payable pertains to the declared cash dividend to the National Government based on the Company's net earnings to be remitted on or before May 15, 2018. This is in compliance with the revised 2016 Implementing Rules and Regulations to Republic Act No. 7656 issued by the Department of Finance.

18. DEFERRED CREDITS/UNEARNED INCOME

Particulars	2017	2016
Other Deferred Credits	266,370,302	276,493,236
Total	**266,370,302**	**276,493,236**

19. PROVISIONS

Particulars	2017	2016
Leave Benefits Payable	26,281,650	24,202,909
Total	**26,281,650**	**24,202,909**

20. DEFERRED TAX LIABILITIES

	Revaluation Increment on Investment Property	Unrealized Gain in AFS	Accrued Rent Income	Total
January 1, 2017	2,788,081,981	1,250	77,675	2,788,160,906
Credited to profit or loss for the year	0	0	(75,695)	(75,695)
Credited to retained earnings for the year	(33,650,187)	0	0	(33,650,187)
December 31, 2017	**2,754,431,794**	**1,250**	**1,980**	**2,754,435,024**

	Revaluation Increment on Investment Property	Unrealized Gain in AFS	Accrued Rent Income	Total
January 1, 2016	2,788,777,981	1,250	0	2,788,779,231
(Credited) charged to other comprehensive income for the year	(696,000)	0	77,675	(618,325)
December 31, 2016	**2,788,081,981**	**1,250**	**77,675**	**2,788,160,906**

21. EQUITY

a. Capital Stock

The Company's authorized capital stock is divided into ten million no par value shares, of which two million shares were initially subscribed and paid for by the Government at P50 per share. The remaining shares may be subscribed and paid for by the Republic of the Philippines or by government financial institutions at no less than P50 a share.

From 1975 to 1988 additional shares of 6,029,191 were subscribed by the Government at P500 per share.

b. Retained Earnings

In compliance with Republic Act 7656, PNOC declared a total cash dividend of P148,028,416 for 2017 net earnings which is also the outstanding dividend payable due to the National Government as at December 31, 2017.

In 2016, PNOC declared a total cash dividend of P505,238,555, which includes the amount of P361,601,386 that was remitted directly to the Bureau of Treasury by PNOC subsidiaries: PNOC-EC of P359,601,386 and PDMC of P2,000,000.

22. BUSINESS INCOME

Particulars	2017	2016
Business Income		
Rent/Lease Income	336,616,375	306,822,812
Dividend Income	7,335,523	733,695,710
Interest Income	226,752,668	212,661,138
Total Business Income	**570,704,566**	**1,253,179,660**

23. PERSONNEL SERVICES

23.1 Salaries and Wages

Particulars	2017	2016
Salaries and Wages-Regular	54,644,815	50,069,211
Total	**54,644,815**	**50,069,211**

23.2 Other Compensation

Particulars	2017	2016
Personnel Economic Relief Allowance (PERA)	2,395,959	2,408,379
Representation Allowance (RA)	1,962,625	1,948,125
Transportation Allowance (TA)	1,062,500	1,154,250
Clothing/Uniform Allowance	510,000	510,000
Honoraria	5,891,608	6,934,028
Longevity Pay	70,000	40,000
Overtime and Night Pay	1,674,202	1,364,059
Year End Bonus	4,540,256	4,226,580
Cash Gift	501,000	510,000
Other Bonuses and Allowances	4,911,474	10,591,702
Total	**23,519,624**	**29,687,123**

23.3 Personnel Benefit Contributions

Particulars	2017	2016
Retirement and Life Insurance Premiums (GSIS)	6,386,158	5,979,898
Pag-IBIG Contributions	118,700	119,500
PhilHealth Contributions	463,475	457,350
Employees Compensation Insurance Premiums	118,800	120,600
Total	**7,087,133**	**6,677,348**

23.4 Other Personnel Benefits

Particulars	2017	2016
Retirement Gratuity	210,726	0
Terminal Leave Benefits	6,392,961	5,877,250
Other Personnel Benefits	118,056	33,978
Total	**6,721,743**	**5,911,228**

24. MAINTENANCE AND OTHER OPERATING EXPENSES

24.1 Traveling Expenses

Particulars	2017	2016
Traveling Expenses-Local	1,440,628	1,244,866
Traveling Expenses-Foreign	1,546,931	1,207,946
Total	**2,987,559**	**2,452,812**

24.2 Training and Scholarship Expenses

Particulars	2017	2016
Training Expenses	2,021,819	2,359,214
Total	**2,021,819**	**2,359,214**

24.3 Supplies and Materials Expenses

Particulars	2017	2016
Office Supplies Expenses	475,138	440,858
Medical, Dental and Laboratory Supplies Expenses	442,240	32,106
Fuel, Oil and Lubricants Expenses	2,182,011	1,794,422
Semi-Expendable Machinery and Equipment Expenses	29,281	0
Semi-Expendable Furniture, Fixtures and Books Expenses	21,408	0
Other Supplies and Materials Expenses	2,065,096	2,097,220
Total	**5,215,174**	**4,364,606**

24.4 Utility Expenses

Particulars	2017	2016
Water Expenses	738,964	852,379
Electricity Expenses	8,451,696	8,915,005
Total	**9,190,660**	**9,767,384**

24.5 Communication Expenses

Particulars	2017	2016
Postage and Courier Services	66,154	51,368
Telephone Expenses	3,096,587	2,782,124
Internet Subscription Expenses	1,221,780	1,100,549
Cable, Satellite, Telegraph and Radio Expenses	89,210	110,258
Total	**4,473,731**	**4,044,299**

24.6 Confidential, Intelligence and Extraordinary Expenses

Particulars	2017	2016
Confidential Expenses	0	0
Intelligence Expenses	0	0
Extraordinary and Miscellaneous Expenses	227,721	0
Total	**227,721**	**0**

24.7 Professional Services

Particulars	2017	2016
Legal Services	1,899,000	1,939,000
Auditing Services	2,656,931	2,045,517
Consultancy Services	1,613,911	11,382,891
Other Professional Services	4,508,970	2,395,802
Total	**10,678,812**	**17,763,210**

24.8 General Services

Particulars	2017	2016
Janitorial Services	7,025,308	6,513,127
Security Services	16,321,507	18,074,488
Other General Services	11,751,047	9,046,303
Total	**35,097,862**	**33,633,918**

24.9 Repairs and Maintenance

Particulars	2017	2016
Repairs and Maintenance-Buildings and Other Structures	1,712,449	1,412,058
Repairs and Maintenance-Transportation Equipment	1,157,777	626,663
Repairs and Maintenance-Furniture and Fixtures	1,134,512	743,434
Total	**4,004,738**	**2,782,155**

24.10 Taxes, Insurance Premiums and Other Fees

Particulars	2017	2016
Taxes, Duties and Licenses	10,212,585	9,404,909
Fidelity Bond Premiums	136,525	86,949
Insurance Expenses	5,033,893	5,374,026
Total	**15,383,003**	**14,865,884**

24.11 Other Maintenance and Operating Expenses

Particulars	2017	2016
Advertising Expenses	1,206,922	1,154,079
Printing and Publication Expenses	454,718	385,993
Representation Expenses	6,257,064	7,026,859
Rent/Lease Expenses	0	24,199
Membership Dues and Contributions to Organizations	320,359	317,217
Subscription Expenses	108,109	218,402
Donations	1,897,604	0
Directors and Committee Members' Fees	3,900,000	1,952,000
Documentary Stamps Expenses	330	0
Other Maintenance and Operating Expenses	18,471,609	20,256,087
Total	**32,616,715**	**31,334,836**

25. FINANCIAL EXPENSES

Particulars	2017	2016
Bank Charges	**2,024,903**	1,408,096
Total	**2,024,903**	**1,408,096**

26. NON-CASH EXPENSES

26.1 Depreciation

Particulars	2017	2016
Depreciation-Investment Property	5,465,359	5,277,955
Depreciation-Land Improvements	21,016	91,869
Depreciation-Buildings and Other Structures	16,373,731	14,474,594
Depreciation-Machinery and Equipment	67,680	122,374
Depreciation-Transportation Equipment	3,468,565	3,594,012
Depreciation-Furniture, Fixtures and Books	2,653,465	3,344,508
Total	**28,049,816**	**26,905,312**

26.2 Impairment Loss

Particulars	2017	2016
Impairment Loss-Loans and Receivables	10,109,507	41,742,016
Total	**10,109,507**	**41,742,016**

27. NON-OPERATING INCOME, GAIN OR LOSSES

27.1 Non-Operating Income/Gain

Particulars	2017	2016
Gain on Foreign Exchange (FOREX)	222	7,448
Gain on Sale of Property and Equipment	0	7,440,000
Other Non-Operating Income	1,022,578	2,187,530
Total	**1,022,800**	**9,634,978**

Other Non-Operating Income pertains to the following Miscellaneous Income:

Particulars	2017	2016
Proceeds from Insurance Claim	**0**	472,755
Other Miscellaneous Income	1,022,578	1,714,775
Total	**1,022,578**	**2,187,530**

27.2 Non-Operating Losses

Particulars	2017	2016
Loss on Sale of Investment Property	1,799,000	0
Other Losses	1,317,196	264,891
Total	**3,116,196**	**264,891**

28. INCOME TAX EXPENSE (BENEFIT)

Particulars	2017	2016
Current Income Tax	28,162,034	20,532,311
Deferred Income Tax	(2,837,926)	(12,486,311)
Total	**25,324,108**	**8,046,000**

29. RECONCILIATION OF NET CASH FLOWS FROM OPERATING ACTIVITIES TO PROFIT/(LOSS)

Particulars	2017	2016
Profit after Tax	289,371,727	968,780,095
Non-cash Income/Expenses:		
Depreciation	28,049,817	26,905,312
Increase in Impairment Losses	10,109,507	41,742,016
Loss (gain) on sale of investment property	1,799,000	(7,440,000)
Donated property	1,897,604	0
Increase in investment due to revaluation	(140,000)	(45,000)
Other non-cash income	(4,592,479)	(365,141,429)
Other non-cash expenses	1,317,195	264,891
Income credited to investing activities	(218,672,394)	(593,970,976)
Increase in Current Liabilities*	254,425,840	149,946,117
Decrease in Current Assets*	54,095,749	137,557,725
Decrease in Current Liabilities*	(143,764,801)	(285,204,635)
Increase in Current Assets*	(132,397,805)	(6,596,326)
Net Cash Flows from Operating Activities	**141,498,960**	**66,797,790**

** Except for Non-operating Current Assets and Current Liabilities*

30. RELATED PARTY TRANSACTIONS

30.1 Key Management Personnel

The key management personnel of PNOC are the President and Chief Executive Officer (CEO), the Members of the Board of Directors (BOD), and the Members of the Management Committee.

Board of Directors

Section 15 of Republic Act No. 10149, or the GOCC Governance Act of 2011, as well Section 12 of GCG Memorandum Circular No. 2012-07, or the Code of Corporate Governance, provide that all appointive directors in GOCCs and their Subsidiaries shall be appointed by the President of the Philippines from a shortlist prepared by the GCG. The BOD is responsible for the overall management and direction of the company. The BOD meets on a regular monthly basis to review and monitor PNOC's operations.

Members of the Governing Board are as follows:

Ex Officio Chairman	-	Energy Secretary Alfonso G. Cusi
President and CEO	-	Adm. Reuben S. Lista (Ret.)
Director	-	Hermann Roy M. Atienza
Director	-	Adolf P. Borje
Director	-	Marvel C. Clavecilla
Director	-	Bruce S. Concepcion
Director	-	Jonas Guy S. de Leon
Director	-	Ramon Victor Antonio B. Mitra
Director	-	Rex V. Tantiongco

Term of Office

Section 17 of Republic Act No. 10149, or the GOCC Governance Act of 2011, as well as Section 14 of GCG Memorandum Circular No. 2012-07, or the Code of Corporate Governance, provide that any provision in the charters of each GOCC to the contrary notwithstanding, the term of office of each Appointive Director shall be for one year, unless sooner removed for cause; provided, however, that the Appointive Director shall continue to hold office until the successor is appointed.

Senior Management

PNOC's senior officers are regular employees of the Company and are remunerated with a compensation package comprising of 12 months base pay plus the statutory mid-year bonus and 13th month pay.

The Company's executive officers are as follows:

President and Chief Executive Officer	-	Adm. Reuben S. Lista (Ret.)
Senior Vice President for Management Services	-	Glenda G. Martinez
Senior Vice President for Legal, Administrative and Estate Management Services	-	Atty. Graciela M. Barleta
Manager, Accounting Department	-	Evangeline B. Albaytar
Manager, Treasury Department	-	Carina U. Matutina
Manager, Administrative Services Department	-	Lino Gerardo G. Calaor
Manager, Legal Department	-	Atty. Joycelyn S. Manuel
Manager, Estate Management Department	-	Atty. Efren A. Legaspi
OIC-Manager, Corporate Planning Department	-	Glenda G. Martinez
OIC Manager, Project Management Department	-	Adalia L. Endaya
OIC Manager, Internal Control Office	-	Carmelita M. Orpilla

30.2 Key Management Personnel Compensation

The aggregate remuneration of the Members of the BOD and the Management Committee are:

Particulars	Aggregate Remuneration
Salaries and Wages	9,628,283
Other Compensation	8,141,025
Total	**17,769,308**

31. REORGANIZATION PROGRAM

As of December 31, 2016, the PNOC Rationalization Program has been shelved and a Reorganization Program is being put in place as mandated by the Governance Commission for GOCC's (GCG) for PNOC to take on the operations of two of its subsidiaries and likewise transform the organization into an operating company.

The Development Academy of the Philippines (DAP) was engaged in September 2015 for the preparation of the new table of organization. The DAP submitted the final recommended PNOC Organizational Structure on March 11, 2016. However, with the change in leadership and administration of PNOC that occurred by the end of the first quarter of 2016, a shift in major assumptions necessitated the total revision of the proposed organization structure recommended by DAP. Thereafter, the final PNOC Organizational Structure consisting of 184 plantilla positions was finally completed and approved by the Board of Directors in November 2016. The entire Reorganization Plan with all its corresponding annexes was submitted to GCG on 20 December 2016.

On September 28, 2017, representatives from the GCG called for a meeting with PNOC Change Management Team for the validation of data/facts and figures on the submitted Reorganization Plan. The GCG team required the Department Managers/Heads of Units and Offices to clarify matters on the proposed manpower requirements, job descriptions/qualifications and the projected workloads under the proposed PNOC Table of Organization.

PNOC resubmitted its Reorganization to GCG taking into consideration the additional requirements of GCG. In October 2017, GCG representatives conducted an on-site evaluation and validation of the PNOC's proposed manpower complement vis-à-vis workload requirements of the departments/offices.

The implementation of the Compensation and Position Classification System under Executive Order 203 series of 2016 was suspended under E.O. 36 series of 2017. Subsequently, PNOC revised and submitted in December 2017 its staffing pattern in compliance with the requirement to adopt the modified Salary Schedule–SSL IV as contained in GCG Memorandum Circular 2017-03.

To date, PNOC is awaiting GCG's approval of its Reorganization Plan.

32. CONTINGENCIES

**1) Bayan Muna Party List Representative et. al.
vs. PGMA, DENR, DOE, PNOC, PNOC-EC et.al.**

G.R. No. 181702, 181703 & 182734
Supreme Court
For: Petition for Certiorari and Prohibition with Application for Temporary Restraining Order

This is a petition filed last June 2008 by members of the party list representatives and other Congressmen to have the Joint Venture Marine Seismic Undertaking (JSMU) among CNOOC, PNOC and Petro Vietnam, to be declared unconstitutional for violation of Section 17, Article XII of the Constitution and to enjoin the parties from further implementation of the agreement.

The case is submitted for decision.

Status: Awaiting for the resolution of the Supreme Court.

2) Voltaire Rovira vs. PNOC
Civil Case No. 5947
RTC Branch 5, Iligan City
For: Specific Performance and Damages

On January 14, 2014, PNOC received a copy of the RTC decision dated November 18, 2013, ordering plaintiff Voltaire Rovira to pay PNOC the remaining balance of the VAP loan amounting to P434,254.17, without any interest; and ordering PNOC to pay the travel and hotel expenses of plaintiff Rovira amounting to P34,701.49. Plaintiff Rovira filed Notice of Appeal. PNOC on the other hand filed a Motion for Partial Reconsideration of the Decision as the full amount of damages prayed for was not awarded by the court.

On January 20, 2015, the RTC issued Order granting PNOC's Motion for Partial Reconsideration. Voltaire Rovira filed Notice of Appeal.

On December 2, 2015, the Court of Appeals issued Notice to File Brief. On March 21, 2016, Rovira filed his Appelant's Brief and on August 25, 2016, PNOC filed the Appellee's Brief.

Status: Per Court of Appeals resolution dated December 6, 2016, the court denied Rovira's Motion for Extension to file Appellant's Reply. The case is now considered submitted for decision.

3) Keppel Philippines Holdings, Inc. vs. PNOC/PDEC
Civil Case No. 7364
RTC Branch 84
Batangas City
For: Specific Performance

PNOC/PDEC vs. Keppel Philippines Holdings, Inc.
CA G.R. CV No. 86830
Court of Appeals, Manila
For: Petition for Review

PNOC/PDEC vs. Keppel Philippines Holdings, Inc.
G.R. No. 202050
Supreme Court
For: Petition for Review on Certiorari
Handling Counsel: OSG

The Court of Appeals issued resolution affirming RTC decision. A Motion for Reconsideration was filed but it was denied by the CA. PNOC filed an appeal thru Petition for Review on Certiorari last July 16, 2012 with the Supreme Court.

On July 25, 2016, a decision was rendered by the Supreme Court to wit:

"In view of the foregoing, the Court AFFIRMS the decision dated 19 December 2011 and the resolution dated 14 May 2012 of the CA in CA-G.R. CV No. 86830 insofar as these rulings uphold the respondent Keppel Philippines Holding, Inc.'s option to buy the land, and REMANDS the case to the Regional Trial Court of Batangas City Branch 84, for the determination of whether the respondent Keppel Philippines Holdings, Inc., meets the required Filipino equity ownership and proportion in accordance with the Court's ruling in Gamboa vs. Teves, to allow it to require full title to the land".

On September 14, 2016, PNOC filed a Motion for Reconsideration on the July 25, 2016 decision of the Supreme Court. On November 16, 2016, the Supreme Court issued a resolution denying with finality the motion for reconsideration filed by PNOC.

Keppel Philippine Holdings, Inc. filed in the Supreme Court a Motion for Entry of Judgment dated February 17, 2017, and prays for the court to Order the immediate entry of judgment in this case. On the other hand, the RTC Branch 84, Batangas City set the hearing of the case for the determination of Keppels' equity ownership. Meanwhile Keppel filed a Motion for the Issuance of the Writ of Execution.

Status: On May 10, 2017, RTC heard on Keppel's Motion for Issuance of the Writ of Execution. No Notice of hearing for the May 10, 2017 was received by PNOC. Per court information, the Judge during the said hearing has ordered PNOC to file its Comments on the motion filed by Keppel within 15 days from receipt of the order. During the scheduled May 11, 2017 hearing of the determination of Keppel's equity, no representatives from Keppel attended the hearing. PNOC counsel from OSG and PNOC RC Lawyers manifested in court other issues to be resolved by the RTC before going through with the execution of the SC decision and likewise clarifies the May 10 hearing to which no notice of hearing has been issued. The Presiding Judge ordered PNOC counsel and PNOC RC counsel to file their written manifestation and motion in court. The next hearing was set on June 20, 22 and July 18, 2017 at 8:30am on the determination of Keppels' equity ownership. Continuation of hearing on respondent equity ownership was reset on December 1, 2017 for determination of Keppel's equity ownership.

On December 14, 2017, notice was sent that Continuation of Hearing on Respondent's Equity Ownership is set on January 30, 2018 at 9:30 am.

4) Republic of the Philippines (represented by DPWH) vs. Spouses Manuel T. Lim, PNOC et. al.
Civil Case No. CEB-25019
RTC Branch 13, Cebu City
CA – G.R. CEB SP No. 08474
For: Expropriation
Handling Counsel: PNOC Legal

DPWH Regional Office, Cebu expropriated certain parcels of land near Archbishop Reyes Avenue in Cebu City. One of the properties affected by the expropriation is the portion of the lot owned by PNOC. The court issued an Order directing plaintiff DPWH to pay the fair market value of the expropriated lots. DPWH deposited in the Clerk of Court, Regional Trial Court Branch VII of Cebu City, the partial payment of the just compensation for PNOC in the amount of P1,608.983.25. The said amount has been released to PNOC on July 23, 2010.

On September 2, 2015, PNOC informed DPWH Cebu on the availability of the Transfer Certificate of Title of PNOC with annotation of the RTC decision of the expropriated portion in favor of DPWH. Likewise, PNOC requested DPWH Regional Office, Cebu to pay PNOC the remaining balance of the just compensation. Several follow-up with the counsel of DPWH was made in August 2016. A follow-up letter was sent by PNOC to Atty. Brando Ray P. Raya, Chief Legal of DPWH Regional Office Cebu, demanding payment of the remaining balance of the just compensation.

On DPWH reply letter dated February 7, 2017, DPWH informed PNOC that the remaining balance of the just compensation amounting to P2,014,716.75 was already deposited in RTC Branch 13, Cebu City. Notice was sent on June 28, 2017 that the new address of Counsel for Faithope Development Corporation, Girlie Young, is 38, Lincoln Street, Cebu City.

Status: PNOC filed a Motion for the Release in favor of PNOC the balance of the just compensation. The said motion is set for hearing on May 17, 2017.

Decision has already become final and executory with respect to movant PNOC and plaintiff interposes no objection to PNOC's Motion to Release the balance of the Just Compensation deposited in RTC.

In December 2017, a Landbank of the Philippines-Cebu Capitol Branch Check was issued by Department of Public Works and Highways (DPWH) amounting to P2,014,716.75 representing the second and full payment of a 275 sq.m. parcel of land expropriated by the DPWH.

5) Application for Original Registration of Titles of Five Parcels of Lots located in Bauan, Batangas

Cadastral Case (LRC Case No. N-1772)
RTC Branch VII, Batangas City
For: Application for Original Registration of Title pursuant to the provisions of the Property Registration Decree

CA G.R. No. CV-101876
Special First Division
Court of Appeals, Manila
Handling Counsel: PNOC Legal and OSG

RTC issued an order denying the Petition. PNOC filed a Motion for Reconsideration but was denied by the RTC. On December 4, 2013, PNOC filed a Notice of Appeal of the RTC decision.

On appeal to the Court of Appeals. Parties filed their respective Briefs at the Court of Appeals.

Status: Waiting for further notice/resolution from the Court of Appeals.

6) PNOC vs. Antonio Bulatao

Civil Case No. 9292

RTC, Tarlac City
For: Ejectment

C.A GR. SP No. 134642
Court of Appeals
12th Division, Manila

G.R. No. 228128
Third Division
Supreme Court

For: Petition for Review on Certiorari
Handling Counsel: PNOC Legal / OSG
The defendant is one of the illegal dwellers occupying the lot owned by PNOC located in Brgy. Salapungan, Tarlac City. PNOC gave the defendant an opportunity to purchase the lot at the market price of 2,700 per sq.m. but the defendant offered only to buy the lot he occupied for 300 per sq.m. After several negotiations and time extension, the defendant was not able to purchase the portion of the lot the defendant occupied. Hence, PNOC was constrained to demand to vacate the lot, and for failure of the defendant to vacate the premises. PNOC filed this Ejectment complaint on September 7, 2010. Judgment was issued by MTC in favor of PNOC. Defendant appealed the case to the RTC but it was denied by the court.

On March 12, 2014, Antonio Bulatao filed before the Court of Appeals a Petition for Review praying for the reversal of the decision of the RTC. On March 21, 2016, the Court of Appeals issued a decision denying Antonio Bulatao's petition and affirming the decision of the lower court in favor of PNOC.

Antonio Bulatao filed Motion for Reconsideration on April 14, 2016. On June 27, 2016, PNOC filed its Comment on the Motion for Reconsideration. On October 6, 2016, the Court of Appeals issued a resolution denying for lack of merit the Motion for Reconsideration filed by Antonio Bulatao.

Antonio Bulatao filed a Petition for Review on Certiorari before the Supreme Court. A copy of the said Petition was received by the OSG on December 8, 2016.

Status: Awaiting for notice/order from the Supreme Court to file comments.

7) PNOC vs. Mamerto Espina and Flor Penaranda
Civil Case No. 3670-0
Civil Case 3394-0
RTC Branch 35, Ormoc City
For: Expropriation
Handling Counsel: OSG

On August 14, 2013, the court issued decision on the just compensation of the consolidated cases. Just compensation in Civil Case No. 3394-0 is valued at P100 per sq.m. while in Civil Case No. 3670-0, just compensation is valued at P85 per sq.m. PNOC filed a motion for reconsideration contesting the higher valuation of the court.

On September 16, 2015, the RTC issued an Order denying the motion for reconsideration filed by PNOC. On October 15, 2015, PNOC filed Notice of Appeal. On appeal to the Court of Appeals. On November 21, 2016, PNOC received copy of the Notice to File Appellant's Brief from the Court of Appeals.

On December 5, 2016, PNOC filed a Compliance notifying the court that there was no other case on file involving the same parties and issues.

Status: PNOC filed Appellants Brief on April 4, 2017.

8) PNOC vs. Willie Vestil
Civil Case No. 3298-0
RTC Branch 35, Ormoc City
For: Expropriation
Handling Counsel: OSG

PNOC filed a motion/manifestation informing the court that the subject lot is a forest land and prayed that the determination of just compensation as well as any further proceedings be held in abeyance. The Court issued an order for the defendant Willie Vestil to comment on PNOC's motion however, the defendant did not file any comments. The trial court granted PNOC's manifestation and motion to hold proceedings in abeyance.

Status: Proceeding held in abeyance.

9) PNOC vs. Margie Leila Maglasang
Civil Case No. 3298
RTC Branch 12, Ormoc City
For: Expropriation
Handling Counsel: OSG

On November 14, 2014, the court issued an order granting the Motion to Discharge Commissioner Clinton Nuevo as member of the Board of Commissioners and directed the parties to submit nominee to substitute Board Commissioner Nuevo.

On March 6, 2015, PNOC filed manifestation and motion nominating the Provincial Assessor of Leyte or any of its representatives to be the nominee.

On May 8, 2015, the RTC issued order appointing Atty. Ma. Pamela Oliver, Clerk of Court of the Office of the Clerk of Court, RTC Ormoc City, as new member of the Board Commissioner which PNOC opposed on its Opposition filed on July 13, 2015.

On May 10, 2016, PNOC received a copy of the Order of the court appointing Atty. Francis Pepito, City Administrator of Ormoc City as the new Chairman of the Board of Commissioner. On June 23, 2016, the appointment of Atty. Pepito has been confirmed by the court.

Status: The case is still at the trial stage for the determination by the Board of Commissioners of the just compensation on the expropriated lot. In an Order dated December 9, 2016, the trial court appointed Atty. Allan Castro as new Chairman of the Board of Commissioners. He took his oath of office on May 12, 2017.

10) PNOC vs. Heirs of Flaviano Maglasang
Civil Case No. 3268-0
RTC Branch 35, Ormoc City
For: Expropriation
Handling Counsel: OSG

The case is still at the trial stage for the determination of the amount of just compensation. Another issue raised by PNOC is the correction of exact area being expropriated as although the complaint alleges that the total area of the subject lot is 33,044 sq.m. as appearing on the tax declaration, subsequent relocation surveys shows that the subject land only has an actual area of 19,296 sq.m.

During the March 6, 2015 hearing, the Board Commissioner directed the parties to submit the respective Addendum to the Position Paper within 60 days from receipt of the Order if any, and thereafter the case shall be deemed submitted for resolution.

Likewise, an ocular inspection was conducted by the Board Commissioners on the subject property last May 12, 2015.

On February 29, 2016, the Board Commissioner issued a Commissioner's Report determining the amount of just compensation on the expropriated lot at P300 per sq.m.

On July 26, 2016, PNOC filed a manifestation and motion to hold in abeyance the time within which PNOC would file its Comments on the Commissioner's Report pending the resolution by the court on the pending motions particularly the resolution of the court on the correct total area expropriated.

Status:

Hearing of Report was called on October 24, 2017 which Counsel for PNOC failed to attend. PNOC filed a motion for extension of time to file a comment which the Court has granted on October 25, 2017. Upon expiration of period granted to PNOC, with or without the comment, Court will resolve the issue. Thereafter, Commissioner's Report is submitted for the court's resolution.

On December 1, 2017, PNOC's several Motions for Extension were denied, after two prior similar Motions have been granted. Commissioner's Report is submitted for the court's resolution.

11) PNOC vs. Flasalie Maglasang
Civil Case No. 3276
RTC Branch 35, Ormoc City
For: Expropriation
Handling Counsel: OSG

PNOC paid the just compensation plus six percent interest. Thereafter, the court issued an order of the full settlement of the case last July 2, 2013.

Pending issue: PNOC to withdraw from the PNB Ormoc City Branch the initial deposit of just compensation deposited in the name of Flasalie Maglasang in December 1994 amounting to P104,750 plus interest.

On May 8, 2015, the RTC issued Order granting PNOC's Motion directing the PNB Ormoc City Branch to release to the plaintiff the amount of P104,750 plus accrued interest thereon.

On October 16, 2015, PNOC issued letter to PNB Ormoc City Branch with attached copy of the court order dated May 8, 2015 for the release of the bank deposit. Initially, the Branch Manager of PNB Ormoc City informed PNOC that they will consult their Legal Department at the PNB Head Office in Manila before the release of the subject deposit.

On November 2, 2016, a follow-up letter requesting for update was sent by PNOC to PNB Ormoc City.

Status: Waiting for PNB reply. A follow-up has been made last April 25 and 26, 2017 at the PNB Ormoc City. For further follow-up of release of deposit per court order.

12) PNOC vs. Sps. Celso Garilva and Anita Garilva
Civil Case No. 1141
RTC Branch 62, Bago City
For: Expropriation
Handling Counsel: OSG

The Board of Commissioners submitted the Commissioners Report to the trial court recommending the value of the just compensation of the subject lot consisting of 26,898.35 sq.m. at P335,040 per hectare or a total of P901,202.32.

On November 19, 2015, the court issued Decision ordering PNOC to wit:
1) Pay the remaining balance of the just compensation in the amount of P739,812.22;
2) Pay the Commissioners fee at P45,000 each as Honorarium Fees; and
3) Reimburse the Commissioners the amount of P15,000 for the expenses they incurred in the performance of their duties.

Status: Waiting for the execution of judgment.

13) PNOC and PNOC EDC vs. Pablita Maputi, et. al.
Civil Case No. 9787
RTC Branch 42, Dumaguete City
CA G.R CV-No. 02912
Court of Appeals, Cebu City
For: Expropriation
Handling Counsel: OSG

On February 17, 2013, the Court of Appeals issued a resolution affirming with modification the decision of the RTC. The amount of just compensation was set at P1,470,733.43 with interest at six percent per annum from November 8, 1990 until fully paid.

Pablita Maputi filed a Motion for Reconsideration and on July 2, 2015, the Court of Appeals issued resolution denying the motion for reconsideration.

On January 11, 2016, the Court of Appeals issued Resolution declaring the case to have attained its finality and Entry of Judgment was issued declaring the February 27, 2013 decision final and executory on August 23, 2015. The records of the case have been remanded by the Court of Appeals to the RTC Branch 42, Dumaguete City for execution of the final judgment. A Motion for the Issuance of the Writ of Execution has been filed by Pablita Maputi's counsel.During the September 26, 2016 hearing of the motion for issuance of writ of execution, PNOC submitted a motion and the manifestation and motion earlier filed by OSG impleading Energy Development Corporation (EDC) as another plaintiff in this case.

On October 4, 2016, PNOC received a copy of the court order for Pablita Maputi to file its Comments on the Motions filed by PNOC. On October 17, 2016, EDC counsels from Puno and Puno Law Office entered their appearance on the case.

A Motion for Issuance of the Writ of Execution was filed by Pablita Maputi. During the hearing on March 3, 2017 of the Motion for Issuance of the Writ of Execution, PNOC manifested in court that it should be EDC, the co-plaintiff in this case, that should be held liable to pay the just compensation due to the defendants.

On March 9, 2017, the RTC issued an Order denying the motion and manifestation of PNOC counsel and ordered both parties EDC and PNOC to be liable on the judgment obligation.

PNOC filed a Motion for Reconsideration.

The RTC issued an Order dated April 21, 2017, holding in abeyance the implementation of the writ of execution until May 22, 2017, in order for both PNOC and EDC to discuss and for them to inform the Court where the Sheriff can proceed in order to implement the writ of execution. EDC also moved for an additional 30 days or until August 20, 2017 to submit the settlement agreement or to submit its Comment/Opposition to PNOC's Motion for Reconsideration. Hearing on PNOC's MR was set on August 18, 2017.

Another hearing was set on November 13, 2017 requesting RTC to rule on the Manifestation and Motion submitted by Counsel for defendants that surviving legal heirs are Pablita Maputi, Elisa Tubo and Zita Mariño and that any payment of any check to satisfy the decision of the case fixing the just compensation be made in their names. Awaiting Writ of Execution.

In the hearing on 18 December 2017, noting that name authorized to receive check must be any of the three parties, Atty. Alfredo A. Orquillas Jr. was required to submit Special Power of Attorney from either of the two obliges and was given five days from receipt of Order within which to amend his motion and compliance.

The motion for extension of time to file an amended motion and compliance was granted. The defendants are given a period until January 8, 2018 to file the said motion.

Status: The RTC issued an Order stating that a writ of execution has already been issued in this case. It also noted the manifestation of the defendants that co-defendant Zita Marino (Oliverio) is appointed as attorney-in-fact of co-defendants Pablita Maputi and Eliza Tubo, authorized to receive the check in their behalf from the plaintiffs. It also reminded the Sheriff to take note of the increments in the interest in his computation.

14) PNOC and PNOC EDC vs. Jessie Manahon Toting, et. al.
Civil Case No. 10148
RTC Branch 40, Dumaguete City
CA G.R. CV-No. 02958
Court of Appeals, Cebu City
For: Expropriation
Handling counsel: OSG

The subject lot was determined as part of timberland and only damages was awarded by the court to the defendants in the amount of P64,192 plus 12% interest. Defendant appealed the case to the Court of Appeals but subsequently been denied by the CA. Thereafter a Motion for Reconsideration has been filed by the appellants.

On March 14, 2014, the Court of Appeals issued resolution denying the Motion for Reconsideration. Entry of Judgment was issued on April 22, 2014.

Based on the follow up made at the RTC Branch 40 on September 27, 2016, PNOC was informed that the records of the case have already been remanded by the Court of Appeals to the RTC and that the RTC has already issued Notice to the parties. Upon verification of the records, it was discovered that a copy of the Notice intended for PNOC-EDC was returned unserved due to change of address. No copy was sent to PNOC. The court personnel explained that they are waiting for the parties to move for the execution of the final judgment of the case.

Status: For execution of the final judgment. The defendant has not yet filed any motion to execute the final judgment.

15) PNOC vs. Sps. Dominador and Minerva Samson and Tongonan Holdings & Development Corporation (THDC)
Civil Case No. 3392-0
RTC Branch 35, Ormoc City
For: Expropriation
Handling Counsel: OSG

Payment of judgment obligation in the total amount of P63,856,152.86 last September 6, 2010, was effected by virtue of a court order of garnishment of PNOC account at the Land Bank of the Philippines.

Pending Issues to be resolved by RTC:

1. PNOC's Motion for Reconsideration on the order of the court lifting the order of Garnishment of EDC's account and dismissing all claims of PNOC against EDC;

2. PNOC's Urgent Motion to lift the Notice of Levy annotated on the TCTs of PNOC properties located in Tacloban City;

3. Tongonan Holdings Urgent Motion (THDC) seeking the issuance of an order directing the sheriff to re-compute the judgment award in its favor and demand the difference from PNOC. PNOC filed its opposition on this Motion on February 7, 2013. (THDC demands that 12% instead of six percent interest from the time of finality of judgment or from March 2005 until full payment should had been computed by the Sheriff. Per THDC allegation, PNOC still owes not less than P11 million to them. PNOC opposed the said Motion during the last hearing.)

Awaiting court resolution on the pending motions. Latest issue resolved by the court under this case is that between the defendant and their counsel on the issue of the attorney's fees.

Status: During the clarificatory hearing last April 26, 2017, the Presiding Judge requested the parties to inform the court of the supervening events in this case that would affect the resolution of the issue subject of the Motion for Reconsideration. PNOC raised the pendency of the Petition for Review on Certiorari in the Supreme Court praying EDC's liability on the case. The presiding judge noted the manifestation and undertook to review the records and resolve the pending issues.

Defendant- Intervenor filed a Motion for Reconsideration of RTC's Omnibus Order dated 31 May 2017 (received by the clerk of Court on July 4, 2017) and prayed to hold in abeyance the turning over of the owner's copies of the TCTs and the annotating of the said Order while the following issues are still pending:

1. Whether the correct amount of interest has already been collected (principle of just compensation)
2. Due process – motions covered by the Order were not served on Defendant-Intervenor when TCTs are in its name nor was the latter present when those motions were litigated.

RTC accorded PNOC and EDC filing of their respective comment on the motion (EDC on the motion re: May 31, 2017 Order) within 10 days from receipt of the Order (August 3, 2017). Hearing was scheduled on October 6, 2017 at 8:30 am.

16) PNOC vs. Judge Apolinario Buaya, Tongonan Holdings Development Corporation (THDC) and EDC

CA G.R. No. 05247
Court of Appeals, Cebu
For: Petition for Certiorari (with Application for Temporary Restraining Order and/or Preliminary Injunction)
G.R. No. 228591
Supreme Court
For: Petition for Review on Certiorari
Handling Counsel: OSG

This is a petition for review filed by PNOC on July 26, 2010 connected with the pending expropriation case "PNOC vs. Sps. Dominador and Minerva Samson and Tongonan Holdings & Development, Civil Case No. 3392-0. The crux of the petition is for the Court of Appeals to issue a TRO to stop implementing the Alias Writ of Execution dated February 10, 2009 specifically from garnishing PNOC's funds in the Land Bank of the Philippines and prayed that EDC instead pay the judgment award. On October 26, 2010, the CA issued resolution denying the issuance of the TRO, directing EDC and THDC to file its Comments on the petition. EDC and THDC then filed their respective Comments.

On August 28, 2015, the Court of Appeals issued a decision denying the petition for Certiorari filed by PNOC. PNOC then filed a Motion for Reconsideration. On December 18, 2015, the Court of Appeals directed the respondents to file comments/opposition.

On December 13, 2016, OSG received the Court of Appeals Resolution dated November 15, 2016, denying the motion for reconsideration filed by PNOC and affirming the August 28, 2015 decision that denied the petition for certiorari.

Status: PNOC filed a Petition for Review on Certiorari with the Supreme Court last January 27, 2017. Awaiting further notice from the Supreme Court. On August 30, 2017, the SC denied with finality OSG's Motion for Reconsideration of the Resolution dated March 27, 2017 which denied the motion for extension to file petition for review on certiorari.

17) Petron Corporation vs. Hon. Danilo P. Galvez, Presiding Judge RTC, Branch 24, Iloilo City and Sun Gas, Inc.

PNOC – Plaintiff, Intervenor
Civil Case No. 05-28475
RTC Branch 24, Iloilo City
For: Injunction and damages with prayer for Temporary Restraining Order and Writ of Preliminary Injunction

CA-G.R. CEB SP. No. 04139
Court of Appeals,
Cebu City
For: Petition for Certiorari and Prohibition with prayer for Writ of Preliminary Injunction.

G.R. No. 215771
First Division, Supreme Court
For: Petition for Review on Certiorari
Handling Counsel: OSG

Proceeding before the RTC:

Facts: Petron Corporation filed this case against Sun Gas, Inc, as the latter installed a swing barrier consisting of a steel and bamboo pole across the road lot Petron and Shell used as ingress and egress from the main road to their respective bulk plants. The proceeding before the RTC Branch 24 is held in abeyance pending the petition for certiorari and prohibition praying for a Writ of Certiorari and prohibition to nullify the September 15, 2008 order of respondent Judge Danilo P. Galvez and commanding him to cease and desist from hearing and conducting further proceedings in Iloilo RTC Branch 24, Civil Case No. 05-28475. The petition was filed by plaintiff Petron Corporation before the Court of Appeals.

Proceeding before the CA:
The subject of the petition is the denial of the motion to inhibit the RTC Judge in hearing Civil Case No. 05-28475. PNOC is only a nominal party in the petition with no interest that may be affected or prejudiced by the outcome of the petition, being the plaintiff intervenor in the RTC case.

On January 15, 2014, the Court of Appeals issued a decision denying the Petition for Certiorari on the ground that the trial court judge did not gravely abuse his discretion in not inhibiting from the case. Petitioner Petron Corporation filed a Motion for Reconsideration however, the Court of Appeals denied Petron Corporation motion for reconsideration.

Proceeding in the Supreme Court:
Petron Corporation filed a Petition for Review on Certiorari at the Supreme Court assailing the decision of the Court of Appeals. PNOC filed its comment to the petition for review siding with Petron Corporation petition being the owner of the property leased by Petron.

Status: Awaiting resolution of the petition for review.

18) Candelaria Dayot, et al. vs. Traders Royal Bank, PNOC, Petron Corporation and Shell
Civil Case No. 21957
RTC Branch 26, Iloilo

CA-G.R. CV No. 01221
Court of Appeals, Cebu City
(Consolidated with CA-G.R. No. 00949)
For: Recovery of Ownership and Possession, Annulment of Documents, Cancellation of Titles and Reconveyance.
Handling Counsel: OSG

Sps. Candelaria Dayot and Edmundo Dayot filed a case against Traders Royal Bank, Petron Corporation, PNOC and Shell Chemical Company for recovery of ownership and possession, annulment of documents, cancellation of titles and reconveyance of the 17,000 sq.m. land owned by PNOC and damages.

On April 18, 2005 the RTC dismissed the complaint as plaintiff Dayot acted in bad faith and with malice in filing the case which they have no cause of action and ordered Candelaria Dayot to pay each defendant (TRB, Shell and PNOC) moral and temperate damages in the amount of P500,000, exemplary damages in the amount of P500,000 and attorney’s fees and litigation expenses in the amount of P600,000. Candelaria Dayot appealed the case to the Court of Appeals.

On November 18, 2014, the Court of Appeals issued a decision denying the appeal of the petitioner-appellant Candelaria Dayot and affirming the RTC Order. Candelaria Dayot filed a Motion for Reconsideration.

On December 3, 2015, the Court of Appeals issued resolution denying for lack of merit the motion for reconsideration filed by Candelaria Dayot.

Status: On January 25, 2016, the Court of Appeals issued an entry of Judgment. The decision of the RTC dismissing the complaint with award for damages in favor of TRB, Shell and PNOC has become final.

19) National Transmission Corp. vs. PNOC
Civil Case No. -131-ML
RTC Branch 94
Mariveles Bataan
(Stationed at Balanga City)
For: Expropriation
Handling Counsel: OSG

This is a complaint for expropriation filed by National Transmission Corporation (TRANSCO) against PNOC for a portion of land located in Alangan, Limay, Bataan consisting of 16,382 sq.m. affected by the transmission lines and has been in TRANSCO's possession since 1960.

During the August 13, 2015 pre-trial conference, the parties moved for the arbitration of the case. On September 22, 2015, the court issued Order granting the motion for mediation and/or Arbitration proceeding before the Office of the Solicitor General.

The Petition for Arbitration was filed by PNOC at the Office of the Solicitor General (OSG) on March 4, 2016. On July 29, 2016, the OSG Panel of Arbitration dismissed the petition for want of jurisdiction.

PNOC counsel from OSG filed manifestation and motion for continuation of the proceedings of the case in the RTC. The Judicial Dispute Arbitration is set on June 28, 2017 at the RTC Branch 94.

The case is set for pre-trial conference on November 23, 2017, 2:00 pm, with parties and their counsels preparing their respective trial briefs, filing it in court and serving on adverse party.

Manifestation and Motion to reset pre-trial to January 5, 2018, 2:00 pm, or soon thereafter were filed by OSG.

Status: The Manifestation and Motion filed by OSG was NOTED by RTC Branch 4 Mariveles. The RTC having earlier reset the November 23, 2017 pre-trial of this case to March 1, 2018 at 2:00 pm, per Court Order dated November 23, 2017.

20) National Transmission Corp. vs. PNOC
Civil Case No. CEB-41203
RTC Branch 14, Cebu City
For: Expropriation
Handling Counsel: OSG

This is a complaint for expropriation filed by National Transmission Corporation (TRANSCO) against PNOC for a portion of land (560 sq.m.) affected by the transmission lines and located in Bo. Nasipit Cebu City, denominated as Lot No. 10922-B-1 pursuant to Transfer Certificate of Title No. 7018. TRANSCO has alleged that the said portion of lot has been in its possession since 1986. PNOC received the copy of the complaint and the summons on June 10, 2015, and PNOC thereafter filed an Answer.

During the scheduled pre- trial conference, counsel of PNOC manifested in court that they submit the case for arbitration with the OSG to which the other counsel agreed too.

Status: On September 14, 2016, PNOC counsel received a copy of the RTC Order granting the motion that the case be submitted for Arbitration before the OSG.

21) Navnautics Philippines, Inc. vs. PSTC and PNOC
COA CP Case No. 2015-129
Commission on Audit (COA)

For: Money claim for payment of various supplies, equipment and instruments for the vessels and the installation, commissioning and repair of various instruments for the period 2008 to 2013 in the total amount of P3,525,459.89 plus 12 percent interest from due date until fully paid.

Navnautics Philippines, Inc. filed a case in court against PSTC and PNOC for failure of PSTC to pay the supplies and services delivered by the plaintiff on many occasions prior to the dissolution of PSTC. The parties agreed to enter into a Compromise Agreement wherein it was agreed that the complainant will file the petition for collection of sum of money due and demandable from PSTC before the COA with the support and assistance of the PSTC.

On November 25, 2014, the court approved the compromise agreement entered by the parties. Hence, Navnautics filed their claims at COA.

PSTC filed an Answer to the petition and Navnautics Phils, Inc. filed reply.

Status: On January 26, 2017, PNOC legal has been furnished by PSTC Finance Officer Marlyn Abellar of the COA decision dated December 27, 2016, dismissing the claims without prejudice to the conduct of post-audit activities on the settlement by PSTC of the money claims, to be undertaken by the Corporate Government Sector during the terminal audit of the accounts and transactions of PSTC.

22) Petron Corporation vs. PNOC
Civil Case No. R-MND-17-03839-CV
RTC Branch 278, Mandaluyong City

For: Resolution and Reconveyance, and Damages, with Verified Ex Parte Application for 72-Hour Temporary Restraining Order and Verified Applications for 20-day Temporary Restraining Order and Writ of Preliminary Injunction

On October 27, 2017, PNOC received a complaint filed by Petron Corporation against PNOC for Resolution and Reconveyance, and Damages, with Verified Ex Parte Application for 72-Hour Temporary Restraining Order and Verified

Applications for 20-day Temporary Restraining Order and Writ of Preliminary Injunction. An Order was issued for the 72-hour TRO prayed for, and a hearing was set on October 30, 2017. PNOC has likewise been given 15 days to file answer or until November 11, 2017.

Temporary Restraining Order (TRO)

Hearing on the application for issuance of TRO and/or writ of Preliminary Injunction was held on October 30, 2017.

Immediately after the hearing, Regional Trial Court Branch 278, Mandaluyong City issued an order wherein PNOC was granted five days to file its comment/opposition to Petron's application for TRO, and during this 5-day period, no TRO was in effect. On November 6, 2017, PNOC filed its comments/opposition to the TRO and/or Preliminary/Permanent Injunction as well as its comments/opposition to the formal offer of evidence. PNOC opposed on the ground that the TRO and Injunctive Relief is premature and precipitate considering that there is no clear and unequivocal statement from PNOC that the lease contracts are being terminated and in fact the PNOC Board has designated a Board Committee to negotiate with Petron during its October 20, 2017 special board meeting.

On November 7, 2017, the court issued an Order granting the TRO and enjoining PNOC for a period of 20 days from committing any act aimed at ousting Petron of its possession of the leased properties, including but not limited to:

1. Issuing invitations to bid on the lease or sale of the leased properties;
2. Offering for lease or sale any portion of the leased properties to third parties;
3. Negotiating or discussion with any third party potential lessees or buyers to lease or buy the leased properties or any portion thereof;
4. Issuing public statements on the supposed nullity of the renewal clauses;
5. Requiring the plaintiff to submit remediation plans for the abandonment and clean-up of the leased properties; and
6. Disrupting and depriving the plaintiff's use and enjoyment of the leased properties in any manner.

Resolution and Reconveyance:

Petron is also seeking the reconveyance of the properties to it, claiming that PNOC has "substantially breached the provisions of the lease agreements on the renewal x x x" and for "unilaterally setting aside the renewal clauses x x x."

Petron's claim in the main case for the resolution and reconveyance would cover the 67 sites for the service stations (consisting of 100 lots or a total of 8.76 hectares) and 24 sites for the bulk plants (consisting of 111 lots or a total of 85.5 hectares).

PNOC filed its Answer to the Complaint on November 16, 2017. On November 27, 2017, PNOC filed its Memorandum on the Application for TRO and/or Preliminary/Permanent Injunction. Petron in turn filed its Reply (to the Answer) with a subsequent Manifestation that it is prepared to resume normal business as lessee of the property. On December 1, 2017 Petron filed a Manifestation in support of its application for Writ of Preliminary Injunction. On December 11, 2017 the Court issued an Order that Preliminary Injunction be issued to enjoin PNOC from committing any act aimed at ousting Petron of its possession of the leased properties conditioned on Petron's posting of P100,000,000 bond. PNOC filed its Rejoinder on December 29, 2017.

Preliminary Injunction:

On December 21, 2017 Petron posted a Bond in the amount of One Hundred Million Pesos (P100,000,000). RTC Branch 278, Mandaluyong City approved the same through an Order dated December 27, 2017. The said Bond will answer for the costs and damages which PNOC may sustain, by reason of the Writ of Preliminary Injunction, if and when the RTC shall finally adjudge that Petron is not entitled to it.

Mediation Proceedings:

RTC Branch 278, Mandaluyong City ordered the parties to appear before the Philippine Mediation Center (PMC) Mandaluyong City on February 5, 2018 at 10am for the conduct of the mediation proceedings.

Petron filed a Manifestation that it is not willing to enter into an amicable settlement with Defendant PNOC and desires to have the case decided after judicial proceedings. On January 12, 2017, the Court noted the Manifestation of Petron. PNOC has appointed its representatives to attend the mediation proceedings.

Decentralized Energy System (DES) Cases:

1. **Bebiana Ybasan, Rafael Vincent Arellano, Maria Corazon Razon vs. PNOC EDC**
   Civil Case No. Q-02-46047
   RTC Branch 85, Quezon City

   For: Reconveyance and Damages

   This case stems when PNOC-EDC acquired the property of the plaintiff after the extrajudicial foreclosure proceeding. The subject property served as collateral of the loan agreement between the parties.

   On May 21, 2013, the court issued an order dismissing the case filed against PNOC for reconveyance of a piece of property located in Project 4, Quezon City, plus damages.

   Plaintiff appealed the case to the Court of Appeals. PNOC submitted necessary compliance to the Court of Appeals orders.

   Status: Case submitted for resolution

2. **In the matter of the Petition for Declaration of State of Suspension of payments**
   GO UNIQUE Products, Inc. Petitioner
   PNOC, BIR, DOST, SSS, DBP, PHIC (Creditors – Oppositors)

SP Proceeding No. 27-V-08
RTC Branch 75, Valenzuela City

PNOC-EDC is one of the listed creditors of the petitioner by virtue of the loan agreement under the DES Program funded by the European Union.

Because of the negative financial condition, the Petitioner is unable to pay its creditors. Petitioner submitted in Court their proposed rehabilitation plan. PNOC submitted its Comment/Opposition on the rehabilitation plan

Status: Defendant offered to pay PNOC. PNOC is reviewing the proposal. Defendant also promised to give the property to PNOC via “dacion” if no payment is made by 2016.

3. **PNOC vs. Prose Trading and Construction and Engr. Abel Labarda**
Civil Case No. 12-1074
RTC Branch 145
Makati City

For: Collection of Sum of Money

On November 7, 2012, PNOC filed this case against the defendants for failure to pay the overdue loan under the DES Program.

PNOC’s complaint could not be served on defendant as the defendant cannot be located at its given address. PNOC filed a Motion for publication of summons which the court granted. PNOC published the summons as ordered by the court, and inspite of said Publication, no answer has been filed by the defendant. A motion to declare defendants in default has been filed. The Court declared the defendant as in default and PNOC submitted its evidence ex parte. On December 2, 2014, the RTC issued a decision ordering Engr. Abel E. Labarda to pay PNOC the amount of P8,805,096.75 plus interest until full payment.

Status: The RTC decision is already final and executory however, the decision against Engr. Labarda could not be served. The owner of the property mortgaged (co-borrower) is negotiating with PNOC for the settlement of the obligation.

33. INFORMATION REQUIRED UNDER REVENUE REGULATION (RR) 15-2010 OF THE BUREAU OF INTERNAL REVENUE (BIR)

BIR issued on November 25, 2010 RR 15-2010, Amending Certain Provisions of RR No. 21-2002, as amended, Implementing Section 6 (H) of the Tax Code of 1997, authorizing the commissioner on internal revenue to prescribe additional procedural and/or documentary requirements in connection with the preparation and submission of financial statements accompanying income tax returns. Under the said regulation, companies are required to provide, in addition to the disclosures mandated under IFRSs, and such other standards and/or conventions as may be adopted, in the notes to the financial statements, information on taxes, duties and license fees paid or accrued during the taxable year.

A. Compliance with Tax Laws

Taxes withheld and due to the Bureau of Internal Revenue for CY 2017 in the total amount of P19,431,878 were deducted and remitted within the prescribed period. The taxes withheld for the month of December 2017 amounting to P5,228,633 were remitted to the Bureau of Internal Revenue in January 2018.

B. Compliance with Government Service Insurance (GSIS), Home Development Mutual Fund (HDMF) or Pag-IBIG and Philippine Health Insurance Corporation (PhilHealth) premium/deductions and remittances

Premiums due to GSIS, HDMF and PHIC for CY 2017 were deducted from the salaries of PNOC personnel in the amount of P15,465,624 and remitted within the prescribed period. The premiums deducted in December 2017 in the amount of P1,378,419 were remitted in January 2018 with details as follows:

Agency	Premiums collected and remitted in 2017 (January to November 2017)	Premiums collected in December 2017 and remitted in January 2018	Total
GSIS	13,688,168	1,229,381	14,917,549
Pag-IBIG	923,981	71,788	995,769
PhilHealth	853,475	77,250	930,725
	15,465,624	**1,378,419**	**16,844,043**

C. The Company's taxes and licenses in 2017 shown as part of expenses in the statements of comprehensive income are as follows:

	2017
Real estate tax	9,803,414
Capital Gains Tax	231,300
Motor Vehicle Registration	61,281
Business taxes	10,500
Other taxes, fees and licenses	106,090
	10,212,585

AUDIT OBSERVATIONS AND RECOMMENDATIONS

A. Financial

1. The Investment property accounts in the amount of P7.614 million and P49,800 were deleted/dropped from the books without supporting documents and adjustment of P6.562 million based on 2006 valuation data was reflected in the book of accounts of PNOC as of December 31, 2017, contrary to Paragraphs 20, 30 and 66 of Philippine Accounting Standards (PAS) 40 - Investment Property.

1.1 Paragraph 20 of PAS 40, Measurement at recognition, provides that an investment property shall be measured initially at its cost. Transaction costs shall be included in the initial measurement.

Likewise, Paragraph 30 of PAS 40, Measurement after recognition, provides that an entity shall choose as its accounting policy either the fair value model or the cost model and shall apply that policy to all of its investment property.

More so, Paragraph 66 of PAS 40, Disposal, provides that an Investment property shall be derecognized (eliminated from the Statement of Financial Position) on disposal or when the Investment Property is permanently withdrawn from use and no future economic benefits are expected from its disposal.

1.2 Verification of the Investment Property accounts as of December 31, 2017 disclosed that there are two properties deleted/dropped and adjustments made in the accounts. Details are as follows:

a. Deletion/dropping in the book of accounts of PNOC property located in Looc, Mandaue, Cebu City with a cost of P49,800;

b. Deletion/dropping in the book of accounts of PNOC property located in Bauan, Batangas transferred by Philippines Coal Corporation (PCC) to PNOC with a cost of P7,614,111.19; and

c. Adjustment made based on 2006 valuation data in the amount of P6,562,411.18 on nine lots with an aggregrate area of 71,160 sq. m., all located in Bauan, Batangas.

1.3 Further, review and detailed analysis of the transactions showed the following:

a. The deleted/dropped property located at A. Mabini St., Bgy. Looc, Mandaue City, Cebu with TD No. 200601601480, costing P49,800 and Fair Market Value of P175,981,200 with a land area of 8,301 sq. m. was not supported with documents.

Corollary to this, said property is currently leased out to Petron Corporation for 25 years from September 1, 1993 until August 31, 2018 and Petron Corporation pays the Real Property Tax since 2010.

As a background, a Deed of Conveyance for Bulk plant properties was executed between PNOC and Petron Corporation on October 29, 1993.

Subsequently, a Lease Agreement was signed by PNOC as the lessor and Petron Corporation as the lessee on December 2, 1993. It is noted that all leased bulk plant properties are recorded in the book of PNOC except for the subject property in Mandaue City, Cebu. Further, based on the tax declaration submitted, it was noted that the owner of land is the City Government of Mandaue.

b. The deleted/dropped property located in Bauan, Batangas with a cost of P7,614,111.19, described as dry creek coal terminal with an area of 2,286 sq.m., was not supported with documents authorizing the dropping.

c. Valuation adjustments in 2016 supporting documents reveal that, the properties conveyed by PCC located in San Miguel, Bolo, Bauan, Batangas amounting to a net increase of P6,562,411.18 on the nine lots resulting to a net adjustment of P1,051,700.01 were based on 2006 appraisal report as shown in the table below.

TCT No.	Area (sq. m)	2015 Records	2006 Appraisal Fair Market Value	Adjustments in 2016 per schedule
1. T-139742	53,472	173,579,150.69	176,302,000.00	2,722,849.31
2. T-139744	7,687	25,643,813.73	17,124,000.00	(8,519,813.73)
3. T-139741	1,719	5,731,012.31	10,314,000.00	4,582,987.69
4. TD No. 032-00042	2,862	9,532,627.39	11,291,000.00	484,372.61
5. T-139743	364	1,213,675.78		60,324.21
6. TD No. 032-00022	635	2,115,030.89		334,940.75
7. TD No. 032-00024	423	1,408,910.35	4,082,000.00	223,118.02
8. TD No. 032-00016	1,948	6,488,315.22		3,251,684.78
9. TD No. 032-00015	2,050	6,828,052.47	19,990,000.00	3,421,947.53
Net increase				**6,562,411.17**
10. Dry Creek	2,286	7,614,111.19	0	(7,614,111.19)
Total		**240,154,700.02**	**239,103,000.00**	**(1,051,700.02)**

1.4 Thus, the investment property account recorded transactions on dropping and adjustments are without supporting documents contrary to Paragraphs 20, 30 and 66 of PAS 40.

1.5 ***We recommended that Management:***

a. Provide the legal basis/supporting documents for deleting the property in Mandaue, Cebu City costing P49,800;

b. Submit a written justification and/or brief summary of actions taken by management when it encountered that the tax declaration was in the name of Looc, Mandaue, City, when there was a Deed of Transfer as per records from Bulk Properties from Petron;

c. Provide the legal basis/supporting documents for deleting the property in Bauan, Batangas costing P7,614,111.19; and

d. ***Submit a written justification as to why the valuation basis of the adjustments made in 2016 was based on valuation data of 2006.***

1.6 Management submitted their comments:

a. The deletion/dropping in the books of accounts of PNOC property located in Looc, Mandaue, Cebu City was based on the Declaration of Real Property with City of Mandaue being the owner and PNOC being a beneficial user only. A copy of Declaration of Real Property was forwarded to COA for reference.

b. Since PNOC was only a beneficial user of the property, Management dropped from the books in May 2004 the cost of the property with Declaration of Real Property as the basis. A copy of the journal voucher was submitted for reference.

c. The deletion in the books of accounts of PNOC property in Bauan, Batangas costing P7,614,111.19 which particularly refers to the dry creek was based on the appraisal report of E-Value Philippines dated July 3, 2006 stating that the said lot has no value. A copy of the Appraisal Report of E-Value Philippines was submitted to COA.

d. Management reiterated their reply to Audit Query Memorandum PNOC# 2017-01 dated July 17, 2017 which states that the various properties located in San Miguel, Bolo, Bauan, Batangas with book value of P240,154,700 were transferred by PNOC Coal Corporation to PNOC. Said properties as indicated in the schedule submitted by PCC includes a dry creek amounting to P7,614,111.19. However, when the properties were appraised in 2006 per tax declaration, it has total appraised value of P239,103,000 only excluding the dry creek. Inasmuch as the dry creek has no appraised value and no tax declaration for an obvious reason, they adjusted the book value based on the new total appraised value of P239,103,000 or net adjustment of P1,051,700.

1.7 As our rejoinder, deletion/dropping in the books of accounts is not contested, but these transactions should be supported with documentary evidence. Anent to this, we further request the submission of the Deed of Conveyance of properties by PNOC Coal Corporation to PNOC in 2006 showing the cost/fair value of the list of properties that includes the Dry Creek, as this was the initial measurement at recognition.

2. Collection was not strictly enforced on receivables which remained outstanding for more than five years amounting P5.882 million relative to the HMO premiums/health card availed by PNOC personnel and Board of Directors in CY 2012 contrary to Section 7.1 of COA Circular 2016-005 and Section IV of COA Memorandum No. 2017-010, thus depriving the agency of resources.

2.1 Section 7.1 of COA Circular 2016-005 on the Guidelines and Procedures on the Write-off of Dormant Receivable Accounts, Unliquidated Cash Advances, and Fund Transfers provides that the **Accountant shall conduct regular and periodic verification, analysis, and validation of the existence of the**

receivables, unliquidated cash advances, and fund transfers, and determine the concerned debtors, accountable officers (Regular and Special Disbursing Officers, Collecting Officers, Cashiers) and the source and implementing government entities concerned.

Section IV of COA Memorandum No. 2017-010 dated May 15, 2017 states that the Audit Team Leader (ATL) shall request from the Accountant proof of exhaustion of all remedies to collect receivables and liquidate cash advances and fund transfers as basis for the issuance of the final demand letter. **There is therefore a need for the Accountant to issue demand letter to the AO/employee/recipient/NGOs to liquidate their due and demandable cash advance/fund transfers.**

2.2 Other Receivables – Health Card is an HMO premiums/health card availed by PNOC personnel and Board of Directors (BOD) in 2012. The status report of this account showed an outstanding balance of P5,881,959.79 as of December 31, 2017. Details are as follows:

Availees	Status	Amount
Board of Directors		
Dante B. Canlas	no longer with PNOC	P 99,756.25
Potenciano V. Larrazabal	(deceased)	14,132.39
Federico C. Pascual	no longer with PNOC	83,314.00
Ma. Gladys Sta. Rita	no longer with PNOC	99,756.25
Victor Ziga	(deceased)	94,275.50
Total		**P 391,234.39**
Various Employees	active/retired/resigned	**5,490,725.40**
Balance as of December 31, 2017		**P 5,881,959.79**

Records showed that there were collections received from other BODs during the year but the receivables of P391,234.39 from five BODs as shown above remained outstanding as at year end.

Further, various employees receivables disclosed that out of the total amount of P5,490,725.40, the amount of P991,726.85 equivalent to eighteen percent (18%) are from personnel who have resigned/retired/deceased.

Breakdown are as follows:

	Name of Employee	Amount	Remarks
1	D.P. Romero	54,997.51	Resigned
2	A.D. Diaz	39,567.00	Deceased
3	J.P. Pingol	72,451.50	Resigned
4	B.B. Jugan	88,022.25	Retired
5	D.A. Kalalo	63,228.00	Resigned
6	P.D. Reyes	60,790.00	Resigned
7	D. Baunario	70,551.50	Deceased
8	R.A. Castillo	39,567.00	Deceased

	Name of Employee	Amount	Remarks
9	R.D. Matibag	79,560.75	Resigned
10	G. Ocampo	72,451.50	Resigned
11	F.C. Valladores	72,451.50	Deceased
12	E.B. Diores	56,009.25	Resigned
13	F.B. Borja	39,567.00	Resigned
14	P.T. Aquino	72,451.50	Resigned
15	M.N. dela Cruz	23,307.11	Resigned
16	A.P. Café	31,528.72	Resigned
17	M. Pereno	10,472.69	Resigned
18	MLA Agustin	2,520.91	Resigned
19	J.B. Barret	7,779.54	Resigned
20	J.T. Alabot	5,820.84	Resigned
21	A.B. Parungao	5,097.14	Resigned
22	N.R.S de Leon	7,986.97	Deceased
23	S.M. Aromin	15,546.67	Resigned
Total		**P991,726.85**	

Furthermore, verification of payroll deductions of employees on the remaining P5,490,725.40 receivables at year end revealed that, there are monthly salary deductions ranging from P300 to P500 for the subject health card. These salary deductions are too minimal that, it would take four to 17 years before full settlement of receivables.

2.3 Apparently, there was no evident effort exerted by Management on the collection of receivables, as these were not deducted from their retirement/other claims from the agency at the time of their retirement and resignation, while others died with outstanding balances.

More so, the long term period of salary deductions is susceptible to uncollectibility, wherein employees may resign or retire before completing the payment.

2.4 Thus, collection was not strictly enforced on outstanding receivables from the officers and employees and Board of Directors contrary to Section 7.1 of COA Circular 2016-005 and Section IV of COA Memorandum No. 2017-010, thereby, depriving the agency of resources.

2.5 ***We recommended that Management:***

a. Increase the amount of deduction from salaries of employees to shorten the payment period to a maximum of two years only; and

b. Immediately issue demand letters to resigned and separated employees.

2.6 Management informed that they will consider the recommendation on the increase in the amount of salary deduction and will discuss it with the concerned employees. They have actually issued demand letters to the following resigned/separated Board of Directors on November 3, 2017.

a. Chairman Jose R. Almendras (fully paid)
b. Bob Gothong (fully paid)
c. Federico C. Pascual
d. Dante B. Canlas
e. Potenciano V. Larrazabal
f. Ma. Gladys Sta. Rita

3a. Cash advances totaling P1.317 million were granted to 12 officials and employees with unliquidated cash advances contrary to Section 89 of P.D. 1445, and Section 4.1.2 of COA Circular No. 97-002 dated February 10, 1997, resulting to the accumulation of unliquidated cash advances.

3a.1 Section 89 on Limitations on Cash Advance of PD 1445 provides that no cash advance shall be given unless for a legally authorized specific purpose. A cash advance shall be reported on and liquidated as soon as the purpose for which it was given has been served. **No additional cash advance shall be allowed to any official or employee unless the previous cash advance given to him is first settled or a proper accounting thereof is made.**

Likewise, Section 4.1.2 of COA Circular No. 97-002 dated February 10, 1997 providing Restatement with Amendments of the Rules and Regulations on the Granting, Utilization and Liquidation of Cash Advances provided for under COA Circular No. 90-331 dated May 3, 1990 provides that no additional cash advances shall be allowed to any official or employee unless the previous cash advance given to him is first settled or a proper accounting thereof is made.

3a.2 Verification of the cash advance transactions disclosed that 12 employees were granted additional cash advances despite having pending unliquidated cash advances. Breakdown of the cash advances are shown in Appendix A.

Further analysis revealed that liquidation on cash advances to employees having account codes 1-99-01-010-P0141, 1-99-01-010-P0147, 1-99-01-010-P0242, and 1-99-01-010-P0328 were not properly and timely recorded. Also liquidations of the accumulated cash advances were made simultaneously with the cash advance grants and were observed to be staggered.

3a.3 Cash advances granted to employees were not strictly monitored, and another cash advance was granted even before liquidation of the previous cash advance, thereby resulting to the accumulation of unliquidated cash advances.

3a.4 Thus, contrary to Section 89 of P.D. 1445 and Section 4.1.2 of COA Circular No. 97-002 dated February 10, 1997.

3a.5 ***We recommended that Management:***

a. Monitor cash advances and direct the concerned official or employee to liquidate their existing cash advance before granting another cash advance; and

b. ***Strictly comply with the provisions of Section 89 of P.D. 1445 and Section 4.1.2 of COA Circular No. 97-002 dated February 10, 1997 on granting of cash advances.***

3a.6 Management commented that they are strictly complying with Section 89 of PD 1445 and Section 4.1.2 of COA Circular No. 97-002 dated February 10, 1997 and monitors cash advances and ensures that no additional cash advance will be granted unless the previous cash advance was liquidated. Management emphasized that the dates indicated in the matrix of the AOM pertain to the booking date and not the date of granting the cash advance nor the date of liquidation which can be validated from the source documents such as Cash Advance Form and the Daily Expense Statement (DES) which were already transmitted to COA.

3b. Liquidations preceded the date of cash advances for 23 occurrences or 13 percent of the total population totaling P0.208 million contrary to Section 112 of PD 1445 thus, accuracy and reliability of the account is doubtful.

3b.1 Section 112 - Recording of financial transaction of PD 1445 states that each government agency shall record its financial transactions and operations conformably with generally accepted accounting principles and in accordance with pertinent laws and regulations.

3b.2 Analysis of the transactions recorded in the book of the agency revealed that, the dates of various liquidations preceded the dates of their respective cash advances totaling P207,747.39. Breakdown of the transactions are shown in Appendix B.

As shown on the tables in Appendix B, liquidations were recorded prior to the recording of the grant of cash advances, causing abnormal transactions. The occurrence was 23 or 13% of the total population.

3b.3 The existence of the abnormal transactions deviated from the nature of the account which may be attributed to the improper recording of the transactions.

3b.4 Thus, accuracy and reliability of the account is doubtful and contrary to Section 112 of P.D. 1445.

3b.5 ***We recommended that Management:***

a. ***Explain why the transactions are recorded in such a way that the liquidations are recorded ahead of the cash advances granted; and***

b. ***Strictly comply with Section 112 of PD 1445.***

3b.6 Management commented that the 23 occurrences cited wherein liquidations preceded the date of cash advances fall under either of the following components for booking of the cash advances and liquidations:

a. Cash advances amounting to P15,000 and below are booked upon replenishment of the petty cash fund and can be validated in JV#39.

b. Liquidations where actual expenses exceed the cash advance are booked upon replenishment of the petty cash fund and can be validated in JV#39.

c. Liquidations where actual expenses do not exceed the cash advance are booked in the month it was liquidated.

3c. Cash advances amounting to P0.061 million and P0.008 million were not reported in the Advance Expense Fund submitted to COA and reported but not recorded in the book of PNOC, respectively, which is contrary to Section III of PD 1445, thus, accuracy and completeness is doubtful.

3c.1 Section III of PD 1445 provides that the accounts of an agency shall be kept in such detail as is necessary to meet the needs of the agency and at the same time be adequate to furnish information needed by fiscal or control agencies of the government.

The highest standards of honesty, objectivity and consistency shall be observed in keeping of accounts to safeguard against inaccurate or misleading information.

3c.2 Comparison of the books and reports on cash advances showed that there were six (6) transactions recorded in the book of PNOC but not included in the monthly report submitted to COA. On the other hand, one (1) transaction was not recorded in the book but included in the submitted report. Details of transactions are as follows:

Recorded but not reported

Date	Employee No.	Particulars	Reference	Amount
2/3/2017	P0363	RSLISTA pre travel	PCR1 3-62-0201	1,500.00
3/31/2017	P0047	ADJ 181 ACCTS	LF03 1-46-0303	17,626.00
4/3/2017	P0037	IALORENZO - CA for BOD	PCR1 1-39-0401	15,000.00
9/15/2017	P0237	IALORENZO: SUNDRIES OF CORSEC 2017	PCV2 1-39-0902	10,500.00
11/22/2017	P0242	AGBUENVIAJE:CA travel Cebu	PCV2 1-39-1102F	12,600.00
12/30/2017	P0316	AG- BUENVIAJE credited to P0316 INST	PRBB 1-46-P208	3,501.64
Total				**60,727.64**

Reported but not recorded

Month	Employee No.	Particulars	Amount
June	P0242	Shipping Fee for calendar and books	8,000.00
Total			**8,000.00**

3c.3 The non-reconciliation and monitoring of the book and reports resulted to the discrepancy of cash advance balances.

3c.4 Thus, unreconciled amounts between the report and book of PNOC of the account is contrary to Section 403 of GAAM Volume II, thereby, accuracy and reliability doubtful.

3c.5 ***We recommended Management to exert effort to reconcile the balances of cash advances being reported and recorded in the books.***

3c.6 Management commented that cash advances that were included in the monthly Cash Advance Expense Fund Report are those that were actually granted in the said month. On the other hand, booking of cash advances were made only upon replenishment of the petty cash fund. The dates indicated in the matrix of the AOM pertain to the booking date and not the date of granting the cash advance nor the date of liquidation.

3d. As rejoinder to management's comment that they are strictly complying with Section 89 of PD 1445 and Section 4.1.2 of COA Circular No. 97-002 and monitors the cash advances and ensure that no additional cash advances will be granted unless these are liquidated, we maintain our position that management record the cash advance on the dates these were actually granted and liquidated and not on the date of replenishment of the Petty Cash Fund according to practice. Furthermore, it is requested that said monitoring should be submitted as an attachment to the Monthly Report of Cash Advance Fund.

B. Compliance

4. Non-submission of the Report of the Annual Physical Inventory of Property and Equipment is contrary to Sections IV, V.2, V.3 and V.4 of COA Circular No. 80-124 dated January 18, 1980. More so, the conduct of inventory was not in accordance with PNOC System Procedures Manual on Inventory of Fixed Assets.

4.1 Sections IV, V.2, V.3 and V.4 of COA Circular No. 80-124 dated January 18, 1980 on Inventory of Fixed Assets of Government-Owned and Controlled Corporations and Subsidiaries provides that physical inventory of fixed assets shall be made at least once a year as of December 31 in accordance with the guidelines enumerated herein. Inventory reports of regional/branch offices shall be submitted to the head of the agency not later than January 20 for consolidation and the consolidated inventory **shall be submitted to the Auditor not later than January 31 of each year**, unless extended by the Chairman upon prior request of the head of the agency concerned.

V.2 Property Identification and Coding (now Property Card or PPE Ledger Card) - Government property shall be properly labelled and identified by the Inventory Committee. Inventory labels of special materials shall contain among others the individual property number to be provided by the corporation concerned. These numbers shall be uniformly printed in India Ink, to achieve permanence and best results, and shall be posted on a prominent but secure portion of the property for easy identification.

V.3 Memorandum Receipt (now Property Acknowledgement Receipts (PAR))- An officer or employee who receives and is in actual possession or physical control of the property shall sign a Memorandum Receipts (Gen. Form No. 32) for such property and shall be accountable therefor. Such Memorandum Receipts for property in the custody of an officer or employee shall be renewed every three years.

V.4 All inventory reports (now Report on Physical Count of Property, Plant and Equipment (RPCPPE)) shall be prepared on the prescribed form (Gen. Form No. 41-A) and certified correct by the committee in charge thereof, noted by the Auditor and approved by the head of the agency. The reports shall be properly reconciled with accounting and inventory records.

Likewise, Paragraph 6 of PNOC System Procedures Manual on Inventory of Fixed Assets provides to submit Inventory Report indicating the list of all items with remarks Unlocated, For Disposal, Unserviceable, Adjustment of records such as Asset Tag Numbers and Deletion of items already disposed, as necessary.

Further, Section 122 of PD 1445. Submission of reports. Whenever deemed necessary in the exigencies of the service, the Commission may under regulations issued by it require the agency heads, chief accountants, budget officers, cashiers, disbursing officers, administrative or personnel officers, and other responsible officials of the various agencies to submit trial balances, **physical inventory reports**, current plantilla of personnel, and such other reports as may be necessary for the exercise of its functions.

Failure on the part of the officials concerned to submit the documents and reports mentioned herein shall automatically cause the suspension of payment of their salaries until they shall have complied with the requirements of the Commission.

4.2 On September 15, 2017, a memorandum was issued by Allan Rey L. Ponce, Officer–in-Charge of the Administrative Department relative to the Annual Physical Inventory of PNOC, requesting the names for the representative of the Auditor who shall witness the inventory-taking. Representatives for different locations were provided.

Representatives of the Commission on Audit witnessed the inventory taking and disclosed the following:

a. Some asset tags are unreadable, missing or worn out while others have no tags and the Inventory Team did not prepare and place asset tag on every item as required;

b. There were no Accounting or Property and Supply Management Division (PSMD) records/schedule, such as Plant and Equipment Ledger, (PEL), Inventory Sheets Form and Employee Ledger Card (ELC) to serve as basis/reference in the conduct of inventory;

c. Memorandum Receipt (MR), now Property Acknowledgement Receipts (PAR) were not renewed every after three years of issue as required; and

d. No inventory reports were prepared and certified correct by the committee in charge thereof, noted by the auditor and approved by the agency head.

As of March 9, 2018, the Office of the Supervising Auditor, has not yet received the Report on the physical Inventory conducted for the calendar year ending December 31, 2017.

4.3 The existence, completeness and valuation of the Property and Equipment cannot be ascertained and the accountabilities of employees were not established.

4.4 Thus, contrary to Sections IV, V.2, V.3 and V.4 of COA Circular No. 80-124 dated January 18, 1980 and PNOC System Procedures Manual on Inventory of Fixed Assets.

4.5 ***We recommended that management strictly comply with the Guidelines on Inventory-taking in accordance with COA Circular 80-124 and PNOC System Procedures Manual by:***

a. ***Preparing and gathering all the necessary Inventory Sheets, PEL and Employee Ledger Cards and other documents needed prior to the physical count;***

b. ***Ensuring that all properties have complete and readable asset tags for easy identification and preparing and placing asset tags for those assets without tags or unreadable tags;***

c. ***Renewing the Memorandum Receipts (Gen. Form No. 32) now PAR every three years; and***

d. ***Requiring the submission to COA of a fully accomplished and reconciled Inventory Report pursuant to Section 122 of PD 1445.***

4.6 Management submitted the following comments:

a. The PSMD is still in the process of reconciliation. The division is now updating the accountabilities especially with regards to the furnitures and fixtures. Due to the transfer and re-arrangement of PNOC offices, other furniture and fixtures were relocated/re-arranged. They will conduct re-inventory of these items and determine the actual accountable employee and issue the corresponding Memorandum Receipt. Retagging on items will also be done for proper identification.

b. On the Accounting or PSMD records/schedule, COA was furnished PSMD's list of PPEs before the conduct of inventory.

c. PSMD is now in the process of crafting the Terms of Reference for the acquisition of a new Inventory System consisting of an Inventory Software, Barcode Scanner for the barcode asset tag and the barcode printer to replace PNOC's obsolete software and defective barcode scanner.

4.7 As our rejoinder, COA was not furnished with a copy of PSMD's list of PPEs before the conduct of inventory but this was only provided after the start of the inventory taking and upon request by COA. The COA representative also requested copies of count sheets to facilitate the inventory count but PSMD was not able to provide the same to COA, thus, the COA team decided not to continue to witness the inventory taking. It is emphasized that PSMD's list of PPEs was not used by the inventory team during the count. Also, it was observed that the Management team manually listed the properties found during the count but, there was no reconciliation submitted yet.

5. Sufficient and relevant documents on the payment of honorarium of P5.608 million for CY 2017 to personnel assigned in PNOC's Special Project entitled "Integration of PAFC and PDMC Operations to PNOC" were not submitted contrary to DBM Budget Circular No. 2007-2 dated October 1, 2007 and COA Circular 2012-001 dated June 14, 2012, thus, the reasonableness and validity of the payment cannot be established.

5.1 COA Circular 2012-001 dated June 14, 2014 enumerates the five general **requirements** for all types of disbursements, which include among others, the need for the submission of sufficient and relevant documents to establish the validity of claim.

Likewise, Sections 2.1, 2.2, 4.2, 4.3, 4.4, 4.6, and 4.7 DBM Budget Circular 2007-02 dated October 1, 2007 on the Guidelines on the Grant of Honoraria Due to Assignment in Government Special Projects provides that:

> Section 2.1 - An honorarium is a form of compensation given as a token of appreciation or reward for gratuitous services on account of one's broad and superior knowledge or expertise in a specific field for which, going by custom, tradition or propriety, no fixed price is set.
>
> Section 2.2 - A special project is a duly authorized inter-office or intra-office undertaking of a composite group of government officials and employees which is not among the regular and permanent functions of their respective agencies. Such undertaking may be locally-funded or foreign-assisted, is reform-oriented or developmental in nature, and is contributory to the improvement of service delivery and enhancement of the performance of the core functions of an agency or member agencies.
>
> Section 4.2 - The amount of honoraria shall be based on the nature of their work assignments in a special project, the level of difficulty of the duties and responsibilities thereat, the extent of their productivity and quality of performance measured in terms of completed and accepted deliverables in accordance with the timeframes set per project component of a special project plan approved after the effectivity of this Circular.
>
> Section 4.3 - The special project plan shall be prepared in consultation with all personnel assigned to a project and approved by the department/agency/lead agency head.

Such plan shall contain the following:

- Project timetable

- Cost by project component, including the estimated cost for honoraria for each personnel based on man-hours to be spent in the project beyond the regular work hours: personnel efficiency should be a prime consideration in determining the man-hours required.

Section 4.4 - The estimated total honorarium cost per personnel per project component shall be computed as follows:

$$\text{Estimated Honorarium, } H = \frac{[\text{Salary Rate}]}{[1 \text{ month}]} \; \frac{[1 \text{ month}]}{[22 \text{ days}]} \; \frac{[1 \text{ day}]}{[8 \text{ man-hours}]} \; (T \text{ man-hours})$$

Estimated Honorarium, H = .0057 (Monthly Salary Rate) (T)

Section 4.6 - Under this section, the actual honorarium to be paid to each personnel shall depend on the performance rating to be given by the project management, as follows:

Performance Rating	% of Estimated Honoraria per Project Component
Outstanding	100%
Very Satisfactory	85%
Satisfactory	70%

For example, if the performance rating is Very Satisfactory, the actual honorarium to be paid follows:

Actual Honorarium = 85% (H)

Section 4.7 - For rating purposes, **the project management shall formulate a performance evaluation plan that is transparent and fair, and considers timeliness, quality of outputs and other applicable work efficiency determinants.**

5.2 The creation of the special project entitled "Integration of PAFC and PDMC Operations to PNOC" is anchored in PNOC's Performance Management Team's Resolution No. 1, Series 2017 dated April 25, 2017 which states:

"WHEREAS, on 08 September 2014, then Executive Secretary issued a memorandum approving the Governance Commission for GOCC's (GCG) recommendation to abolish PAFC and PDMC.

WHEREAS, as a result of the abolition, functions, programs and projects of the said abolished subsidiaries were transitioned to PNOC and the transition process was fully completed in December 2016.

WHEREAS, the transitioned functions, programs and projects, recognized as "New Project" activities are in the process of being integrated into the operations of PNOC consistent with the corporate transformation into a full operating company.

WHEREAS, these integrated activities essentially and necessarily involved various tasks being undertaken by departments/offices in PNOC that need to be monitored and its progress and accomplishments reported on a regular basis."

A background of the project is contained in the Project Plan on the Integration of PAFC and PDMC Operations to PNOC that was approved in May 2017 which states that in accordance with the approved Turn-over and Transition Plan, the turn-over of PAFC and PDMC functions to PNOC was effected. The functional activities of the two subsidiaries were assumed by PNOC based on a programmed schedule to achieve a smooth transition and to minimize impact to the current activities of PNOC.

However, the full integration of the operations of these two subsidiaries into the operations of PNOC need to be completed consistent with the objective that their functions, programs and remaining assets have to be fully transferred and integrated into PNOC.

To achieve this objective, additional PNOC manpower is necessary. However, pending the approval and implementation of the PNOC reorganization plan and hiring of additional personnel to handle these transferred workload, selected PNOC personnel have to be assigned to perform the attending requirements of the turned-over operations of these abolished subsidiaries.

Honorarium in the amount of P5,607,607.56 was paid to 32 PNOC employees for CY 2017 under the Special Project-Integration of PAFC and PDMC Operations to PNOC. The following are the personnel/positions per department/office:

Department/Office	Number of Personnel	Position	Salary Grade
Office of the Senior Vice President – Management Services (MS)	2	Senior Vice President Supervising Research Specialist	28 22
Office of the Senior Vice President – Legal, Administrative and Estate Management Services (LAEMS)	2	Senior Vice President Executive Assistant IV	28 22
Administrative Services Department – General Services Division	2	Division Chief III Administrative Officer III	24 18
Administrative Services Department – Property and Supply Management Division	4	Supply Officer IV Supply Officer III Supply Officer III Supply Officer III	22 18 18 15
Administrative Services Department – Personnel Services Division	3	Division Chief III Human Resource Management Officer III Human Resource Management Officer III	24 18 18
Estate Management Services	4	Department Manager III Division Chief III Sr. Research Specialist Research Specialist	26 24 19 16

Department/Office	Number of Personnel	Position	Salary Grade
Legal Services	3	Department Manager III Division Chief III Division Chief III	26 24 24
Accounting Services Department	4	Department Manager III Division Chief III Division Chief III Financial Analyst III	26 24 24 18
Treasury Department	3	Department Manager III Division Chief III Division Chief III	26 24 24
Corporate Planning Services	3	Asst. Department Manager II Budget Officer IV Budget Officer III	25 22 18
Internal Control	2	Department Manager III Management and Audit Analyst IV	26 22
Total	**32**		

5.3 Review of vouchers/payroll for the payment of honorarium revealed that:

a. Honoraria were granted to some personnel performing functions which may not be considered as work requiring superior knowledge or expertise in a specific field as defined under Section 2.1 of said Circular.

b. Payment of honoraria is not based on the formula stated under Sec. 4.4 but on a flat rate of 25% of salary of employees, the maximum annual rate allowed on honorarium.

c. All employees were given outstanding ratings as the computation was based on 100% or with outstanding ratings.

The payment of honoraria lacked the following relevant supporting documents required under the following sections of DBM Circular No. 2007-02:

a. Specific time frame or definite period of completion (in month and year) as stated in the Project Plan for the grant of honorarium under Section 4.3.

b. Performance ratings of employees to be submitted by the project management that would serve as basis for the computation of actual honorarium under Section 4.6. Personnel efficiency should be a prime consideration in determining the man-hours required as emphasized in Section 4.3.

c. Performance evaluation plan developed/formulated by project management for rating purposes of those receiving honorarium pursuant to Section 4.7.

5.4 Thus, non-submission of sufficient/required supporting documents to satisfy the reasonableness and validity of the payment of honorarium is contrary to DBM Circular 2007-2 and COA Circular 2012-001.

5.5 ***We recommended Management to submit and comply with the following requirements:***

a. Specific time frame or definite period of completion of the project as required under Section 4.3 of DBM Circular 2007-2;

b. Performance ratings of personnel used as basis for the computation of honorarium per Section 4.6 of DBM Circular 2007-2;

c. Performance evaluation plan developed/formulated by project management for rating purposes of those receiving honorarium based on Section 4.7 of DBM Circular 2007-2; and

d. Strictly comply with the Guidelines on the grant of honoraria for PNOC's Special Project per DBM Circular 2007-2.

5.6 Management submitted their comments/justifications on the above recommendations:

a. The time frame or definite completion of the Project, as indicated in the Integration Plan, is when the PNOC Reorganization Plan is approved. This was in consideration of the fact that the manpower requirements of absorbed PDMC and Park operations were integrated in the PNOC Reorganization Plan. It will be noted that when the Integration Plan was formulated, this was coupled with the submission of the PNOC Reorganization Plan to the GCG on April 2017. Thus, under GCG MC No. 2015-4 governing the reorganization, the GCG will have 45 days from submission to act on this Reorganization Plan submitted. Therefore, the completion of the Integration Project would have ended after that 45 day period. It is therefore beyond the control of the PNOC employees when to-date the GCG have not yet completed their evaluation. In the meantime, PNOC needs to continue performing the functions relative to the going concerns of the PDMC and PAFC.

   In addition, the timeline of the final revocation of the certificate of registration of PAFC and PDMC under involuntary revocation as approved by the GCG was set five years from their non-operation or until 2021.

b. As deemed appropriate and practical for the Integration honoraria compensation, PNOC Integration Project Management adopted an honorarium compensation scheme using the straight 25% of the employees' basic salary paid on a monthly basis. This scheme ensures compliance with the set limitation for the payment of Honoraria to entitled employees that should not exceed the prescribed 25% of their annual basic pay (Section 4.9 of DBM Budget Circular 2007-2).

   Moreover, by fully accomplishing the required tasks for the month as evidenced by the submitted Monthly Accomplishment Reports, as certified by their respective supervisors, the assigned personnel is deemed qualified to receive the maximum honorarium amount.

c. Cognizant of this requirement, the PNOC Performance Management Team (PMT) issued Resolution No. 01, Series of 2017 dated April 25, 2017 (Annex "B") resolving to include integrated activities of PDMC and PAFC in the OPCR and IPCR which rating criteria considers timeliness, quality of outputs and other applicable work efficiency determinants as required under DBM Circular 2007-2.

   In the said PMT Resolution it was stressed that the transitioned functions, programs and projects, recognized as "New Project" activities are in the process of being integrated into the operations of PNOC consistent with the corporate transformation into a full operating Company. It was also pointed out that the integrated activities essentially and necessarily involved various tasks being undertaken by departments/offices in PNOC that need to be monitored and its progress and accomplishments reported on regular basis.

   Thus the identified tasks being undertaken by the departments/ offices related to the integrated activities are required to be included in their respective OPCRs and IPCRs to distinguish these activities, as a component of the Special Project, from the regular functions of the employees concerned. Moreover, separate accomplishment reports are required on a monthly basis.

   The Monthly Accomplishment Report of activities for PAFC and PDMC, duly certified by their respective supervisors is the basis for the payment of the honorarium. Failure to submit report or reports with insignificant accomplishment is a ground for not granting of honorarium for the month.

d. With the foregoing justifications, PNOC indeed strictly and substantially complied with the guidelines on the grant of honoraria to entitled employees based on the DBM circular.

5.7 Our rejoinder to management comments are as follows:

a. On the time frame for the special project, we understand that it is beyond the control of PNOC employees as to when GCG would complete their evaluation of the Reorganization Plan (RP). But it is obligatory on the part of PNOC to continuously follow up with GCG the approval of their RP and other documentary evidence. Relative to this, we request the submission of all follow up letters and other documentary evidence, addressed to GCG starting April 2017, the date of its first submission of RP to GCG, and the corresponding replies of GCG. Although the timeline of the final revocation of the certificate of registration of PAFC and PDMC under involuntary revocation as approved by the GCG was set five years from their non-operation or until 2021, this should not be considered as justification/reason for the continuous payment of honoraria for those involved in special projects with definite time frame.

b. On the computation of honorarium using the flat rate of 25% of the employee’s basic salary, it is assumed that all of the employees under the special project have outstanding ratings. In order to comply with the DBM requirement, it is therefore required that semestral DPCRs/ IPCRs of each personnel showing their outstanding performance ratings should be submitted other than the monthly accomplishment reports that have no ratings.

c. Management should revisit the functions and positions under the special project plan as some of the functions do not require superior knowledge or expertise, thus, manpower could be reduced and expenses minimized.

d. Finally, all justifications presented by management during the exit conference should be supported with documents and submitted to COA immediately.

6. Management did not submit to the Commission on Audit all of the CY 2017 documents/reports required in preparation of the 2017 Annual Audit Reports as per letter of the Supervising Auditor dated January 22, 2018 issued pursuant to Section 41 of PD 1445, therefore, defeating the purpose of providing important financial information to the users of the financial statements.

6.1 Section 41 of PD 1445 states that the chief accountant or the official in charge of keeping the accounts of a government agency shall submit to the Commission year-end trial balances and such other supporting or subsidiary statements as may be required by the Commission not later than the fourteenth day of February. Trial balances returned by the Commission for revision due to non-compliance with accounting rules and regulations, shall be resubmitted within three days after the date of receipt by the official concerned. Failure on the part of any official or employee to comply with the provisions of the immediately preceding paragraph shall cause the automatic suspension of the payment of his salary and other emoluments until he shall have complied there with. The violation of these provisions for at least three times shall subject the offender to administrative disciplinary action.

6.2 In the Preparation of 2017 Annual Audit Reports, the Supervising Auditor issued a letter dated January 22, 2018 requesting the submission of the documents/ reports required for the Calendar Year 2017 Audit. As of February 14, 2018, the following documents were not yet submitted.

a) Statement of Management’s Responsibility for Financial Statements as required by Securities Regulation Code Rule 68 and written representation letter pursuant to International Standards on Auditing No. 580;
b) Detailed schedule of cash equivalents;
c) Aging of Receivables:
   1) Notes receivable
   2) Interest receivable (amortization)
   3) Due from subsidiaries
d) Computation of Allowance for impairment losses of Receivables – Trade and Nontrade;
e) Reconciliation of Property and Equipment account per books and Physical Inventory Report;
f) Schedule of Deferred Credits and Other Credits;

Furthermore, the following documents required during the course of the audit were not yet submitted to date:

g) Result of Annual Physical Inventory;

h) Final Statement of Cash Flows and Statement of Changes in Equity and complete Notes to Financial Statements in compliance with COA Circular 2017-004 request (reiterated on April 2, 2018);
i) Fund transferred to PNOC Mother from PSTC-accounting of funds P7.967M;
j) Amortization of interest on receivables;
k) Report and supporting documents of the accruals from prelim balances to final closing balances;
l) Additions and Disposals from 2007 to 2015 of Investments Properties; and
m) Subsidiary Ledgers of various accounts, particularly expense accounts, extracted from Alpha Financial Integrated System (AFIS) requested on April 4, 2018.

6.3 Delay in the submission of documents caused delay in the conduct of the audit and defeating the purpose of providing important financial information to the users of the financial statements.

6.4 Thus, the delayed submission of documents/reports in the preparation of 2017 Annual Audit Report is contrary to Section 41 of PD 1445 defeating the purpose of providing timely financial information to users.

6.5 ***We recommended that Management enforce strictly the submission of all required reports within the prescribed period. The concerned officials should look into the root cause of the delayed preparation and submission of the said reports and immediately take the necessary action to solve this problem.***

6.6 Management commented that they submitted the required reports, converted to the Revised Chart of Accounts (RCA), on February 14 and 15, 2018, except for the documents/schedules enumerated in Item 6.2 above.

Management clarified that the Memorandum on the Requirements in the Preparation of 2017 Annual Audit Reports was dated January 11, 2018, not January 8, 2018 and the submission of the requested reports is on February 14, 2018 and not January 31, 2018.

They also informed that the Financial Statements and other schedules submitted on February 14 and 15, 2018 were based on the Revised Chart of Accounts (RCA) only as per Memorandum dated January 22, 2018, Item No. 1, that required the submission of Financial Statements as of December 31, 2017 (Accounts should be converted to RCA per COA Circular No. 2017-004). The said memo did not specify that the submission of 2017 Financial Statements must be in compliance with the subject circular.

However, the Supervising Auditor’s letter dated April 2, 2018 provided to Management the specific guidelines in the preparation of the Financial Statements and other financial reports pursuant to COA Circular No. 2017-004. Management expressed that the additional reports required by the COA Circular and the lack of manpower and assumptions of the workload of the dissolved subsidiaries caused the delay on the submission of the reports.

6.7 As our rejoinder on management comment that the Memorandum dated January 22, 2018 issued by COA did not specify that the submission of 2017 Financial Statements must be in compliance with COA Circular No. 2017-004, it is already clearly stated and self-explanatory that said circular pertains to the guidelines in the preparation of Financial Statements. The conversion of accounts to RCA and adoption of relevant policies and guidelines are covered by COA Circular Nos. 2015-010 dated December 1, 2015 and 2016-006 dated December 29, 2016.

It is noteworthy to mention that for the 2016 Annual Audit Report, the accounts should have been converted to RCA. Management previously requested for deferment in its letter dated March 20, 2017 and committed to effect the conversion not later than September 30, 2017. Consequently, with the ample time given to management to comply, they were unable to submit its conversion of accounts to RCA.

7. The Gender and Development (GAD) Accomplishment Report was not submitted contrary to Sections 3.2 (d), 4.8 and 5.2 of Joint Circular No. 2004-1 of DBM, NEDA and NCRFW, thus validation of projects could not be made. Likewise, no GAD Database and GAD Monitoring and Evaluation System was developed for PNOC contrary to Section 37 (D), Rule VI of the Implementing Rules and Regulations (IRR) of RA No. 9710, Magna Carta of Women.

7.1 Section 3.2(d), 4.8, and 5.2 of Joint Circular No. 2004-1 of the Department of Budget and Management (DBM), National Economic and Development Authority (NEDA) and National Commission on the Role of Filipino Women (NCRFW), now Philippine Commission on Women (PCW), on the Guidelines for the Preparation of Annual GAD Plan and Budget and Accomplishment Report to Implement its Programs/Projects provides that:

3.2 (d) – GAD Planning and Budgeting Concepts - Gender Analysis -- a systematic way of analyzing and comparing (a) the differential perspectives, roles, needs and interests of women and men in a project area or institution; (b) the relations between women and men pertaining to their access to, and control over resources, benefits and decision-making processes; (c) the potential differential impact of program or project interventions on women and men, girls and boys; (d) social and cultural constraints, opportunities, and entry points for reducing gender inequalities and promoting more equal relations between women and men; among others (CIDA, 1999).

4.8 – General Guidelines - Agencies shall prepare their annual GAD accomplishment reports for the previous year that contain actual accomplishments vis-à-vis targets as well as the amounts utilized for the achievement of such.

5.2 – Procedural Guidelines - The agency GAD Focal Point shall prepare the annual GAD accomplishment report in coordination with the agency budget officers following the format prescribed in Annex B to be approved by the agency head.

The annual GAD accomplishment report shall be accompanied by the following: (1) brief summary of the reported program or project; (2) abstract of reported studies; (3) copies of reported policy issuances; and (4) curriculum vitae of trainers or consultants of the reported training/s.

Agencies shall submit to the DBM two copies of the annual GAD accomplishment report for the previous year along with the agency budget proposal in accordance with the budget call. The DBM shall furnish the NCRFW a copy of the annual GAD accomplishment report.

More so, Section 37 (D), Rule VI of the IRR of RA No. 9710, Magna Carta of Women S'2010 provides that all departments, including their attached agencies, offices, bureaus, SUCs, GOCCs, LGUs, and other government instrumentalities shall develop and maintain a GAD database containing GAD information to include gender statistics and age- and sex-disaggregated data that have been systematically produced/gathered, regularly updated to serve as inputs or bases for planning, programming, and policy formulation. The National Statistical Coordination Board (NSCB), upon the recommendation of the Inter-Agency Committee on Gender Statistics (IACGS), shall issue statistical policies on the generation of data support on gender issues and improve the system of collection and dissemination of gender statistics at the national and local levels.

7.2 On May 5, 2017, PNOC issued Administrative Order No. 2017-01 reconstituting the PNOC Gender and Development Focal Point System (PNOC-GFPS) consisting of a GFPS Executive Committee and GFPS Technical Working Group. One of the major functions of PNOC-GFPS is to direct the identification of GAD strategies, programs, activities and projects based on the results of the gender audit, gender analysis and according to identified priorities of the company, and to spearhead the preparation, monitoring, reporting and effective implementation of the PNOC's GAD mainstreaming activities.

Review of records showed that, the approved GAD Plan and Budget of PNOC for 2017 is P2,800,000.00 which is equivalent to 0.19% only, instead of 5% of the total appropriations for 2016 of P1,453,453,000. Further, the total appropriations for 2017 of P965,009,000.00 was not used as a basis for the 5% allocation.

7.3 PNOC's GAD Plan and Budget of PNOC for 2017 of P2,800,000 is not equivalent to 5% of the total appropriations for 2017 of P965,009,000.

GAD Accomplishment Report for 2017 preparation is still in process and not yet submitted to PCW, DBM and COA. PNOC has requested PCW for extension on the submission of GAD Accomplishment Report and the request for extension was approved until February 28, 2018. Therefore, no validation of actual accomplishments could be done to determine whether GAD targets were achieved as well as the amounts utilized for the achievement of said targets.

7.4 As of December 31, 2017 the GAD Database and GAD Monitoring and Evaluation System have not yet been established. Thus, contrary to Sections, 3.2 (d), 4.8 and 5.2 of Joint Circular No. 2004-1 of DBM, NEDA and NCRFW, and Section 37 (D), Rule VI of the Implementing Rules and Regulations (IRR) of RA No. 9710, Magna Carta of Women.

7.5 ***We recommended that Management:***

   a. ***Strictly comply with Joint Circular No. 2004-1 to ensure that the budget, programs, projects and activities to be conducted by the agency are aligned with PCW provisions; and***

   b. ***Facilitate the establishment of PNOC GAD Database and GAD Monitoring and Evaluation System for PNOC and observe timely submission of all required reports on Gender and Development to PCW, DBM, COA and other concerned government agencies.***

7.6 Management furnished COA a copy of the 2017 GAD Accomplishment Report and 2019 GAD Plans and Budget (GPB) as submitted online to the PCW on February 28, 2018.

The 2018 GPB was submitted in January 2017. However, it was returned by the PCW with comments and for lack of client focused activities. But with the reconstitution of the PNOC-GFPS in May 2017 and the ensuing Gender Mainstreaming Training of the GFPS in August 2017, they were only able to revise their 2018 GPB in the last quarter of 2017. This was based on the three-year GAD Agenda which was crafted after the training. Since the period to revise the 2018 GPB report has already lapsed and the 2018 Cash Budget has just been recently issued, they requested PCW to reopen the 2018 GPB link so they can access and update the said report.

Management also committed to set up the PNOC GAD Database and GAD Monitoring and Evaluation System by 3rd Quarter of 2018 as the PNOP-GFPS is still familiarizing with the preparation of GAD reports and other submissions.

They emphasized that despite manpower constraints, PNOC is committed to accomplish its GAD-related activities in accordance with the PCW provisions, as well as to submit the required reports to PCW, DBM, COA and other government agencies.

C. Status of Audit Suspensions, Disallowances and Charges

There were no Notices of Disallowances issued to PNOC for the Calendar Year 2017.

D. Tax Liabilities

Taxes withheld and due to the Bureau of Internal Revenue for CY 2017 in the total amount of P19,431,878 were deducted and remitted within the prescribed period. The taxes withheld for the month of December 2017 amounting to P5,228,633 were remitted to the Bureau of Internal Revenue in January 2018.

E. Statutory Deductions

Premiums due to GSIS, HDMF and PHIC for CY 2017 were deducted from the salaries of PNOC personnel in the amount of P15,465,624 and remitted within the prescribed period. The premiums deducted in December 2017 in the amount of P1,378,419 were remitted in January 2018 with details as follows:

Agency	Premiums collected and remitted in 2017 (January to November)	Premiums collected in December 2017 and remitted in January 2018	Total
GSIS	13,688,168	1,229,381	14,917,549
Pag-ibig	923,981	71,788	995,769
Philhealth	853,475	77,250	930,725
Total	**15,465,624**	**1,378,419**	**16,844,043**

STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Out of the 22 audit recommendations embodied in the previous years' Annual Audit Reports, six (6) were fully implemented, 14 were partially implemented and two (2) were not implemented, as shown in the following table:

Reference	Audit Observations	Recommendations	Status of Implementation
2016 AAR Observation No. 1, page 52	Sixteen land properties amounting to P459.771 million recorded under account Investment Property and five land properties amounting to P92.258 million recorded under the account Property and Equipment were not presented at their recoverable amounts of P403.956 million and P25.690 million, respectively, due to the non-recognition of impairment loss amounting to P55.815 million for Investment Property and P66.568 million for Property and Equipment, contrary to Philippine Accounting Standards (PAS) 36.	1. We recommended that Management recognize the impairment loss of P55,815,288 for the 16 land properties recorded under Investment Property and P66,567,600 for five land properties recorded under Property and Equipment in compliance with PAS 36.	Partially implemented Adjustment on the cost was recognized on 15 land properties only.
2016 AAR Observation No. 2, page 54	The accuracy of PPE with net book value of P376.905 million as of December 31, 2016 could not be ascertained due to non-compliance with asset classification and capitalization policy pursuant to COA Circular No. 2015-010 re: adoption of the Revised Chart of Accounts (RCA) for Government Corporations.	2. We recommended that Management comply with COA Circular No. 2015-010 relative to the adoption of the Revised Chart of Accounts (RCA) for Government Corporations by September 30, 2017.	Partially implemented Residual value was not implemented.

Reference	Audit Observations	Recommendations	Status of Implementation
2016 AAR Observation No. 3, page 56	The collectability of the year-end balance of Receivables from Power Sector Assets and Liabilities Management (PSALM) Corporation in the amount of P112.543 million was doubtful as this was not recognized and actually inexistent as payable per confirmation with PSALM Corporation.	3. We recommended that PNOC Management file the appropriate legal action against PSALM.	Not implemented A letter was sent to PSALM on October 3, 2017 regarding agreements on September 26, 2017 meeting. To date, the joint presentation/meeting with the Office of the Solicitor General/Office of the Government Corporate Counsel is still pending. For 2018, the Treasury Department will continuously coordinate with Legal Department on the matter.
2016 AAR Observation No. 4, page 57	Loans Receivable from the Natural Resources Development Corporation (NRDC) in the amount of P62.379 million had been dormant for more than eight years.	4. Come up with an agreement with NRDC on the computation of interest to arrive at the total amount of receivables; and 5. Coordinate with NRDC for the issuance of Board Resolution assigning its future dividends from PMDC to PNOC as partial settlement of its long overdue accounts with PNOC.	Partially implemented Partially implemented To date, the current administration has yet to appoint President and CEO of NRDC.
2016 AAR Observation No. 5, page 59	Disbursements incurred by PNOC-Renewables Corporation (PNOC-RC) amounting to P51.956 million for the implementation of the Barangay Electrification	6. We recommended that Management recognize the payables to PNOC-RC amounting to P51.956 million and settle the account as	Not implemented The item was included in the DOE-PNOC issues to be discussed with the Secretary. Initial coordination was

Reference	Audit Observations	Recommendations	Status of Implementation
	Project, a project entered into by and between DOE and PNOC, were not recognized as payables to PNOC-RC by PNOC, thus, understating the liability account by the same amount.	soon as possible.	conducted and still waiting for the scheduled dialogue with DOE.
2016 AAR Observation No. 6, page 59	The accuracy and validity of performance bond/security and bid security in the amount of P545,993 and P235,295, respectively, recorded under *Other Accounts Payable* account could not be ascertained because the accounts have been outstanding for one to eight years.	7. Make an inventory of completed contracts and verify whether the corresponding Certificates of Final Acceptance were issued;	Fully implemented
		8. Thereafter, inform the concerned contractors/suppliers about their outstanding performance bonds and bid securities in accordance with Section 39.5 of RA 9184; and	Fully implemented
		9. For performance bond/security and bid security that remained unclaimed or dormant for over two years, cause their reversion to miscellaneous income.	Fully implemented
2016 AAR Observation No. 7, page 62	Investment Property as of December 31, 2016 amounting to P1.689 billion consisted of 23 lots with an area of 718,056 sq.m. with Transfer Certificate of Titles (TCTs) but not in the name of PNOC, and	10. Cause the completion of processing the titles of 67 lots to ensure the proper transfer of ownership to PNOC;	Partially implemented

Reference	Audit Observations	Recommendations	Status of Implementation
	of 44 lots amounting to P100.041 million with an area of 241,741 sq.m. without TCTs in the name of PNOC. Also, discrepancies existed between the records being maintained by Estate Management Department (EMD) and Accounting Department (AD) on: a) for land area consisting of 23 lots, per EMD records, the total area was 516,884 sq.m., while per AD records, the total area was 1,463,776 sq.m., or a difference of 946,892 sq.m.; and b) four TCTs with an area of 9,517 sq.m. and a total cost of P676.75 included in the accounting records but not included in the EMD records. Further, PNOC incurred additional expenses of P9.554 million in CY 2016 for the payment of real property taxes and security services for various lots which remained idle or unutilized for years with an area of 1.858 million sq.m. and appraised value of P1.683 billion.	11. Document the inventory of land to confirm and validate the TCTs establishing the required government land registrations and PNOC ownership over-all Investment Properties, to be able to check as well as the status of the land if these are not public domain and therefore, not outside the commerce of men;	Partially implemented
		12. Require the reconciliation of records between the EMD and AD to determine the actual area under paragraphs 7.4 (c) and 7.4 (d) and make the necessary adjustments, where appropriate;	Partially implemented
		13. Maximize the use of idle lots and exert extra efforts to clear the area of unauthorized settlers in coordination with concerned government agencies; and	Partially implemented
		14. Study and submit PNOC's marketing strategy to hasten the disposal of the idle assets and to explore possibilities to generate income from their use while	Partially implemented

Reference	Audit Observations	Recommendations	Status of Implementation
		awaiting disposal for the purpose of optimizing their values and/or to at least recover the amount invested by PNOC.	
2016 AAR Observation No. 8, page 84	The proposed PNOC GAD budget of P1.036 million was not equivalent to at least five percent or P72.673 million of PNOC budget appropriation of P1.453 billion and not endorsed by the Philippine Commission on Women (PCW) to the Department of Budget and Management (DBM), contrary to Sections 2.4 and 5.1 of Joint Circular No. 2004-1 of DBM, NEDA and PCW, respectively.	15. We recommended that Management strictly comply with Joint Circular No. 2004-1 and ensure that PNOC GAD Plan and Budget is submitted to PCW for review on a timely basis for endorsement to the DBM.	Partially implemented PNOC acquired the services of a Subject Matter Expert who conducted seminar/ workshop at PNOC on August 22-25, 2017 for the mainstreaming of GAD program compliant with PCW and DBM budgetary requirements. As a result, PNOC 2018 GAD Plans and Programs is under revision for resubmission to PCW.
2015 AAR Observation No. 2, page 54	Found existing for reciprocal accounts between Due from Subsidiaries per PNOC books and Due to PNOC per subsidiaries' records was a variance of P4.684 million involving various reconciling items which remained unresolved for more than one to 13 years. Also, no Allowance for Impairment was recognized for the account Due from Subsidiaries, contrary to paragraphs 58 and 59 of PAS 39.	16. Coordinate with the Finance Managers/ Accountants of the Subsidiaries, particularly PNOC RC, and settle the reconciling items; 17. Effect the necessary adjusting journal entries in the books so that reliable information is presented in the	Partially implemented PNOC provided PNOC-RC all the necessary documents on October 13, 2016 for the items that are being reconciled. PNOC-RC also settled its long outstanding accounts on December 19, 2016 amounting to P263,650.95. Partially implemented PNOC-RC committed to trace the various unreconciled items and prepare the

Reference	Audit Observations	Recommendations	Status of Implementation
		financial statements; and 18. Provide allowance for impairment of receivables to present the net realizable value of Due from Subsidiaries in compliance with the provisions of PAS 39.	corresponding journal vouchers. Partially implemented Allowance for bad debts on receivables from PSTC was provided and booked in December 2016. PNOC will continue to provide allowance for impairment.
2015 AAR Observation No. 4, page 83	The accuracy, existence and completeness of PPE with net book value of P201.281 million as of December 31, 2015 could not be ascertained due to non-submission of Physical Inventory Report, inconsistent asset classification, inconsistent capitalization policy, non-recognition of depreciation expense on PPE received and improper recognition of assets, contrary to existing laws, rules and regulations.	19. Establish a distinct description for each PPE classification to avoid confusion in the future; 20. Implement Section 2.2.1 of COA Circular No. 2005-002 on small tangible items with estimated useful life of more than one year to be recorded as inventories upon acquisition and expense upon issuance; 21. Consider developing and/or updating a written accounting policy/manual incorporating COA Rules and Circulars and PAS, to standardize the Company's accounting and operating policies and procedures.	Fully implemented Fully implemented Partially implemented No written accounting policy was submitted to COA.

Reference	Audit Observations	Recommendations	Status of Implementation
2013 AAR Observation No. 4, page 27	The validity and existence of P2.414 million Special Deposit and Funds could not be substantiated due to the absence of proof of payments and supporting documents.	22. Explore other alternative methods of obtaining information to substantiate the account balance.	Fully implemented

Appendix A

12 employees granted with additional cash advances despite having pending unliquidated cash advances

	Date	Posting Ref	Debit	Credit	Reference
1	**1-99-01-010-P0057**				
	12/5/2017	23993	13,700.00		PCV1 1-39-1201
	12/27/2017	24278	10,000.00		PCV4 1-39-1204
	12/28/2017	26488		13,480.00	PRBB 1-05-1201
	12/28/2017	26519		10,000.00	PRBB 1-05-1201
	12/29/2017	26773		220	PRBB 3-62-1201
2	**1-99-01-010-P0106**				
	9/8/2017	4518	17,000.00		AP SEP
	9/25/2017	4519	5,000.00		PCV3 1-39-0903F
	9/29/2017	4520		16,347.75	PRBB 1-05-0901F
	9/29/2017	4521		652.25	CRT1 3-62-0901
	10/5/2017	4522		1,600.00	CRT1 3-62-1001
	10/30/2017	4523		3,400.00	PRBB 1-05-1001F
3	**1-99-01-010-P0122**				
	8/24/2017	4540	86,000.00		AP AUG
	9/15/2017	4541	35,000.00		AP SEP
	9/29/2017	4542		75,910.73	PRBB 1-05-0901F
	9/29/2017	4543		19,408.90	PRBB 1-05-0901F
	9/29/2017	4544		10,089.27	CRT1 3-62-0901
	9/29/2017	4545		15,591.10	CRT2 3-62-0902
4	**1-99-01-010-P0141**				
	5/5/2017	4572	5,000.00		PCV1 1-39-0501
	5/5/2017	4573	10,500.00		PCV1 1-39-0501
	5/15/2017	4574		2,785.00	PRBB 1-05-0501
	5/15/2017	4575		10,489.10	PRBB 1-05-0501
	5/22/2017	4576	5,000.00		PCV1 1-39-0502
	5/22/2017	4577		3,310.00	PRBB 1-05-0502
	5/31/2017	4578		2,215.00	CRT1 3-62-0501
	5/31/2017	4579		10.9	CRT1 3-62-0501
	6/19/2017	4580		1,690.00	CRTU 3-62-0601
	6/30/2017	4581	10,000.00		PCV3 1-39-0603
	7/28/2017	4582	8,000.00		PRBB 1-39-0701
	7/28/2017	4583		9,741.97	PRBB 1-05-0701
	7/28/2017	4584		6,685.00	PRBB 1-05-0701
	7/31/2017	4585		258.03	CRT1 3-62-0701
	7/31/2017	4586		1,315.00	CRT2 3-62-0702
	9/4/2017	4587	5,000.00		PCV1 1-39-0901

	Date	Posting Ref	Debit	Credit	Reference
	9/25/2017	4588	5,000.00		PCV3 1-39-0903F
	9/29/2017	4589		3,656.75	PRBB 1-05-0901F
	9/29/2017	4590		4,145.00	PRBB 1-05-0901F
	9/29/2017	4591		1,343.25	CRT1 3-62-0901
	9/29/2017	4592		855	CRT2 3-62-0902
	10/13/2017	4593	5,000.00		PCV2 1-39-1002
	10/25/2017	4594		978.5	CRT2 3-62-1002
	10/30/2017	4595		4,021.50	PRBB 1-05-1001F
	11/22/2017	4596	5,000.00		PCV2 1-39-1102F
	11/29/2017	4597		567.6	CRT2 3-62-1102
	11/30/2017	4598		4,432.40	PRBB 1-05-1101F
5	**1-99-01-010-P0144**				
	1/17/2017	4605	5,000.00		PCRV 17-02
	1/24/2017	4606	44,000.00		AP JANUARY
	1/27/2017	4607		82.5	CRT2 3-62-0102
	1/27/2017	4608		4,917.50	AGSB 1-05-0101
	2/28/2017	4609		1,010.00	CRT1 3-62-0201
	2/28/2017	4610		42,990.00	AGSB 1-05-0201
6	**1-99-01-010-P0147**				
	1/4/2017	4618	14,000.00		PCRV 17-01
	1/17/2017	4619	7,500.00		PCRV 17-02
	1/27/2017	4620		840	CRT1 3-62-0101
	1/27/2017	4621		2,757.94	CRT2 3-62-0102
	1/27/2017	4622		4,742.06	AGSB 1-05-0101
	1/27/2017	4623		13,160.00	AGSB 1-05-0101
	2/3/2017	4624	4,116.00		PCR1 3-62-0201
	2/3/2017	4625	13,800.00		PCR1 39-1-0201
	2/3/2017	4626	13,510.00		PCR1 39-1-0201
	2/15/2017	4627	14,300.00		PCR2 3-62-0201
	2/28/2017	4628		13,800.00	AGSB 1-05-0201
	3/6/2017	4629		2,634.07	CRT1 3-62-0301
	3/6/2017	4630		11,665.93	WBE 1-05-0301
	3/22/2017	4631		962.88	CRT2 3-62-0302
	3/22/2017	4632		8,037.12	WBE 1-05-0301
	3/24/2017	4633	9,000.00		PCR1 1-39-0301
	3/30/2017	4634		8,320.00	WBE 1-05-0301
	3/31/2017	4635		17,626.00	LF03 1-46-0303
	4/3/2017	4636	8,320.00		PCR1 1-39-0401
	4/19/2017	4637	10,800.00		PCR2 1-39-0402
	4/19/2017	4638		9,082.18	LIQ 1-05-0401
	4/19/2017	4639		1,717.82	CRT2 3-62-0402
	4/21/2017	4640		8,320.00	LIQ 1-05-0401
	5/5/2017	4641	8,320.00		PCV1 1-39-0501
	5/5/2017	4642	8,320.00		PCV1 1-39-0501

	Date	Posting Ref	Debit	Credit	Reference
	5/8/2017	4643	23,000.00		AP MAY
	5/15/2017	4644		8,320.00	PRBB 1-05-0501
	6/19/2017	4645	8,350.00		PCV2 1-39-0602
	6/30/2017	4646	5,200.53		PCV3 1-39-0603
	6/30/2017	4647		19,561.86	PRBB 1-05-0601
	6/30/2017	4648		8,320.00	PRBB 1-05-0601
	6/30/2017	4649		3,438.14	CRT1 3-62-0602
	6/30/2017	4650		30.00	CRT2 3-62-0603
	7/14/2017	4651	20,800.00		AP JULY
	7/28/2017	4652		5,200.53	PRBB 1-05-0701
	7/28/2017	4653		20,800.00	PRBB 1-05-0701
	9/4/2017	4660	3,500.00		PCV1 1-39-0901
	9/15/2017	4661	9,360.00		PCV2 1-39-0902
	9/25/2017	4662	4,500.00		PCV3 1-39-0903F
	9/29/2017	4663		3,164.06	PRBB 1-05-0901F
	9/29/2017	4664		9,360.00	PRBB 1-05-0901F
	9/29/2017	4665		3,179.06	PRBB 1-05-0901F
	9/29/2017	4666		7,400.00	PRBB 1-05-0901F
	9/29/2017	4667		335.94	CRT1 3-62-0901
	9/29/2017	4668		1,320.94	CRT2 3-62-0902
	10/3/2017	4669	7,400.00		PCV1 1-39-1001
	10/13/2017	4670	9,360.00		PCV2 1-39-1002
	10/18/2017	4671		280	CRT2 3-62-1002
	10/24/2017	4672	7,900.00		PCV3 1-39-1003
	10/30/2017	4673		9,080.00	PRBB 1-05-1001
	10/30/2017	4674		6,583.12	PRBB 1-05-1001F
	11/3/2017	4675		1,316.88	PRBB 3-62-1101
	12/12/2017	24643	26,400.00		AP DEC
	12/14/2017	24057	9,080.00		PCV2 1-39-1202
	12/18/2017	24216		9,080.00	PCV3 1-39-1203
	12/28/2017	26521		26,400.00	PRBB 1-05-1201
7	**1-99-01-010-P0152**				
	12/12/2017	24644	44,600.00		AP DEC
	12/19/2017	24645	92,000.00		AP DEC
	12/28/2017	26503		44,600.00	PRBB 1-05-1201
	12/28/2017	26509		92,000.00	PRBB 1-05-1201
8	**1-99-01-010-P0153**				
	1/19/2017	4692	48,000.00		AP JANUARY
	2/1/2017	4694	52,300.00		AP FEBRUARY
	2/28/2017	4695		1,833.35	CRT1 3-62-0201
	2/28/2017	4696		46,166.65	AGSB 1-05-0201
	3/13/2017	4697		5,507.55	CRT1 3-62-0301
	3/13/2017	4698		46,792.45	WBE 1-05-0301

	Date	Posting Ref	Debit	Credit	Reference
	11/3/2017	4710	43,000.00		AP NOV
	12/12/2017	24646	86,100.00		AP DEC
	12/18/2017	24135		43,000.00	PCV3 1-39-1203
	12/28/2017	26513		79,071.50	PRBB 1-05-1201
	12/29/2017	26921		7,028.50	PRBB 3-62-1201
9	**1-99-01-010-P0316**				
	2/15/2017	4965	1,500.00		PCR2 3-62-0201
	2/15/2017	4966	30.59		PCR2 3-62-0201
	2/28/2017	4967	78,906.40		AGSB 1-24-0201
	2/28/2017	4968		1,500.00	AGSB 1-05-0201
	2/28/2017	4969		31,787.79	AGSB 1-05-0201
	2/28/2017	4970		47,103.06	CRT2 3-62-0202
	2/28/2017	4971		46.15	CRT2 3-62-0202
	3/31/2017	4972	0.01		LF03 1-46-0303
	11/9/2017	4973	1,500.00		PCV1 1-39-1101
	11/9/2017	4974	9.82		PCV1 1-39-1101
	11/30/2017	4975	64,477.92		PRBB 1-24-1105
	12/28/2017	26492		1,500.00	PRBB 1-05-1201
	12/28/2017	26501		59,291.27	PRBB 1-05-1201
	12/29/2017	26901		5,196.47	PRBB 3-62-1201
10	**1-99-01-010-P0328**				
	4/20/2017	4990	29,900.00		AP APRIL
	5/22/2017	4991		25,726.04	PRBB 1-05-0502
	6/2/2017	4992	20,250.00		AP JUNE
	6/19/2017	4993		4,173.96	CRTU 3-62-0601
	6/30/2017	4994		14,277.50	PRBB 1-05-0601
	6/30/2017	4995		5,972.50	CRT2 3-62-0603
	10/3/2017	4996	5,600.00		PCV1 1-39-1001
	10/11/2017	4997		2,467.50	CRT1 3-62-1001
	10/24/2017	4998	13,710.00		PCV3 1-39-1003
	10/30/2017	4999		3,132.50	PRBB 1-05-1001F
	12/5/2017	23996		13,710.00	PCV1 1-39-1201
11	**1-99-01-010-P0363**				
	1/27/2017	5026	43,120.63		AGSB 1-24-0101
	2/3/2017	5027	1,500.00		PCR1 3-62-0201
	2/15/2017	5028	30.59		PCR2 3-62-0201
	2/15/2017	5029	1,500.00		PCR2 3-62-0201
	2/28/2017	5030	78,906.40		AGSB 1-24-0201
	2/28/2017	5031		43,120.63	AGSB 1-24-0201
	2/28/2017	5032		1,500.00	AGSB 1-05-0201
	2/28/2017	5033		78,906.40	AGSB 1-05-0201
	2/28/2017	5034		1,500.00	AGSB 1-05-0201
	3/31/2017	5035		30.59	LF03 1-46-0303

12	**1-99-01-040-P0242**				
	8/10/2017	4812	5,000.00		PCV1 1-39-0801
	8/11/2017	4813	34,700.00		AP AUG
	8/31/2017	4814		2,248.00	PRBB 1-05-0801
	8/31/2017	4815		2,752.00	CRT1 3-62-0801
	9/25/2017	4816	14,800.00		PCV3 1-39-0903F
	9/28/2017	4817	19,900.00		AP SEP
	9/29/2017	4818		29,117.12	PRBB 1-05-0901F
	9/29/2017	4819		8,854.36	PRBB 1-05-0901F
	9/29/2017	4820		5,582.88	CRT1 3-62-0901
	9/29/2017	4821		5,945.64	CRT2 3-62-0902
	10/30/2017	4822		14,366.99	PRBB 1-05-1001F
	11/2/2017	4823		5,533.01	CRT1 3-62-1101
	12/14/2017	24071	14,600.00		PCV2 1-39-1202
	12/28/2017	26505		11,098.36	PRBB 1-05-1201
Grand Total			**1,316,978.89**	**1,316,978.89**	

Appendix B

Liquidation Date (Cr) vs. Cash Advance Date (Dr)

1-99-01-010-P0037				
Date	**Posting Ref**	**Debit**	**Credit**	**Reference**
7/28/2017	4427		10,421.95	PRBB 1-05-0701
7/31/2017	4428	10,500.00		PRBB 1-39-0702
7/31/2017	4429		78.05	
9/29/2017	4430		10,442.95	PRBB 1-05-0901F
9/29/2017	4431		57.05	CRT1 3-62-0901
10/30/2017	4432	10,500.00		PRBB 1-46-1003
Total		**21,000.00**	**21,000.00**	

1-99-01-010-P0047				
Date	**Posting Ref**	**Debit**	**Credit**	**Reference**
1/27/2017	4439		4,116.00	AGSB 1-05-0101
2/3/2017	4440		13,510.00	PCR1 39-1-0201
3/31/2017	4444	17,626.00		LF03 1-46-0303
Total		**17,626.00**	**17,626.00**	

1-99-01-010-P0057				
Date	**Posting Ref**	**Debit**	**Credit**	**Reference**
3/8/2017	4460		196.00	CRT1 3-62-0301
3/8/2017	4461		11,804.00	WBE 1-05-0301
3/24/2017	4462	12,000.00		PCR1 1-39-0301
Total		**12,000.00**	**12,000.00**	

1-99-01-010-P0141				
Date	**Posting Ref**	**Debit**	**Credit**	**Reference**
3/2/2017	4563		7,041.00	CRT1 3-62-0301
3/2/2017	4564		2,959.00	WBE 1-05-0301
3/24/2017	4568	10,000.00		PCR1 1-39-0301
3/29/2017	4569		4,019.80	CRT2 3-62-0302
3/29/2017	4570		10,480.20	WBE 1-05-0301
4/3/2017	4571	14,500.00		PCR1 1-39-0401
Total		**24,500.00**	**24,500.00**	

1-99-01-010-P0147				
Date	**Posting Ref**	**Debit**	**Credit**	**Reference**
3/22/2017	4631		962.88	CRT2 3-62-0302
3/22/2017	4632		8,037.12	WBE 1-05-0301
3/24/2017	4633	9,000.00		PCR1 1-39-0301
3/30/2017	4634		8,320.00	WBE 1-05-0301
4/3/2017	4636	8,320.00		PCR1 1-39-0401

1-99-01-010-P0147				
Date	Posting Ref	Debit	Credit	Reference
4/21/2017	4640		8,320.00	LIQ 1-05-0401
5/5/2017	4641	8,320.00		PCV1 1-39-0501
9/29/2017	4666		7,400.00	PRBB 1-05-0901F
10/3/2017	4669	7,400.00		PCV1 1-39-1001
Total		**33,040.00**	**33,040.00**	

1-99-01-010-P0254				
Date	Posting Ref	Debit	Credit	Reference
3/2/2017	4844		439.98	CRT1 3-62-0301
3/2/2017	4845		3,959.77	WBE 1-05-0301
3/24/2017	4846	4,399.75		PCR1 1-39-0301
Total		**4,399.75**	**4,399.75**	

1-99-01-010-P0265				
Date	Posting Ref	Debit	Credit	Reference
3/8/2017	4858		138.00	CRT1 3-62-0301
3/8/2017	4859		14,862.00	WBE 1-05-0301
3/24/2017	4860	15,000.00		PCR1 1-39-0301
Total		**15,000.00**	**15,000.00**	

1-99-01-010-P0267				
Date	Posting Ref	Debit	Credit	Reference
3/2/2017	4863		0.85	CRT1 3-62-0301
3/2/2017	4864		9,999.15	WBE 1-05-0301
3/24/2017	4865	10,000.00		PCR1 1-39-0301
3/31/2017	4866		34.50	CRT2 3-62-0302
3/31/2017	4867		9,965.50	WBE 1-05-0301
4/3/2017	4868	10,000.00		PCR1 1-39-0401
4/26/2017	4869		13.05	CRT2 3-62-0402
5/5/2017	4870	10,000.00		PCV1 1-39-0501
5/15/2017	4871		9,986.95	PRBB 1-05-0501
Total		**30,000.00**	**30,000.00**	

1-99-01-010-P0269				
Date	Posting Ref	Debit	Credit	Reference
3/16/2017	4885		6,000.00	WBE 1-05-0301
3/20/2017	4886	6,000.00		PCR2 1-39-0302
4/21/2017	4887		3,078.85	LIQ 1-05-0401
4/26/2017	4888		2,921.15	CRT2 3-62-0402
5/5/2017	4889	6,000.00		PCV1 1-39-0501
Total		**12,000.00**	**12,000.00**	

1-99-01-010-P0303				
Date	**Posting Ref**	**Debit**	**Credit**	**Reference**
3/31/2017	4917		588.25	CRT2 3-62-0302
3/31/2017	4918		4,411.75	WBE 1-05-0301
4/3/2017	4919	5,000.00		PCR1 1-39-0401
Total		**5,000.00**	**5,000.00**	

1-99-01-010-P0305				
Date	**Posting Ref**	**Debit**	**Credit**	**Reference**
3/10/2017	4940		2,085.25	CRT1 3-62-0301
3/10/2017	4941		7,914.75	WBE 1-05-0301
3/24/2017	4942	10,000.00		PCR1 1-39-0301
Total		**10,000.00**	**10,000.00**	

1-99-01-010-P0316				
Date	**Posting Ref**	**Debit**	**Credit**	**Reference**
12/29/2017	26903		3,501.64	PRBB 3-62-1201
12/30/2017	29091	3,501.64		PRBB 1-46-P208
Total		**3,501.64**	**3,501.64**	

1-99-01-010-P0328				
Date	**Posting Ref**	**Debit**	**Credit**	**Reference**
1/27/2017	4985		3,530.00	AGSB 1-05-0101
2/3/2017	4986	3,530.00		PCR1 39-1-0201
Total		**3,530.00**	**3,530.00**	

1-99-01-010-P0356				
Date	**Posting Ref**	**Debit**	**Credit**	**Reference**
9/29/2017	5019		10,650.00	PRBB 1-05-0901F
9/29/2017	5020		500.00	CRT2 3-62-0902
10/3/2017	5021	11,150.00		PCV1 1-39-1001
Total		**11,150.00**	**11,150.00**	

1-99-01-040-P0242				
Date	**Posting Ref**	**Debit**	**Credit**	**Reference**
3/21/2017	4800		2,910.40	CRT2 3-62-0302
3/21/2017	4801		2,089.60	WBE 1-05-0301
3/24/2017	4802	5,000.00		PCR1 1-39-0301
Total		**5,000.00**	**5,000.00**	

Grand Total	**P207,747.39**	**P207,747.39**	