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

CORPORATE GOVERNMENT AUDIT SECTOR
Cluster 3 – Public Utilities

June 25, 2024

RECEIVED BY:
PNOC OFFICE OF THE PRESIDENT
ON: JUN 26 2024
Time: 10.55 Name: [illegible]

Mr. OLIVER MARIO B. BUTALID
President and Chief Executive Officer (CEO)
Philippine National Oil Company
PNOC Bldg. 6, Energy Center, Rizal Drive
Bonifacio Global City, Taguig City

Dear President and CEO Butalid:

Pursuant to Section 2, Article IX-D of the Philippine Constitution and Section 43 of Presidential Decree No. 1445, otherwise known as the Government Auditing Code of the Philippines, we transmit herewith our report on the results of the audit of the accounts and transactions of **Philippine National Oil Company (PNOC)** for the years ended December 31, 2023 and 2022.

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

The Auditor rendered a qualified opinion on the fairness of presentation of the financial statements of PNOC for the years ended December 31, 2023 and 2022 due to the following:

Investment Property carried at P10.985 billion and P10.980 billion, and Property and Equipment at P665.365 million and P655.688 million in the Statement of Financial Position as at December 31, 2023 and 2022, respectively, include Land, Land Improvements, Buildings and Other Structures. The physical inventory of these properties with carrying amounts totaling P11.598 billion and P11.604 billion as at December 31, 2023 and 2022, respectively, was not conducted. In the absence of physical inventory, we were unable to obtain sufficient appropriate audit evidence, nor were we able to apply alternative procedures to determine the existence and valuation of the said properties. Consequently, we were unable to determine whether any adjustment to the balances of Investment Property, and Property and Equipment accounts is necessary, and the balances of the said accounts that should have been recognized as at December 31, 2023 and 2022.

For the above observation which caused the issuance of a qualified opinion, we recommended that Management require the:

a) Inventory Committee to conduct complete physical inventory of all Investment Property and Property and Equipment, and prepare the required inventory reports;

b) Accounting Department, Asset Management Department and General Services Department to reconcile their respective records; and

c) Accounting Department to effect the adjustments, if warranted.

The other audit observations together with the recommended courses of action, which were discussed by the Audit Team with concerned Management officers during the exit conference conducted on May 20, 2024, are presented in detail in Part II of the report.

We respectfully request that the recommendations contained in Parts II and III of the report be implemented and that this Commission be informed of the actions taken thereon by accomplishing the Agency Action Plan and Status of Implementation Form (copy attached) and submitting the same to us within sixty (60) days from receipt hereof.

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

Very truly yours,

COMMISSION ON AUDIT

By:

MARILYN C. BRIONES
Acting Director IV

Copy furnished:

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

(Agency Name)
AGENCY ACTION PLAN and STATUS of IMPLEMENTATION
Audit Observations and Recommendations
For the Calendar Years 2023 and 2022[1]
As of ________

Ref	Audit Observation	Audit Recommendation	Agency Action Plan					Reasons for Partial/Non-implementation, if applicable	Action Taken/Actions to be Taken
			Action Plan	Person/ Department Responsible	Target Implementation Date		Status of Implementation[2]		
					From	To			

Prepared by: ____________________

Reviewed by: ____________________

Noted by: ____________________

[1]For partially and not implemented audit recommendations for 2022
[2]Status of implementation may either be (a) Fully implemented (b) Partially Implemented (c) Not Implemented

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

CORPORATE GOVERNMENT AUDIT SECTOR
Cluster 3 – Public Utilities

June 25, 2024

THE BOARD OF DIRECTORS
Philippine National Oil Company
PNOC Bldg. 6, Energy Center, Rizal Drive
Bonifacio Global City, Taguig City

Dear Members of the Board:

Pursuant to Section 2, Article IX-D of the Philippine Constitution and Section 43 of Presidential Decree No. 1445, otherwise known as the Government Auditing Code of the Philippines, we transmit herewith our report on the results of the audit of the accounts and transactions of **Philippine National Oil Company (PNOC)** for the years ended December 31, 2023 and 2022.

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a) Inventory Committee to conduct complete physical inventory of all Investment Property and Property and Equipment, and prepare the required inventory reports;

b) Accounting Department, Asset Management Department and General Services Department to reconcile their respective records; and

c) Accounting Department to effect the adjustments, if warranted.

The other audit observations together with the recommended courses of action, which were discussed by the Audit Team with concerned Management officers during the exit conference conducted on May 20, 2024, are presented in detail in Part II of the report.

In a letter of even date, we requested the President and CEO of PNOC to take appropriate action on the recommendations contained in Parts II and III of the report, and to inform this Commission of the actions taken thereon.

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

Very truly yours,

COMMISSION ON AUDIT

By:

MARILYN C. BRIONES
Acting Director IV

Copy furnished:

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

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

ANNUAL AUDIT REPORT

on the

PHILIPPINE NATIONAL OIL COMPANY

For the Years Ended December 31, 2023 and 2022

EXECUTIVE SUMMARY

A. Introduction

Background Information

1. The Philippine National Oil Company (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 2028, PNOC is recognized as a strategic niche player in the Philippine energy industry.

3. PNOC's Mission

   To complement the efforts of the private sector in developing energy sources and in broadening the adoption of renewable energy technologies in the most cost-effective manner.

4. The Governance Commission for Government-Owned or Controlled Corporations (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 PNOC Development and Management Corporation (PDMC), which was duly approved by the Office of the President on that same month, pursuant to GCG Memorandum Order Nos. 2014-25 and 2014-26. PNOC will continue to act as a holding company in relation to PNOC Exploration Corporation and PNOC Renewables Corporation while it took over some of the assets, ongoing programs and assumed the functions of the abolished subsidiaries, PAFC and PDMC.

B. Scope and Objectives of Audit

The audit covered the examination, on a test basis, of the accounts and transactions of PNOC for the period January 1 to December 31, 2023, in accordance with International Standards of Supreme Audit Institutions to enable us to express an opinion on the fairness of presentation of the financial statements for the years ended December 31, 2023 and 2022. Also, we conducted our audit to assess compliance of PNOC with pertinent laws, rules and regulations, as well as adherence to prescribed policies and procedures.

C. Financial Highlights (In Million Pesos)

The financial position and results of operations of PNOC are summarized as follows:

1. Financial Position

	2023	2022	Increase (Decrease)
Assets	41,786.307	39,939.967	1,846.340
Liabilities	5,531.944	5,313.007	218.937
Equity	36,254.363	34,626.960	1,627.403

2. Results of Operations

	2023	2022	Increase (Decrease)
Total Income	6,545.954	6,384.670	161.284
Total Expense	2,114.524	1,957.272	157.252
Profit Before Tax	4,431.430	4,427.398	4.032
Income Tax Expense	1,037.278	1,066.010	(28.732)
Net Income	3,394.152	3,361.388	32.764
Other Comprehensive Income for the Period	1.350	2.318	(0.968)
Comprehensive Income	3,395.502	3,363.706	31.796

D. Auditor's Opinion

The Auditor rendered a qualified opinion on the fairness of presentation of the financial statements of PNOC for the years ended December 31, 2023 and 2022 due to the following:

Investment Property carried at P10.985 billion and P10.980 billion, and Property and Equipment at P665.365 million and P655.688 million in the Statement of Financial Position as at December 31, 2023 and 2022, respectively, include Land, Land Improvements, Buildings and Other Structures. The physical inventory of these properties with carrying amounts totaling P11.598 billion and P11.604 billion as at December 31, 2023 and 2022, respectively, was not conducted. In the absence of physical inventory, we were unable to obtain sufficient appropriate audit evidence, nor were we able to apply alternative procedures to determine the existence and valuation of the said properties. Consequently, we were unable to determine whether any adjustment to the balances of Investment Property, and Property and Equipment accounts is necessary, and the balances of the said accounts that should have been recognized as at December 31, 2023 and 2022.

For the above observation which caused the issuance of a qualified opinion, we recommended that Management require:

a) Inventory Committee to conduct complete physical inventory of all Investment Property and Property and Equipment, and prepare the required inventory reports;

b) Accounting Department, Asset Management Department and General Services Department to reconcile their respective records; and

c) Accounting Department to effect the adjustments, if warranted.

E. Summary of Audit Suspensions, Disallowances and Charges

There are no audit charges and suspensions as at December 31, 2023. The unsettled disallowances as at December 31, 2023 amounted to P1.258 million, details of which are presented in Part II of this Report.

F. Status of Implementation of Prior Years' Audit Recommendations

Out of the 15 audit recommendations embodied in the previous years' Annual Audit Reports, nine were implemented, one was closed and five were not implemented. Three of the five unimplemented audit recommendations were reiterated/restated in Part II of the Report.

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STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

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

INDEPENDENT AUDITOR'S REPORT

THE BOARD OF DIRECTORS
Philippine National Oil Company
Building 6, Energy Center, Rizal Drive
Bonifacio Global City, Taguig City

Report on the Audit of Financial Statements

Qualified Opinion

We have audited the financial statements of **Philippine National Oil Company (PNOC)**, which comprise the statements of financial position as at December 31, 2023 and 2022, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to financial statements, including a summary of significant accounting policies.

In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects, the financial position of PNOC as at December 31, 2023 and 2022, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Qualified Opinion

Investment Property carried at P10.985 billion and P10.980 billion, and Property and Equipment at P665.365 million and P655.688 million in the Statement of Financial Position as at December 31, 2023 and 2022, respectively, include Land, Land Improvements, Buildings and Other Structures. The physical inventory of these properties with carrying amounts totaling P11.598 billion and P11.604 billion as at December 31, 2023 and 2022, respectively, was not conducted. In the absence of physical inventory, we were unable to obtain sufficient appropriate audit evidence, nor were we able to apply alternative procedures to determine the existence and valuation of the said properties. Consequently, we were unable to determine whether any adjustment to the balances of Investment Property, and Property and Equipment accounts is necessary, and the balances of the said accounts that should have been recognized as at December 31, 2023 and 2022.

We conducted our audits in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under those standards are 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 Revised Code of Conduct and Ethical Standards for Commission on Audit Officials and Employees (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 32.14 to the financial statements, which discloses the promulgation of a Resolution by the Regional Trial Court (RTC) of Mandaluyong City on November 13, 2019, in the case of Petron Corporation vs. PNOC, which rescinded the Deeds of Conveyance for the Refinery Properties, Bulk Plant Properties, and Service Station Properties dated October 29, 1993. The Resolution ordered PNOC to reconvey to Petron Corporation all the properties covered under the said Deeds of Conveyance, and Petron Corporation to pay PNOC P143 million plus legal interest reckoned from October 29, 1993. Both parties appealed the RTC's decision to the Court of Appeals (CA), which denied the appeals on December 13, 2021. A Motion for Reconsideration filed on February 2, 2022 through the Office of Government Corporate Counsel (OGCC), was denied by the CA on October 6, 2022. Subsequently, on December 5, 2022, PNOC filed a petition for certiorari before the Supreme Court. On November 21, 2023, the First Division of the Supreme Court denied PNOC's appeal, thereby affirming the RTC's decision. A Motion for Reconsideration was filed by the OGCC on December 5, 2023. Our opinion is not modified in respect of this matter.

Other Matter

In our report dated June 16, 2023, we expressed an unmodified opinion on the financial statements of PNOC for the years ended December 31, 2022 and 2021.

Management has not conducted physical inventory of various properties under Investment Property, and Property and Equipment for the years 2023 and 2022, which is essential in establishing the existence and valuation of the said properties, and in determining whether adjustments are necessary in respect of the said accounts. Accordingly, our present opinion on the 2022 financial statements, as presented herein is different from that expressed in our previous report.

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

Those charged with governance are responsible for overseeing the 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 the 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 observations, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations No. 15-2010 in Note 33 to the financial statements is presented for the purpose of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of Management and has been subjected to the auditing procedures applied in our audits of the basic financial statements. In our opinion, except for the possible effects of the matter described in the *Basis for Qualified Opinion* paragraph, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

COMMISSION ON AUDIT

JONATHAN B. JAVIER
OIC - Supervising Auditor

June 25, 2024

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of Philippine National Oil Company is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2023 and 2022, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Company's financial reporting process.

The Board of Directors reviews and approves the financial statements including the schedules attached therein and submits the same to the stockholder or members.

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

RAPHAEL PERPETUO M. LOTILLA
PNOC Chairman of the Board

24 JUN 2024
Date Signed

JOSEPHINE CASSANDRA J. CUI
PNOC Senior Vice President for Finance and Administrative Services

Date Signed

OLIVER B. BUTALID
PNOC President and CEO

Date Signed

SUBSCRIBED AND SWORN TO BEFORE ME this 25th of JUNE 2024 at Taguig City, affiants exhibited to me their respective identification cards with the details shown below as follows:

Name	TIN
Raphael Perpetuo M. Lotilla	110-843-846
Oliver B. Butalid	436-553-513
Josephine Cassandra J. Cui	134-409-680

NOTARY PUBLIC

CARL PHILIP N. BATUCAN
Appointment No. 14 (2024-2025)
Notary Public for Taguig City
Until 31 December 2025
PNOC Bldg. VI, Energy Center, Rizal Drive
Bonifacio Global City, Taguig
Roll No 67061
PTR No. 3196934/01-11-2024/Mandaluyong
IBP No. 406172/01-07-2024
MCLE Compliance No. VII-0009702

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PHILIPPINE NATIONAL OIL COMPANY

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

STATEMENTS OF FINANCIAL POSITION

AS AT DECEMBER 31, 2023 AND 2022

	NOTE	2023	2022 (As restated)
ASSETS			
Current Assets			
Cash and Cash Equivalents	5	1,675,377,312	1,998,562,462
Investments	6	3,581,728,601	1,168,508,042
Receivables	7	706,542,599	962,092,253
Inventories	8	0	113,379
Other Current Assets	13	366,831,022	386,082,835
Total Current Assets		**6,330,479,534**	**4,515,358,971**
Non-Current Assets			
Financial Assets	6	7,590,770,843	6,108,237,701
Investments in Associates	6	99,866,719	90,704,289
Investments in Subsidiaries	6	4,859,775,056	4,859,775,056
Other Investments	6	141,549,450	141,549,450
Banked Gas Inventory	8	10,415,687,907	11,930,040,563
Investment Property	9	10,984,874,667	10,980,290,391
Property and Equipment	10	665,365,191	655,687,972
Intangible Asset	11	689,316	2,441
Deferred Tax Assets	12	697,000,160	658,071,140
Other Non-Current Assets	13	248,610	248,610
Total Non-Current Assets		**35,455,827,919**	**35,424,607,613**
Total Assets		**41,786,307,453**	**39,939,966,584**
LIABILITIES			
Current Liabilities			
Financial Liabilities	14	134,081,601	119,142,150
Inter-Agency Payables	15	403,538,583	394,943,332
Trust Liabilities	16	280,033,106	268,781,155
Other Payables	17	2,068,489,476	1,990,595,085
Total Current Liabilities		**2,886,142,766**	**2,773,461,722**
Non-Current Liabilities			
Deferred Credits/Unearned Income	18	270,233,729	164,504,287
Provisions	19	44,276,950	43,952,716
Deferred Tax Liabilities	20	2,331,290,301	2,331,087,801
Total Non-Current Liabilities		**2,645,800,980**	**2,539,544,804**
Total Liabilities		**5,531,943,746**	**5,313,006,526**
EQUITY			
Retained Earnings		33,136,571,938	31,510,518,289
Stockholders' Equity		3,114,595,519	3,114,595,519
Cumulative Changes in Fair Value		3,196,250	1,846,250
Total Equity		**36,254,363,707**	**34,626,960,058**
Total Liabilities and Equity		**41,786,307,453**	**39,939,966,584**

The notes on pages 11 to 68 form part of these statements.

PHILIPPINE NATIONAL OIL COMPANY

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

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2023 and 2022

	2023	2022
Income		
Service and Business Income	6,446,911,430	6,307,506,124
Gains	94,960,691	76,495,061
Non-Operating Income	4,081,480	668,621
Total Income	**6,545,953,601**	**6,384,669,806**
Expenses		
Personnel Services	160,878,926	162,285,453
Maintenance and Other Operating Expenses	216,473,789	223,300,875
Financial Expenses	7,146,967	7,065,851
Direct Costs	1,514,352,655	1,475,918,048
Non-Cash Expenses	215,671,331	88,701,566
Total Expenses	**2,114,523,668**	**1,957,271,793**
Profit Before Tax	**4,431,429,933**	**4,427,398,013**
Income Tax Expense	**1,037,277,572**	**1,066,009,901**
Profit After Tax	**3,394,152,361**	**3,361,388,112**
Other Comprehensive Income for the Period	**1,350,000**	**2,317,500**
Comprehensive Income	**3,395,502,361**	**3,363,705,612**

The notes on pages 11 to 68 form part of these statements.

PHILIPPINE NATIONAL OIL COMPANY
(A Corporation Wholly-Owned by the Government of the Republic of the Philippines)
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2023 and 2022

	Cumulative Changes in Fair Value of Investments	Retained Earnings	Stockholders' Equity	TOTAL
BALANCE AT JANUARY 1, 2022	**(471,250)**	**29,596,783,654**	**3,114,595,519**	**32,710,907,923**
Add/(Deduct):				
Dividends in Arrears	0	(375,973)	0	(375,973)
Other Adjustments:				
Prior Period Adjustments	0	214,662,210	0	214,662,210
BALANCE AT JANUARY 1, 2022 (As restated)	**(471,250)**	**29,811,069,891**	**3,114,595,519**	**32,925,194,160**
CHANGES IN EQUITY FOR 2022				
Add/(Deduct):				
Comprehensive Income for the year	0	3,361,388,112	0	3,361,388,112
Dividends:				
Dividends declared in CY 2022	0	(1,681,504,953)	0	(1,681,504,953)
Dividends in Arrears	0	(1,906,536)	0	(1,906,536)
Other Adjustments:				
Changes in fair value of available-for-sale securitie	2,317,500	0	0	2,317,500
Prior Period Adjustments	0	21,471,775	0	21,471,775
BALANCE AT DECEMBER 31, 2022 (As restated)	**1,846,250**	**31,510,518,289**	**3,114,595,519**	**34,626,960,058**
CHANGES IN EQUITY FOR 2023				
Add/(Deduct):				
Comprehensive Income for the year	0	3,394,152,361	0	3,394,152,361
Dividends	0	(1,769,095,234)	0	(1,769,095,234)
Other Adjustments:				
Changes in fair value of available-for-sale securitie	1,350,000	0	0	1,350,000
Prior Period Adjustments	0	996,522	0	996,522
BALANCE AT DECEMBER 31, 2023	**3,196,250**	**33,136,571,938**	**3,114,595,519**	**36,254,363,707**

PHILIPPINE NATIONAL OIL COMPANY
(A Corporation Wholly-Owned by the Government of the Republic of the Philippines)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Inflows		
Collection of Income/Revenue	6,310,224,183	5,464,066,077
Collection of Receivables	793,730,656	77,304,330
Receipt of Inter-Agency Fund Transfer	0	1,322,072
Trust Receipts	11,605,842	7,180,769
Other Receipts	4,246,689	97,999,937
Total Cash Inflows	**7,119,807,370**	**5,647,873,185**
Cash Outflows		
Payment of Expenses	511,436,719	317,407,317
Purchase of Inventories	218,882	0
Grant of Cash Advances	2,001,388	0
Prepayments	6,022,538	4,038,905
Refund of Deposits	7,417,750	7,180,767
Payments of Accounts Payable	11,612,665	1,228,247
Remittance of Personnel Benefit Contributions and Mandatory Deductions	690,762,241	350,514,028
Release of Inter-Agency Fund Transfers	0	11,901,514
Other Disbursements	932,271,729	611,753,825
Total Cash Outflows	**2,161,743,912**	**1,304,024,603**
Adjustments	8,333,597	1,793,708
Adjusted Cash Outflows	**2,170,077,509**	**1,305,818,311**
Net Cash Provided by Operating Activities	**4,949,729,861**	**4,342,054,874**
CASH FLOWS FROM INVESTING ACTIVITIES		
Total Cash Inflows		
Proceeds from Sale/ Disposal of Investment Property	0	9,865,593
Proceeds from Sale/Disposal of Property, Plant and Equipment	8,145	0
Receipt of Interest Earned	296,556,173	153,417,130
Receipt of Cash Dividends	0	1,924,230
Proceeds from Matured Investments	2,253,739,143	698,223,895
Total Cash Inflows	**2,550,303,461**	**863,430,848**
Cash Outflows		
Purchase/Construction of Property and Equipment	7,567,520	11,471,245
Purchase of Intangible Assets	686,875	0
Purchase of Investments	6,170,957,403	3,387,700,997
Total Cash Outflows	**6,179,211,798**	**3,399,172,242**
Net Cash Used in Investing Activities	**(3,628,908,337)**	**(2,535,741,394)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash Outflows		
Payment of Cash Dividends	1,683,411,489	459,732,691
Total Cash Outflows	**1,683,411,489**	**459,732,691**
Net Cash Used In Financing Activities	**(1,683,411,489)**	**(459,732,691)**
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**(362,589,965)**	**1,346,580,789**
Effects of Exchange Rate Changes on Cash and Cash Equivalents	**39,404,815**	**0**
CASH AND CASH EQUIVALENTS, JANUARY 1	**1,998,562,462**	**651,981,673**
CASH AND CASH EQUIVALENTS, DECEMBER 31	**1,675,377,312**	**1,998,562,462**

PHILIPPINE NATIONAL OIL COMPANY
NOTES TO FINANCIAL STATEMENTS

1. GENERAL INFORMATION

PNOC *(herein referred to as PNOC or "the Company")* is a corporation established on November 9, 1973 and operates under the authority of Presidential Decree No. 334, as amended.

Mandate

PNOC shall undertake and transact the corporate business relative primarily to Oil or Petroleum Operations and Other Energy Resources Exploitation.

Oil or Petroleum Operations 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 2028, PNOC is recognized as a strategic niche player in the Philippine energy industry.

Mission

To complement the efforts of the private sector in developing energy sources and in broadening the adoption of renewable energy technologies in the most cost-effective manner.

The Governance Commission for Government-Owned or Controlled Corporations (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 PNOC Development and Management Corporation (PDMC), which was duly approved by the Office of the President on that same month, pursuant to GCG Memorandum Order Nos. 2014-25 and 2014-26.

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 some of the assets, ongoing programs and assumed the functions of the abolished subsidiaries, PAFC and PDMC.

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

The financial statements of PNOC were authorized for issue on June 24, 2024 as shown in the Statement of Management Responsibility for Financial Statements.

Changes

After the approval of PNOC's Reorganization Plan in August 2018, PNOC started to implement the reorganization in January 2019.

In summary, based on the guidelines set under Republic Act No. 6656 and Executive Order No. 366, series of 1988, 89 employees out of a total of 198 manpower complement (44.95 per cent) were placed in comparable positions. The remaining 109 residual positions (55.05 per cent) will be filled up through the hiring of co-terminus to the incumbent employees, employees under job order contracts, contractual employees and external applicants. There were a total of 15 affected employees who had no comparable positions based on their qualifications.

PNOC started its hiring process for vacant positions in October 2019 based on the approved Reorganization Plan and its approved Competency-Based Human Resource System.

By the end of 2023, the majority of the positions under the Reorganized Table of Organization have been filled-up by 116 out of 198 positions using the PNOC Competency-Based Human Resources System.

PNOC is a holder of three International Organization for Standardization (ISO) Certifications, with its Head Office being ISO-certified for its Quality Management System (ISO 19001), while its two operating departments, the Energy Supply Base Department and the Park Management Department, each ISO Integrated Management Systems (IMS) Certified (ISO 19001, ISO 45001 and ISO 14001).

Projects

1.1 *Monetization of the PNOC Banked Gas*

Description:

PNOC's asset, called "banked gas", refers to the accumulated unused natural gas which was already paid for under the take-or-pay scheme of the Ilijan Gas Sales and Purchase Agreement (GSPA) equivalent to 108.60 Petajoules (PJ). This was bought by PNOC from the Department of Energy (DOE) in September 2009.

In 2013, the Power Sector Assets and Liabilities Management Corporation (PSALM) withdrew 4.605 PJ from the banked gas. Another portion equivalent to 6.324 PJ was contracted to Pilipinas Shell Petroleum Corporation (PSPC) in 2016 for its Tabangao Refinery. After PNOC signed the GSPA with PSPC for the aforesaid volume, the total remaining uncontracted banked gas was then equivalent to 97.671 PJ.

PSPC started withdrawing banked gas from PNOC under the 2016 GSPA on June 1, 2018 (start date), which is supposed to run until the expiration of said GSPA on February 23, 2024 (end-date). However, in November 2020, PSPC proposed for an early termination of the GSPA in view of the permanent shutdown of PSPC's Tabangao Refinery due to the impact of the COVID-19 pandemic. The terms for the proposed early mutual termination was approved by PNOC Board of Directors (Board) on May 17, 2021. The termination contract was signed on July 23, 2021, this was after receiving a favorable review of said document by the Office of the Government Corporate Counsel (OGCC).

From June 1, 2018 up to prior termination of the contract in July 2021, PSPC paid for a total quantity of 3.107 PJ (i.e. including actual withdrawals of 2.716 PJ and annual deficiencies of 0.391 PJ). Upon termination of the GSPA, PSPC paid for the total outstanding volume of banked gas equivalent to 3.217 PJ, which were reverted to PNOC's banked gas inventory along with the paid deficiencies of 0.391 PJ. Hence, at the end of PSPC's GSPA termination, the remaining banked gas totaled 101.278 PJ (i.e. 97.670 PJ + 3.217 PJ + 0.391 PJ).

On December 2021, PNOC signed two GSPAs with First Gen subsidiaries to deliver 4.453 PJ to Prime Meridian PowerGen Corporation(PMPC) and 26.566 PJ to First Natgas Power Corporation (FNPC). Actual delivery of banked gas to PMPC and FNPC commenced on December 26, 2021 and December 28, 2021, respectively. Actual cumulative delivery of banked gas to FNPC and PMPC totaled 0.179 PJ for Year 2021, 11.131 PJ for Year 2022 and 11.421 PJ in Year 2023.

On June 23, 2022, PNOC signed a GSPA with South Premiere Power Corporation (SPPC) for the Ilijan Power Plant, after receiving the approval of the PNOC Board on May 31, 2022 and the concurrence of the OGCC on June 9, 2022. The total contracted banked gas stipulated in the signed GSPA was the remaining banked gas volume amounting to 78.547 PJ. However, the delivery has not yet commenced as PNOC continues to heed the directive of the DOE and PNOC Board for the company to undertake a whole-of-government approach considering the government's interest in Malampaya and the PNOC banked gas.

1.2 *Energy Supply Base (ESB) Operations*

The PNOC ESB is a 19.2-hectare property located in Mabini, Batangas. Primarily operated to provide logistical support to onshore and offshore exploration activities as well as to other energy activities, ESB has extended its services to other commercial clients pursuant to the grant of a Permit-to-Operate as a private commercial port (Certificate of Registration No. 291) granted in October 1996 by the Philippine Ports Authority (PPA). It is the only Energy Supply Base in the country.

PNOC's vision for ESB is to provide world-class energy supply base port facilities, and offer services compliant with International Standards. The ESB Master Development Plan was cancelled in line with the new Strategic Plan of the President and CEO to convert the ESB into an offshore wind integration facility.

On December 6, 2023, ESB obtained its ISO 9001:2015 and ISO 45001:2018 Recertification for its Quality Management System and Occupational Safety and

Health System, covering the operation and administration of the ESB and port facilities, from Socotec Certification International.

For 2023, ESB has achieved 100 percent warehouse occupancy equivalent to 23,639 sqm.

1.3 *Industrial Park Operations*

The PNOC Industrial Park (PIP) is a 530-hectare property, of which 180 hectares is within the fenced area, located at Limay and Mariveles, Bataan. The PIP continuously provides basic services to its locators. The services include the provision of raw and firewater, power supply, and jetty services to the locators.

As the holder of the Programmatic Environmental Compliance Certificate, the only one of its kind in the Philippines granted by the Department of Environment and Natural Resources (DENR), the PIP Administration enforces strict compliance to health, safety, and environmental protocols, establishing its Health, Safety, Security and Environmental (HSSE) Program.

Currently, PNOC is undertaking negotiations with companies for the possible development of a circular manufacturing facility and Liquefied Natural Gas (LNG) power plant. The signing of a Long-Term Lease Agreement between PNOC and SAMAT LNG Corporation for an LNG Project within PIP on September 14, 2023, is the initial step towards this direction.

PNOC continues to undertake the operation and efficient management and improvement of the PIP and its jetty facilities while continuing to ensure environmental monitoring and compliance with DENR regulations.

On August 29, 2023, the PNOC Industrial Park passed its 1st Surveillance Audit for ISO 9001:2015, ISO 14001:2015, and ISO 45001:2018 certifications for its Quality Management System, and Occupational Safety and Health System and Environmental Management System, covering the PIP and facility operations and maintenance, from Socotec Certification International.

1.4 *Real Property Projects*

PNOC has a total of 370 lots of varying sizes, many in prime locations with an approximate total area of 573.44 hectares. Petron Corporation is a major lessee while PNOC also hosts other government agencies such as the DOE, PRA, Cybercrime Investigation Coordinating Center and Land Bank of the Philippines. The remaining lots are leased to other private entities and administered by the Asset Management Department (AMD).

1.5 *Other Properties*

PNOC continued the best use/optimization or disposal of PNOC real estate properties.

1.6 *Productivity and Development Initiatives*

PNOC focused on improving individual and collective personnel performance through initiatives meant to foster professional development, better understand the digital transformation era, inculcate company core values, and encourage open communication.

A Memorandum of Agreement with the University of the Philippines signed on November 8, 2023 ensures that technical assistance for PNOC's priority projects, proposed investments, and technologies are always available, and to support the Three-Arrow Strategy Projects on Wind Power, LNG, Solar Power, and Renewable Energy.

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). The Company likewise adhered to COA Circular No. 2017-004 dated December 13, 2017, which lays down the guidelines on the preparation of financial statements and other financial reports and implementation of the PFRS by Government Corporations classified as Commercial Public Sector Entities, previously known as Government Business Enterprises.

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 Statements of Cash Flows are prepared using the direct method.

The financial statements are presented in Philippine Peso (P), which is also the Company'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. Classification and measurement

Financial assets within the scope of PFRS 9 - Financial Instruments: Recognition and Measurement are classified as Financial Assets at Amortized Cost, Financial Assets at Fair Value through Profit or Loss (FVPL) and Financial Assets at Fair Value through Other Comprehensive Income (FVOCI), as appropriate.

When an entity first recognizes a financial asset, it classifies it based on the entity's business model for managing the asset and the asset's contractual cash flow characteristics, as follows:

a) Amortized cost—a financial asset is measured at amortized cost if both of the following conditions are met:

- the asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows; and

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

b) Fair value through other comprehensive income—financial assets are classified and measured at fair value through other comprehensive income if they are held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.

c) Fair value through profit or loss—any financial assets that are not held in one of the two business models mentioned are measured at fair value through profit or loss.

When, and only when, an entity changes its business model for managing financial assets it must reclassify all affected financial assets.

PNOC's financial assets include cash and cash equivalents, trade and other trade receivables and quoted and unquoted financial instruments. PNOC has no derivative financial instrument as at December 31, 2023.

ii. Subsequent measurement

PNOC measures a financial asset at either fair value or amortized cost on the basis of both:

a. the entity's business model for managing the financial assets; and

b. the contractual cash flow characteristics of the financial asset.

A financial asset shall be measured at amortized cost if the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

PNOC's financial assets are measured at amortized cost, except for Financial Assets-Available for Sale which is measured at fair value.

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 expire; and

2. PNOC transfers contractual rights to receive cash flows of the financial assets and retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to one or more recipients that meets the following conditions.

   - There is no obligation to pay amounts to the eventual recipients unless it collects equivalent amounts from the original asset. Short-term advances by the entity with the right of full recovery of the amount lent plus accrued interest at market rates do not violate this condition.

   - The entity is prohibited by the terms of the transfer contract from selling or pledging the original asset other than as security to the eventual recipients for the obligation to pay them cash flows.

   - The entity has an obligation to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the entity is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents (as defined in PAS 7) during the short settlement period from the collection date to the date of required remittance to the eventual recipients, and the interest earned on such investments is passed to the eventual recipients.

iv. Impairment of financial assets

PNOC shall apply the impairment requirements for the recognition and measurement of a loss allowance for financial assets that are measured at fair value through other comprehensive income. However, the loss shall be recognized in other comprehensive income and shall not reduce the carrying amount of the financial asset in the statement of financial position.

At each reporting date, an entity shall compare the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition and consider reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition. PNOC shall measure the loss allowance for a financial instrument at an amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition.

An entity may assume that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. The entity shall measure the loss allowance at an amount equal to 12-month expected credit losses at the current reporting date.

b. Financial liabilities

i. Initial recognition

PNOC shall recognize a financial liability if the following conditions are met:

a) an entity becomes party to a contractual obligation; and

b) it is likely that the outflow of economic resources will be required to settle the obligation

Financial liabilities are measured at amortized cost, except for financial liabilities at fair value through profit or loss. Such liabilities include derivatives (other than derivatives that are financial guarantee contracts or are designated and effective hedging instruments), other liabilities held for trading, and liabilities that an entity designates to be measured at fair value through profit or loss.

ii. Subsequent measurement

Subsequent measurement for financial liabilities also depends on their classification under PFRS 9 Financial Instruments, as follows:

a) Financial liabilities at amortized cost

Financial liabilities at amortized cost are those that are held to pay contractual cash flows. Subsequent measurement of these liabilities is at amortized cost using the effective interest method. The effective interest rate (EIR) is the rate that exactly discounts the estimated future cash flows through the expected life of the financial asset or liability, or, when appropriate, a shorter period.

At each reporting date, the carrying amount of financial liabilities is adjusted for the amortization of the discount or premium to maturity.

If there is objective evidence of impairment, such as significant financial difficulty of the debtor, the liability is increased by the amount of the expected credit losses.

b) Financial liabilities at fair value

Financial Liabilities at Fair Value through Profit or Loss (FVPL) are those that an entity holds for trading or designated at fair value through profit or loss. Subsequent measurement of these liabilities is at their fair value, with changes recognized through profit or loss in the statement of comprehensive income in the period in which they arise.

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 includes cash on hand and in banks. Cash equivalents are short-term money market placements that are readily convertible to known amounts of cash with original maturities of three months or less from dates of acquisition and that are subject to insignificant risk of change 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 or net realizable value, whichever is lower.

3.5 *Investment Property*

Investment properties 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 is measured using the cost model and are depreciated over their estimated useful life as follows:

Property classification	Estimated useful life (in years)
Building and Improvements	30
Fencing	5

Investment properties 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, Plant and Equipment*

a. Recognition

An item is recognized as property and equipment if it meets the characteristics and recognition criteria as Property, Plant and Equipment (PPE).

The characteristics of PPE 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 PPE 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 P50,000.

b. Measurement at recognition

An item recognized as PPE is measured at cost.

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

The cost of the PPE is the cash price equivalent or, for PPE 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 PPE are stated at cost less accumulated depreciation and impairment losses.

When significant parts of PPE 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 PPE 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 PPE 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 PPE is available for use on or before the 15th day of the month. However, if the PPE is available for use after the 15th day 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 PPE prescribed by COA in determining the specific estimated useful life for each asset based on its experience.

Property classification	Estimated useful life (in years)
Land improvements	10
Building and improvements	30
Machinery and equipment	5
Communication equipment	5
Transportation equipment	5
Furniture, fixtures and equipment	5
Information technology equipment	5
Computer software	3

iv. Residual value

PNOC adopts a residual value equivalent to at least five per cent of the cost of the PPE.

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.

Derecognition

PNOC derecognizes items of PPE 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*

a. 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 systematic basis in accordance with the provision of the lease contracts between PNOC and its lessees. This will determine the accurate income for lease payments for the period. 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. 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 is 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.

f. Gifts and donations

Assets and revenues are recognized 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.

In 2023, no asset and revenue were recognized by the Company for gifts and donations.

g. 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.

h. 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.

i. 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.

In 2023, PNOC has no transaction relating to transfer of assets with other government entities.

3.12 *Revenue from Exchange Transactions*

a. Sales Revenue – Banked Gas

Revenue is measured at the current exchange rate of the consideration receivable at the time of invoice.

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 systematic basis in accordance with the provision of the lease contracts between PNOC and its lessees 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 of 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, 2023, 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.

3.18 *Adoption of New and Amended PFRS*

The following amendments in PFRS are effective in 2022:

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

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

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

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

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

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

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

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

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

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

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

Deferred effectivity:

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

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

4. PRIOR PERIOD ADJUSTMENTS

Particulars	Amount
Prior Period Adjustments reported in CY 2022 AAR	215,086,932
Prior Period Adjustments prior to 2022:	
Adjustments in PPE	(223,929)
Adjustments in Accrued Liabilities	(211,954)
Adjustments in Receivable	11,161
Prior Period Adjustments in 2022:	
Adjustments in PPE	15,323,172
Adjustments in Deferred Tax Liability on Unrealized Income	(124,684)
Adjustments in Receivable	6,294,444
Adjustments in Inter-agency Receivable	(205,731)
Adjustments in Accrued Liabilities	184,574
Prior Period Adjustments in 2023:	
Adjustments in Accrued Liabilities	996,522
Total Prior Period Adjustments	**237,130,507**

5. CASH AND CASH EQUIVALENTS

Particulars	2023	2022
Cash-Collecting Officers	1,636,772	155,238
Petty Cash	429,006	0
Cash in Bank-Local Currency	65,649,634	41,602,045
Cash in Bank-Foreign Currency	575,074,302	666,058,833
Cash Equivalents	1,032,587,598	1,290,746,346
Total Cash and Cash Equivalents	**1,675,377,312**	**1,998,562,462**

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 and Development Bank of the Philippines.

Cash Equivalents consist of money market placements in Time Deposit – Local and Foreign Currency which is made for a period of 19 days – 40 days and earns interest at 0.50 – 5.00 per cent for local currency and 3.00 per cent for foreign currency.

6. INVESTMENTS

6.1 Financial Assets

Particulars	2023	2022
Total Current Financial Assets	3,581,728,601	1,168,508,042
Total Non-Current Financial Assets	7,590,770,843	6,108,237,701
Total	**11,172,499,444**	**7,276,745,743**

a. Reconciliation of the Current Investment in Treasury Bills

Particulars	2023	2022
Beginning Balance as at January 1	954,508,042	509,552,379
Additional investments made	2,421,307,000	969,070,208
Less: Investment sold/collected	(1,075,008,441)	(524,114,545)
Balance as at December 31	**2,300,806,601**	**954,508,042**

This account refers to *Investment in Treasury Bills* which consists of investment in Treasury Bills which are made for varying periods of more than 90 days but less than 1 year and earn interest at 5.25 – 6.58 per cent deposit rates.

Particulars	2023	2022
Investments in Time Deposit	**1,280,922,000**	**214,000,000**

Investment in Time Deposits are made for varying periods of more than 90 days but less than 1 year and earn interest at 5.00 – 6.00 per cent deposit rates.

b. Reconciliation of the Financial Assets at Amortized Cost and Fair Value through Other Comprehensive Income (FVOCI) classified as Non-current

Particulars	Financial Assets at Amortized Cost	Financial Assets at FVOCI	Total
Beginning Balance as at January 1, 2023	**6,102,537,701**	**5,700,000**	**6,108,237,701**
Additional investments made	2,048,534,625	0	2,048,534,625
Fair value changes	0	1,350,000	1,350,000
Allowance for credit losses	0	(1,600,000)	(1,600,000)
Less: Investment sold/ collected	(565,751,483)	0	(565,751,483)
Balance at December 31, 2023	**7,585,320,843**	**5,450,000**	**7,590,770,843**

Particulars	Financial Assets at Amortized Cost	Financial Assets at FVOCI	Total
Beginning Balance as at January 1, 2022	**3,512,016,264**	**3,000,000**	**3,515,016,264**
Additional investments made	2,821,108,458	0	2,821,108,458
Fair value increase (decrease)	0	2,700,000	2,700,000
Less: Investments sold/ collected	(230,587,021)	0	(230,587,021)
Balance as at December 31, 2022	**6,102,537,701**	**5,700,000**	**6,108,237,701**

Financial Assets at Amortized Cost consist of investments in treasury bonds with a term of 544 days to 19 years from value date and interest rates ranging from 2.22 to 6.34 per cent.

Financial Assets at FVOCI 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.

Allowance for credit losses pertains to the unquoted equity shares amounting to P1,600,000 which represents shareholdings of the Company in Evercrest Golf Club and Resort Inc. due to objective evidence that the asset is impaired. Unquoted equity shares amounting to P100,000 represent shareholdings with Palicpican Sports Club (Puerto Azul) 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 the investments with Puerto Azul is impaired.

6.2 Investments in Associates

Particulars	Percentage of Ownership	2023	2022
Acquisition Cost:			
Gulf Oil Philippines, Inc. (GOPI)	35	90,704,289	86,633,214
Equity in Net Earnings of Investees:			
Equity in net earnings for the year		9,162,430	5,995,305
Dividends received for the year		0	(1,924,230)
Balance at end of year		**99,866,719**	**90,704,289**

PNOC owns a 35 per cent stake in GOPI and holds two seats in its board of directors. PNOC attends regular board meetings and can participate and lobby on specific matters. GOPI prepares its annual financial reports using a fiscal year ending March 31. The recognition of its share in profit/revenue is computed on a systematic basis considering the proportionate number of months ending December 31. For the year 2023, PNOC did not receive cash dividends from GOPI.

6.3 Investments in Subsidiaries

Particulars	Percentage of Ownership	2023	2022
Investment in operating subsidiaries			
PNOC Alternative Fuels Corporation (PAFC)	100.00	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)	100.00	374,972,000	374,972,000
PNOC Development and Management Corporation (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)	100.00	427,067,950	427,067,950
PNOC Shipping and Transport Corporation (PSTC)	100.00	190,000,000	190,000,000
PNOC Oil Carriers, Inc.	100.00	101,615,343	101,615,343
PNOC Tankers Corporation	100.00	50,000,000	50,000,000
Total Investment in non-operating subsidiaries		**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 Order Nos. 2014-26 and 2014-25 on the implementation of the abolition of PAFC and PDMC, respectively. The transition and turnover plan (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 have undergone integration in PNOC's operations starting 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 (Board), 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 July 5, 2013, the Office of the President approved the recommendation of GCG for abolition of PSTC. On December 26, 2013, a Deed of Assignment of Assets and Assumption of Liabilities (DAAAL) was executed between PSTC being the Assignor and PNOC as the Assignee.

On December 10, 2014, an Addendum to the DAAAL between PSTC and PNOC was executed to include the P10.587 million credited to PNOC from PSTC account in the assignment of assets to be used in the settlement of all liabilities and obligations of PSTC.

PCC

The PCC ceased to operate effective May 31, 2002 due to continued losses. The PNOC Board under Board Resolution No. 1392, series of 2002 shortened the corporate life of the corporation by amending its Articles of Incorporation. Its coal trading activities was absorbed by 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 per cent allowance for impairment of its investment to the dissolved subsidiaries pursuant to Philippine Accounting Standards 36.

6.4 Other Investments

Particulars	2023	2022
Other Investments	**141,549,450**	**141,549,450**

Reconciliation of Other Investments – Non-Current

Particulars	2023	2022
Investment in Stocks		
PLDT Preferred Shares	96,100	96,100
Total Investment in Stocks	**96,100**	**96,100**
Other Investments		
Goodyear Philippines - (11 per cent - 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)
Philippine Mining Development Corp. (PMDC) (36 per cent - Percentage of Ownership)	45,000,000	45,000,000
Total Other Investments	**141,453,350**	**141,453,350**
Total Other Investments-Non-Current	**141,549,450**	**141,549,450**

7. RECEIVABLES

Particulars	2023	2022 (As restated)
Total Current Receivables (net)	706,542,599	962,092,253
Total	**706,542,599**	**962,092,253**

Aging/Analysis of Receivable

As at December 31, 2023

		Age of Accounts			
		Current		Past Due	
Accounts	**Total**	**Less than 1 year**	**Over 1 year**	**2 to 4 years**	**Over 5 years**
Accounts Receivable	538,359,544	538,274,627	15,130	41,483	28,304
Interests Receivable	25,910,979	25,910,979	0	0	0
Lease Receivable	181,768,709	9,510,732	723,753	9,574,153	161,960,071
Inter-Agency Receivables	1,726,610,513	8,421,670	15,739,514	1,292,064	1,701,157,265
Loans receivable	65,262,663	1,800,000	1,800,000	3,905,753	57,756,910
Other Receivables	100,346,613	97,146,413	1,258,067	40,833	1,901,300
Less: *Allowance for Impairment*	(1,931,716,422)	0	0	(8,912,572)	(1,922,803,850)
Total	**706,542,599**	**681,064,421**	**19,536,464**	**5,941,714**	**0**

Allowance for impairment is provided based on aging of accounts at 60 per cent for accounts over two, three and four years and 100 per cent for those over five years.

In 2023, PNOC recognized Allowance for Impairment on Receivables amounting to P129,005,476 on receivables aged over two years.

7.1 Loans and Accounts Receivables

Particulars	2023	2022 (As restated)
Accounts Receivable	538,359,544	733,879,164
Interests Receivable	25,910,979	2,668,595
Loans Receivable	65,262,663	63,462,663
Allowance for Impairment	(60,153,555)	(29,091,085)
Total	**569,379,631**	**770,919,337**

7.2 Lease Receivables

Particulars	2023	2022 (As restated)
Total Current Operating Lease Receivables	181,768,709	183,699,009
Allowance for Impairment - Lease Receivables	(167,704,563)	(102,940,509)
Total	**14,064,146**	**80,758,500**

The total future minimum lease receivables of PNOC under non-cancellable operating lease contracts with its lessees as required by PFRS 16 are as follows:

Particulars	2023	2022
Not later than one year	156,009,926	77,550,722
Later than one year but not later than five years	531,453,733	252,888,521
Later than five years	1,149,468,985	975,923,553
Total	**1,836,932,644**	**1,306,362,796**

7.3 Inter-Agency Receivables

Particulars	2023	2022 (As restated)
Due from Government Corporations	112,543,142	112,543,142
Due from Subsidiaries	1,614,067,371	1,610,861,102
Less: *Allowance for Impairment-Due from Government Corporations*	(112,543,142)	(112,543,142)
Allowance for Impairment-Due from Subsidiaries	(1,589,389,362)	(1,553,540,876)
Total	**24,678,009**	**57,320,226**

7.4 Other Receivables

Particulars	2023	2022 (As restated)
Due from Officers and Employees	1,913,755	1,708,934
Other Receivables	98,432,858	55,980,590
Less: Allowance for Impairment-Due from Officers and Employees	(719,884)	(709,434)
Allowance for Impairment-Other Receivables	(1,205,916)	(3,885,900)
Total	**98,420,813**	**53,094,190**

Increase in Other Receivables pertains to receivables from the Department of Environment and Natural Resources (DENR) amounting to P48,000,000 for the first and second payment of full recovery and repayment of PAFC's outlay for Persistent Organic Pollutants (POPs) Project in the amount of P172,000,000 under the 2022 MOA between DENR and PNOC, acting as administrator of PAFC.

PNOC entered a 2009 MOA with Department of Energy for the Barangay Electrification Program. In the same year, PNOC entered a Contract of Service with PNOC-RC to supply and installation of 1,880 units of 30-watt peak Photovoltaic – Solar Home System in 47 barangays (Phase 3). In 2023, PNOC paid PNOC-RC the amount of P51,955,902 for the said service and billed DOE the same amount.

8. INVENTORY

8.1. CONSTRUCTION MATERIALS INVENTORY

This pertains to the cost of materials to be used for the fabrication of charging stations of electric vehicles in Energy Supply Base in Mabini, Batangas and Industrial Park in Mariveles, Bataan. The charging stations were completed on May 30, 2023 and October 11, 2023, respectively.

8.2. BANKED GAS INVENTORY

Particulars	2023	2022
Inventory Held for Sale		
Carrying Amount, January 1	11,930,040,563	13,405,958,610
Sold during the year	(1,514,352,656)	(1,475,918,047)
Total Carrying Amount	**10,415,687,907**	**11,930,040,563**

PNOC's asset, called "banked gas", refers to the accumulated unused natural gas which was already paid for under the take-or-pay scheme of the Ilijan Gas Sales and Purchase Agreement (GSPA) equivalent to 108.60 Petajoules (PJ). This was bought by PNOC from the Department of Energy in September 2009.

In 2013, the Power Sector Assets and Liabilities Management Corporation (PSALM) withdrew 4.605 PJ from the banked gas. Another portion equivalent to 6.324 PJ was contracted to Pilipinas Shell Petroleum Corporation (PSPC) in 2016 for its Tabangao Refinery. After PNOC's signing of GSPA with PSPC for aforesaid volume, the total remaining uncontracted banked gas was then equivalent to 97.671 PJ.

PSPC started withdrawing banked gas from PNOC under the 2016 GSPA on June 1, 2018 (start-date), which is supposed to run until the expiration of said GSPA on February 23, 2024 (end-date). However, in November 2020, PSPC proposed an early termination of the GSPA in view of the permanent shutdown of the PSPC's Tabangao Refinery due to the impact of the COVID-19 pandemic. The terms for the proposed early mutual termination was approved by PNOC Board on May 17, 2021. The termination contract was signed on July 23, 2021, this was after receiving favorable review of said document by the Office of the Government Corporate Counsel (OGCC).

From June 1, 2018 up to prior termination of the contract in July 2021, PSPC paid for a total quantity of 3.107 PJ (i.e. including actual withdrawals of 2.716 PJ and annual deficiencies of 0.391 PJ). Upon termination of the GSPA, PSPC paid for the total outstanding volume of banked gas equivalent to 3.217 PJ, which were reverted to PNOC's banked gas inventory along with the paid deficiencies of 0.391 PJ. Hence, at the end of PSPC's GSPA termination, the remaining baked gas totaled 101.278 PJ (i.e. 97.670 PJ + 3.217 PJ + 0.391 PJ).

From 2020 to 2021, PNOC has exerted significant effort to secure new GSPAs with other potential buyers to optimize monetization of the banked gas. On December 24, 2021, PNOC successfully closed new GSPAs with FNPC and PMPC for the San Gabriel and Avion Power Plants, respectively, for a total contracted banked gas volume of 31.019 PJ. This is following the approval by the PNOC Board and the OGCC of said new GSPAs on November 11, 2021 and December 20, 2021, respectively. Acknowledgments to supply and transport natural gas to FNPC and PMPC were also secured from the Department of Energy on November 22, 2021.

Furthermore, on June 23, 2022, PNOC signed a GSPA with South Premiere Power Corporation (SPPC) for the Ilijan Power Plant, after receiving the approval of the PNOC Board on May 31, 2022 and the concurrence of the OGCC on June 9, 2022. The total contracted banked gas stipulated in the signed GSPA was the remaining banked gas volume amounting to 70.260 PJ.

Actual delivery of banked gas to FNPC and PMPC commenced on December 28, 2021 and December 26, 2021, respectively. Actual cumulative delivery of banked gas to FNPC and PMPC totaled 0.179 PJ for Year 2021, 11.131 PJ for Year 2022 and 11.421 PJ in Year 2023. Meanwhile, banked gas delivery to SPPC has not yet commenced as PNOC continues to heed the directive of the DOE and PNOC Board for the company to undertake a whole-of-government approach considering the government's interest in Malampaya and the PNOC banked gas.

9. INVESTMENT PROPERTY

As at December 31, 2023

Particulars	Investment Property-Land	Investment Property-Buildings	Investment Property-Land Improvements	Total
Carrying Amount, January 1	10,929,304,901	47,471,668	3,513,822	10,980,290,391
Additions/Acquisitions	0	0	0	0
Total	**10,929,304,901**	**47,471,668**	**3,513,822**	**10,980,290,391**
Disposals	0	0	0	0
Depreciation	0	(7,359,341)	(576,146)	(7,935,487)
Impairment Loss	(5,072,880)	0	0	(5,072,880)
Adjustment to Cost	17,592,643	0	0	17,592,643
Carrying Amount, December 31	**10,941,824,664**	**40,112,327**	**2,937,676**	**10,984,874,667**

Particulars	Investment Property-Land	Investment Property-Buildings	Investment Property-Land Improvements	Total
Gross Cost	11,048,252,832	158,798,200	6,726,315	11,213,777,347
Accumulated Depreciation	0	(118,685,873)	(3,788,639)	(122,474,512)
Accumulated Impairment Loss	(106,428,168)	0	0	(106,428,168)
Carrying Amount, December 31	**10,941,824,664**	**40,112,327**	**2,937,676**	**10,984,874,667**

As at December 31, 2022 (As restated)

Particulars	Investment Property-Land	Investment Property-Buildings	Investment Property-Land Improvements	Total
Carrying Amount, January 1	10,933,936,424	61,997,700	4,130,003	11,000,064,127
Adjustments	0	(8,889,465)	0	(8,889,465)
Adjusting Carrying Amount, January 1	10,933,936,424	53,108,235	4,130,003	10,991,174,662
Additions/Acquisitions	0	0	0	0
Total	**10,933,936,424**	**53,108,235**	**4,130,003**	**10,991,174,662**
Disposals	(4,626,246)	0	0	(4,626,246)
Depreciation	0	(5,636,567)	(605,950)	(6,242,517)
Adjustment to Cost	(5,277)	0	(10,231)	(15,508)
Carrying Amount, December 31	**10,929,304,901**	**47,471,668**	**3,513,822**	**10,980,290,391**
Gross Cost	10,929,304,901	167,687,665	6,726,315	11,103,718,881
Adjustments	101,355,288	(8,889,465)	0	92,465,823
Adjusted Gross Cost	11,030,660,189	158,798,200	6,726,315	11,196,184,704
Accumulated Depreciation	0	(113,622,820)	(3,212,493)	(116,835,313)
Adjustments	0	2,296,288	0	2,296,288
Adjusted Accumulated Depreciation	0	(111,326,532)	(3,212,493)	(114,539,025)
Accumulated Impairment Loss	(101,355,288)	0	0	(101,355,288)
Carrying Amount, December 31	**10,929,304,901**	**47,471,668**	**3,513,822**	**10,980,290,391**

The leases mostly contain a lease period of minimum of two years and maximum of 25 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.

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.

In 2022, the Company sold properties located in Batangas, Laguna, Tarlac, Bulacan, and Bataan with a total cost of P4,626,246 for a selling price of P9,865,592 resulting in a gain of P5,239,344.

Adjustments affecting 2022 balances pertain to unaccomplished portion of the Re-strengthening of Deck 3 Piles and Slabs, and Repair Works of Decks 1 and 2 in Energy Supply Base (ESB) amounting to P8,889,465, and Accumulated Impairment Loss of various Investment Property amounting to P101,355,288 which was recorded as derecognition of assets in the books.

In 2023, the Company recognized further impairment of the 3 lots in Kananga, Leyte based on 2023 Appraisal Report conducted by Third-Party Appraisers amounting to P5,072,880. A 345.68 sqm lot in Energy Center, Taguig City was reclassified to Investment Property from Land which pertains to lot held for lease amounting to P17,592,643.

The fair value of investment properties amounted to P45,114,946,769 in 2023 based on latest fair market value appraisal in 2023 and P34,605,383,909 in 2022 based on fair market value appraisal made in 2020.

Rental income earned from the investment properties, locators in Industrial Park and ESB amounted to P556,081,471 in 2023 and P469,388,841 in 2022.

10. PROPERTY AND EQUIPMENT

As at December 31, 2023

	Land	Land Improvements	Buildings and Other Structures	Machinery and Equipment	Total
Carrying Amount, January 1	**545,829,529**	**185,533**	**78,153,303**	**31,519,607**	**655,687,972**
Transfers	0	0	0	0	0
Additions/Acquisitions	0	0	9,355,254	29,261,757	38,617,011
Total	**545,829,529**	**185,533**	**87,508,557**	**60,781,364**	**694,304,983**
Disposals	0	0	0	(916,014)	(916,014)
Depreciation/Reversal	0	(23,254)	(2,283,221)	(8,124,660)	(10,431,135)
Impairment Loss	0	0	0	0	0
Adjustment	(17,592,643)	0	0	0	(17,592,643)
Carrying Amount, December 31	**528,236,886**	**162,279**	**85,225,336**	**51,740,690**	**665,365,191**
Gross Cost	539,048,886	455,134	457,013,766	120,827,566	1,117,345,352
Accumulated Depreciation	0	(292,855)	(371,788,430)	(69,000,634)	(441,081,919)
Accumulated Impairment Loss	(10,812,000)	0	0	(86,242)	(10,898,242)
Carrying Amount, December 31	**528,236,886**	**162,279**	**85,225,336**	**51,740,690**	**665,365,191**

As at December 31, 2022 (As restated)

	Land	Land Improvements	Buildings and Other Structures	Machinery and Equipment	Total
Carrying Amount, January 1	**545,829,529**	**211,678**	**59,314,291**	**25,905,984**	**631,261,482**
Adjustments	0	14,499	10,194,115	(126,846)	10,081,768
Adjusted Carrying Amount, January 1	**545,829,529**	**226,177**	**69,508,406**	**25,779,138**	**641,343,250**
Transfers	0	0	0	0	0
Additions/Acquisitions	0	0	37,456,154	11,149,814	48,605,968
Total	**545,829,529**	**226,177**	**106,964,560**	**36,928,952**	**689,949,218**
Disposals	0	0	0	(366,668)	(366,668)
Depreciation/Reversal	0	(36,463)	(16,314,660)	10,038,727	(6,312,396)
Impairment Loss	0	0	0	0	0
Adjustment	0	(4,181)	(12,496,597)	(15,081,404)	(27,582,182)

	Land	Land Improvements	Buildings and Other Structures	Machinery and Equipment	Total
Carrying Amount, December 31	**545,829,529**	**185,533**	**78,153,303**	**31,519,607**	**655,687,972**
Gross Cost	545,829,529	455,134	449,741,104	95,622,531	1,091,648,298
Adjustments	10,812,000	0	(2,082,592)	(3,140,708)	5,588,700
Adjusted Gross Cost	**556,641,529**	**455,134**	**447,658,512**	**92,481,823**	**1,097,236,998**
Accumulated Depreciation	0	(279,919)	(382,539,638)	(61,102,752)	(443,922,309)
Adjustments	0	10,318	13,034,429	226,778	13,271,525
Adjusted Accumulated Depreciation	0	(269,601)	(369,505,209)	(60,875,974)	(430,650,784)
Accumulated Impairment Loss	(10,812,000)	0	0	(86,242)	(10,898,242)
Carrying Amount, December 31	**545,829,529**	**185,533**	**78,153,303**	**31,519,607**	**655,687,972**

In 2023, the Company disposed Information and Communication Equipment with net book value of P15,877.

Prior period adjustments affecting the carrying amount as at January 1, 2022 pertain to the unaccomplished Repair of Warehouses 1, 2, 3, and 4 in ESB amounting to P2,061,223, unrecorded disposal with net book value of P70,714, and adjustments to accumulated depreciation due to change in accounting estimate brought by the issuance of COA Circular No. 2017-004 on the salvage value of assets.

Increase in Buildings and Other Structures was due to capital expenditures on Waterproofing of Buildings 5 and 6, and Repainting and Repair of Compound Perimeter Fence in Energy Center, Taguig City.

Increase in Machinery and Equipment is due to the purchase of a fire truck in Industrial Park in Mariveles, Bataan.

Fully depreciated property and equipment amounted to P420,223,262 and P418,939,055 as at December 31, 2023 and 2022, respectively.

11. INTANGIBLE ASSET

This pertains to the carrying amount of Adobe Create Cloud Software. This also includes the carrying cost of Microsoft Office procured in 2023.

12. DEFERRED TAX ASSETS

As at December 31, 2023

Particulars	Tax effect of Temporary differences	Unrealized loss in Financial Assets at FVOCI	Total
January 1, 2023	**658,071,140**	**0**	**658,071,140**
Credited to profit or loss for the year			

Particulars	Tax effect of Temporary differences	Unrealized loss in Financial Assets at FVOCI	Total
Adjustment:			
Allowance for Credit Losses	400,000	0	400,000
Deferred Tax Asset on Unearned Rental	2,182,962	0	2,182,962
Deferred Tax Asset on Unrealized Forex Loss	2,826,470	0	2,826,470
Deferred Tax Asset on Reversal of Impairment Loss on Receivables	(721,664)	0	(721,664)
Deferred Tax Asset on Allowance for Impairment Loss on Receivables	32,973,032	0	32,973,032
Deferred Tax Asset on Allowance for Impairment Loss on Investment Property	1,268,220	0	1,268,220
Total	**697,000,160**	**0**	**697,000,160**

As at December 31, 2022

Particulars	Tax effect of Temporary differences	Unrealized loss in Financial Assets at FVOCI	Total
January 1, 2022	**656,268,851**	**202,500**	**656,471,351**
Credited to profit or loss for the year			
Adjustment:			
Related to valuation of club shares	0	(202,500)	(202,500)
Deferred Tax Asset on Unearned Rental	(383,206)	0	(383,206)
Deferred Tax Asset on Allowance for Impairment Loss	2,185,495	0	2,185,495
Total	**658,071,140**	**0**	**658,071,140**

13. OTHER ASSETS

Particulars	2023			2022 (As restated)		
	Current	Non-Current	Total	Current	Non-Current	Total
Advances	2,005	0	2,005	0	0	0
Prepayments	126,596,046	0	126,596,046	152,913,724	0	152,913,724
Deposits	240,232,971	0	240,232,971	233,169,111	0	233,169,111
Other Assets	0	248,610	248,610	0	248,610	248,610
Total	**366,831,022**	**248,610**	**367,079,632**	**386,082,835**	**248,610**	**386,331,445**

Prepayments account includes Withholding Tax at Source amounting to P116,477,860 received from payors to be applied as tax credit in the Annual Income Tax Return for the Year 2023.

Deposits account consists mainly of cash from Decentralized Energy Systems (DES) Fund Project. The fund was transferred by Energy Development Corporation (formerly PNOC EDC) to PNOC, in accordance with the provision in the Deed of Assignment dated May 28, 1993. The Deed of Assignment states that in the event of PNOC EDC's partial or full privatization, the project shall be transferred to another institution such as foundation under PNOC. On July 29, 2010, PNOC and EDC jointly executed a Turnover

Certificate where the authorized representatives of each party certified the delivery and receipt of all the assets and instruments evidencing the same as well as the contracts and documents in connection with the DES Fund Project.

Other Assets account includes fully depreciated and unserviceable properties with net book value of P60,428, cost of which totaled P17,948,982.

14. FINANCIAL LIABILITIES

Particulars	2023	2022 (As restated)
Accounts Payable	132,889,329	117,693,340
Due to Officers and Employees	1,192,272	1,448,810
Total	**134,081,601**	**119,142,150**

15. INTER-AGENCY PAYABLES

Particulars	2023	2022 (As restated)
Due to Subsidiaries	132,641,548	77,195,364
Due to BIR	7,308,835	8,529,403
Due to GSIS	2,415,325	2,381,496
Due to PhilHealth	332,972	364,397
Due to Pag-IBIG	61,304	55,807
Due to Others	1,497,136	1,380,126
Income Tax Payable	259,281,463	305,036,739
Total	**403,538,583**	**394,943,332**

Increase in *Due to Subsidiaries* pertains to PAFC's Tax Liability for CY 2020 amounting to P4,370,524 and Capital Outlay for DENR's POPs Project in Mariveles, Bataan amounting to P48,000,000.

16. TRUST LIABILITIES

Particulars	2023	2022
Trust Liabilities	237,652,472	230,543,642
Guaranty/Security Deposits Payable	42,380,634	38,237,513
Total	**280,033,106**	**268,781,155**

Trust liabilities pertain to the Decentralized Energy System Project Fund.

Guaranty/Security Deposits Payable pertains to cash received as stipulated in the lease contracts entered with various lessees.

17. OTHER PAYABLES

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

Particulars	2023	2022 (As restated)
Dividends Payable	2,067,768,721	1,982,084,975
Other Payables	720,755	8,510,110
Total	**2,068,489,476**	**1,990,595,085**

Dividends Payable pertains to the declared cash dividend to the National Government based on the Company's net earnings in compliance with the revised 2016 Implementing Rules and Regulations of Republic Act (RA) No. 7656 issued by the Department of Finance. The law requires GOCCs to remit at least 50 per cent of net earnings to the National Government. Net earnings subjected to dividends amounted to P3,538,190,468 for the year 2023.

18. DEFERRED CREDITS/UNEARNED INCOME

Particulars	2023	2022 (As restated)
Unearned Revenue/Income-Investment Property	11,936,786	3,204,936
Other Deferred Credits	69,886,134	67,607,634
Output Tax	188,410,809	93,691,717
Total	**270,233,729**	**164,504,287**

The increase in *Unearned Revenue/Income-Investment Property* pertains to unearned rent income from Orica Philippines, Inc., SMC Consolidated Power Corporation, and Samat LNG Corporation.

Other Deferred Credits are non-current items which include accounts set up for accrued receivables for various intercompany charges by PNOC to its dissolved subsidiaries. The increase pertains to the payment from the Department of Public Works and Highways on the 50 per cent down payment for the expropriation of a 651 sqm right of way in Zamboanga City.

The increase in *Output Tax* is consistent with the increase in revenues and increase in deferred output tax on unearned revenue/income.

19. PROVISIONS

Particulars	2023	2022
Leave Benefits Payable	44,276,950	43,952,716
Total	**44,276,950**	**43,952,716**

20. DEFERRED TAX LIABILITIES

Particulars	Revaluation Increment on Investment Property	Unrealized Gain in Financial Assets at FVOCI	Accrued Rent Income	Total
January 1, 2023	2,293,482,818	228,750	37,376,233	2,331,087,801
Adjustments:				
Related to valuation of club shares	0	202,500	0	202,500
December 31, 2023	**2,293,482,818**	**431,250**	**37,376,233**	**2,331,290,301**

Particulars	Revaluation Increment on Investment Property	Unrealized Gain in Financial Assets at FVOCI	Accrued Rent Income	Total
January 1, 2022	2,294,613,938	26,250	36,120,429	2,330,760,617
Adjustments:				
Sale of investment properties	(1,131,120)	0	0	(1,131,120)
Related to valuation of club shares	0	202,500	0	202,500
Rental income of investment property	0	0	1,255,804	1,255,804
December 31, 2022 (As restated)	**2,293,482,818**	**228,750**	**37,376,233**	**2,331,087,801**

21. EQUITY

a. Capital Stock

The Company's authorized capital stock is divided into 10 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 RA No. 7656, PNOC declared a total cash dividend of P1,769,905,234 for 2023 net earnings due to the National Government.

PNOC declared a total cash dividend of P1,681,504,953 for 2022 net earnings.

22. SERVICE AND BUSINESS INCOME

Particulars	2023	2022
Sales Revenue	5,402,167,023	5,583,224,332
Rent/Lease Income	556,081,471	469,388,841
Interest Income	302,821,984	156,824,410
Other Business Income - ESB	85,870,829	72,974,354
Waterworks System Fees	41,968,527	7,704,394
Seaport System Fees	39,796,576	7,537,200
Share in Profit/Revenue of Associates/Affiliates	9,162,430	5,995,305
Fines and Penalties-Business Income	5,261,812	1,502,600
Management Fees	3,780,778	2,354,688
Total	**6,446,911,430**	**6,307,506,124**

Sales Revenue pertains to sales of banked gas. PNOC extracted 11,130,882 Gigajoules (GJ) and 11,420,743 GJ of banked gas during 2022 and 2023, respectively.

Interest Income pertains to interest on placements in Special Savings Deposit, Treasury Bills, and Treasury Bonds.

Seaport System Fees, Waterworks System Fees, and Management Fees pertain to income from PNOC Industrial Park.

23. PERSONNEL SERVICES

Particulars	2023	2022
Salaries and Wages	94,106,147	95,435,699
Other Compensation	45,185,116	33,561,000
Personnel Benefit Contributions	13,472,978	12,809,393
Other Personnel Benefits	8,114,685	20,479,361
Total	**160,878,926**	**162,285,453**

23.1. Salaries and Wages

Particulars	2023	2022
Salaries and Wages-Regular	94,106,147	**95,435,699**
Total	**94,106,147**	**95,435,699**

PNOC adopts the Compensation and Position Classification System (CPCS) and Index of Occupational Services, Position Titles, and Job Grades for GOCCs (IOS-G) Framework per Executive Order No. 150 which took effect on October 5, 2021.

23.2. Other Compensation

Particulars	2023	2022
Mid-Year Bonus	8,059,605	7,640,806
Year End Bonus	7,933,779	8,480,551
Overtime and Night Pay	3,229,887	3,307,776
Personal Economic Relief Allowance (PERA)	2,916,617	2,949,340
Representation Allowance (RA)	2,427,578	2,458,347
Directors and Committee Members' Fees	2,163,000	1,569,000
Transportation Allowance (TA)	1,615,590	1,599,477
Clothing/Uniform Allowance	725,229	729,328
Cash Gift	610,084	613,773
Honoraria	389,500	550,500
Longevity Pay	85,000	55,000
Other Bonuses & Allowances	15,029,247	3,607,102
Total	**45,185,116**	**33,561,000**

Other Bonuses and Allowances includes Productivity Enhancement Incentives, Performance-Based Bonus and Service Recognition Incentives. In 2023, PNOC released Performance-Based Bonus for CY 2020 and 2021 to qualified employees.

23.3. Personnel Benefit Contributions

Particulars	2023	2022
Retirement and Life Insurance Premiums	11,479,526	10,857,583
Pag-IBIG Contributions	148,042	146,966
PhilHealth Contributions	1,695,403	1,661,478
Employees Compensation Insurance Premiums	150,007	143,366
Total	**13,472,978**	**12,809,393**

23.4. Other Personnel Benefits

Particulars	2023	2022
Terminal Leave Benefits	7,595,685	17,529,244
Retirement Gratuity	519,000	0
Other Personnel Benefits	0	2,950,117
Total	**8,114,685**	**20,479,361**

In 2022, *Other Personnel Benefits* includes Accrued Expense on Terminal Leave Benefits amounting to P12,016,514 including adjustment of base pay due to transition from Salary Standardization Law (SSL) to CPCS, and Collective Negotiation Agreements benefits amounting to P2,950,117.

Retirement Gratuity pertains to the service award of P3,000 per year of service of retirees consistent with CSC Memorandum Circular No. 7, s. 1998 in relation to Resolution No. 980474, where government departments are enjoined to adopt the

"SALAMAT-PAALAM" program in recognition of the contributions of retiring officials and employees in their respective offices.

24. MAINTENANCE AND OTHER OPERATING EXPENSES

Particulars	2023	2022
General Services	73,215,822	66,884,257
Taxes, Insurance Premiums and Other Fees	61,789,662	56,306,290
Utility Expenses	29,775,628	32,572,930
Professional Services	14,910,532	13,911,147
Repairs and Maintenance Expense	8,500,197	15,703,197
Supplies and Materials Expenses	7,339,983	12,914,831
Communication Expenses	4,708,682	4,935,730
Training and Scholarship Expenses	1,278,116	1,815,136
Traveling Expenses	1,214,110	990,754
Confidential, Intelligence and Extraordinary Expenses	120,677	54,300
Other Maintenance and Operating Expenses	13,620,380	17,212,303
Total	**216,473,789**	**223,300,875**

Other Maintenance and Operating Expenses include expenses incurred in relation to advertising, printing and publication, representation, membership dues to organization, major events and conventions, and other expenses.

24.1. General Services

Particulars	2023	2022
Security Services	44,673,416	40,636,585
Janitorial Services	11,393,666	11,305,749
Other General Services	17,148,740	14,941,923
Total	**73,215,822**	**66,884,257**

General Services increased pursuant to Wage Order No. NCR-24 published on June 30, 2023 which increases the Minimum Daily Wage in Metro Manila from P570 to P610.

24.2. Taxes, Insurance Premiums and Other Fees

Particulars	2023	2022
Taxes, Duties and Licenses	55,627,373	50,237,580
Insurance Expenses	5,874,930	5,786,958
Fidelity Bond Premium	287,359	281,752
Total	**61,789,662**	**56,306,290**

Taxes, Duties and Licenses in 2023 includes PNOC's VAT Liability for 2019 amounting to P6,236,453 and PAFC's VAT Liability for 2020 amounting to P4,370,523.

24.3. Utility Expenses

Particulars	2023	2022
Electricity Expenses	27,423,681	30,771,355
Water Expenses	2,130,161	1,595,998
Other Utility Expenses	221,786	205,577
Total	**29,775,628**	**32,572,930**

24.4. Professional Services

Particulars	2023	2022
Auditing Services	6,757,236	6,381,330
Consultancy Services	3,412,078	9,793
Legal Services	1,400,000	225,000
Other Professional Services	3,341,218	7,295,024
Total	**14,910,532**	**13,911,147**

Consultancy Services in 2023 includes Assessment of Jetty Facility and Hydrographic Survey in Industrial Park.

24.5. Repairs and Maintenance

Particulars	2023	2022
Repairs and Maintenance - Building and Other Structures	5,289,016	14,262,540
Repairs and Maintenance - Machinery and Equipment	1,857,202	202,032
Repairs and Maintenance - Transport Equipment	1,281,677	1,192,757
Repairs and Maintenance - Furniture & Fixtures	41,876	45,588
Repairs and Maintenance - Land Improvements	30,426	280
Total	**8,500,197**	**15,703,197**

Repairs and Maintenance – Building and Other Structures in 2022 pertains to exterior and interior repainting, waterproofing, various repair activities and window glass cleaning of buildings and other structures which were not classified as capital expenditures.

24.6. Supplies and Materials Expenses

Particulars	2023	2022
Fuel, Oil and Lubricants Expenses	3,574,022	4,663,719
Office Supplies Expenses	2,284,706	1,829,981
Semi-Expendable Machinery and Equipment Expenses	318,222	2,818,087

Particulars	2023	2022
Medical, Dental and Laboratory Supplies Expenses	192,474	411,890
Electrical Materials and Supplies Expense	143,583	0
Semi-Expendable Furniture, Fixtures and Books Expenses	0	755,968
Accountable Forms Expenses	0	182,573
Non-Accountable Forms Expenses	0	34,660
Other Supplies and Materials Expenses	826,976	2,217,953
Total	**7,339,983**	**12,914,831**

Supplies and Materials Expenses decreased due to limitations in the approved Cash Operating Budget for 2023.

24.7. Communication Expenses

Particulars	2023	2022
Telephone Expenses	2,776,645	2,819,405
Internet Subscription Expenses	1,759,896	1,928,557
Cable, Satellite, Telegraph and Radio Expenses	96,213	97,245
Postage and Courier Services	75,928	90,523
Total	**4,708,682**	**4,935,730**

24.8. Training and Scholarship Expenses

Particulars	2023	2022
Training Expenses-Travel	1,271,116	1,815,136
Training Expenses-Foreign	7,000	0
Total	**1,278,116**	**1,815,136**

24.9. Traveling Expenses

Particulars	2023	2022
Traveling Expenses-Local	1,214,110	990,754
Total	**1,214,110**	**990,754**

24.10. Confidential, Intelligence and Extraordinary Expenses

Particulars	2023	2022
Confidential, Intelligence and Extraordinary Expenses	120,677	54,300
Total	**120,677**	**54,300**

24.11. Other Maintenance and Operating Expenses

Particulars	2023	2022
Major Events and Conventions Expenses	4,229,761	3,169,557
Representation Expenses	2,438,868	3,528,239
Membership Dues and Contributions to Organizations	1,201,508	1,383,779
Subscriptions Expenses	520,722	228,560
Printing and Publication Expenses	374,472	312,904
Advertising, Promotional and Marketing Expenses	50,100	469,094
Other Maintenance and Operating Expenses	4,804,949	8,120,170
Total	**13,620,380**	**17,212,303**

PNOC has been actively practicing its Corporate Social Responsibility (CSR) that aims to improve the community and environment. PNOC conducted various CSR Projects such as blood donation programs, tree planting activities, coastal clean-up activities, Brigada Eskwela, among others.

In 2022, PNOC conducted the 2022 Board Strategic Planning Session and Board Transition Planning Session in The Country Club at Tagaytay Highlands amounting to P800,241 for the two activities.

PNOC celebrated its 50th Year Founding Anniversary on November 9, 2023 with its partners, called 'The Partner's Night', and on November 10, 2023 with the employees.

25. FINANCIAL EXPENSES

Particulars	2023	2022
Management Supervision/Trusteeship Fees	7,055,543	7,023,941
Bank Charges	91,424	41,910
Total	**7,146,967**	**7,065,851**

Management Supervision/Trusteeship Fees pertains to administration and management fees on the extraction of banked gas for $10,000 per month.

26. DIRECT COSTS

Particulars	2023	2022
Cost of Sales of Banked Gas	1,514,352,655	1,475,918,048
Total	**1,514,352,655**	**1,475,918,048**

PNOC extracted 11,130,882 GJ and 11,420,743 GJ of banked gas during 2022 and 2023, respectively.

27. NON-CASH EXPENSES

27.1. Depreciation

Particulars	2023	2022
Depreciation - Investment Property	7,935,487	8,538,807
Depreciation - Machinery and Equipment	4,284,108	4,928,814
Depreciation - Transportation Equipment	2,826,479	1,560,266
Depreciation - Building and Other Structures	2,283,220	31,779,473
Depreciation - Furniture, Fixtures and Books	1,677,604	660,016
Depreciation - Land Improvements	23,254	36,463
Total	**19,030,152**	**47,503,839**

In 2022, Building 6 in Energy Center which is the Head Office of the PNOC had been fully depreciated.

27.2. Impairment Loss

Particulars	2023	2022
Impairment Loss - Receivables	131,702,990	8,741,980
Impairment Loss - Investment Property	5,072,880	0
Impairment Loss - Financial Assets-Available for Sale Securities	1,600,000	0
Total	**138,375,870**	**8,741,980**

28. NON-OPERATING INCOME, GAINS AND LOSSES

28.1. GAINS

Particulars	2023	2022
Gain on Foreign Exchange (FOREX)	94,952,546	71,255,717
Gain on Sale of Unserviceable Properties	8,145	0
Gain on Sale of Investment Property	0	5,239,344
Total	**94,960,691**	**76,495,061**

The *Gain on FOREX* pertains to the difference in FOREX rate on invoice date and payment date, and the sale of US Dollars to Philippine Peso.

28.2. OTHER NON-OPERATING INCOME

Particulars	2023	2022
Miscellaneous Income	1,383,966	668,621
Reversal of Impairment Loss	2,697,514	0
Total	**4,081,480**	**668,621**

Miscellaneous Income includes application fees of Industrial Park locators, sale of bid documents, and vehicle stickers.

28.3. NON-OPERATING LOSSES

Particulars	2023	2022
Loss on Foreign Exchange (FOREX)	58,265,309	31,444,945
Other Losses	0	1,010,803
Total	**58,265,309**	**32,455,748**

The *Loss on FOREX* pertains to the difference in exchange rate in invoice date and payment date and the sale of US Dollars to Philippine Peso.

29. INCOME TAX EXPENSE/(BENEFIT)

Particulars	2023	2022
Current Income Tax	1,076,004,093	1,067,812,190
Deferred Income Tax (Benefit)	(38,726,521)	(1,802,289)
Total	**1,037,277,572**	**1,066,009,901**

30. RECONCILIATION OF NET CASH FLOWS FROM OPERATING ACTIVITIES TO SURPLUS (DEFICIT)

Particulars	2023	2022
Profit after Tax	3,394,152,361	3,361,388,112
Non-cash Income/Expenses:		
Depreciation	19,030,152	47,503,838
Gain on sale of investment property	0	(5,239,345)
Gain on sale of property, plant and equipment	(8,145)	0
Impairment loss	138,375,870	8,741,980
Other non-cash income	(106,859,775)	0
Other non-cash expenses	7,146,967	1,010,804
Income credited to investing activities	(302,821,984)	(162,819,715)
Increase in Current Liabilities*	(182,123,471)	421,641,941
Decrease in Current Assets*	1,773,515,394	1,475,804,669
Decrease in Current Liabilities*	(58,832,440)	(3,626,695)
Increase in Current Assets*	268,154,932	(802,350,715)
Net Cash Flows from Operating Activities	**4,949,729,861**	**4,342,054,874**

*Except for Non-Operating Current Assets and Current Liabilities.

31. RELATED PARTY TRANSACTIONS

31.1. Key Management Personnel

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

Board of Directors

Section 15 of Republic Act (RA) No. 10149, or the GOCC Governance Act of 2011, as well as 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 Board is responsible for the overall management and direction of the Company. The Board meets on a regular monthly basis to review and monitor PNOC's operations.

Members of the Board are as follows:

Position	Name	Coverage
Chairman	Raphael Perpetuo M. Lotilla	January 1-December 31, 2023
Alternate Chairman	Alessandro O. Sales	January 1-December 31, 2023
Member, President and CEO	Jesus Cristino P. Posadas	January 1-June 29, 2023
Member, President and CEO*	Oliver Mario B. Butalid	June 29-December 31, 2023
Member	Adolf P. Borje	January 1-June 15, 2023
Member	Romeo V. Poquiz	January 1-June 13, 2023
Member	Michael Ted R. Macapagal	January 1-July 6, 2023
Member	John Martin Francis J. Arenas	January 1-December 31, 2023
Member	Joel R. Caminade	January 1-December 31, 2023
Member	Celestina Ma. Jude P. De La Serna	January 1-December 31, 2023
Member	Ma. Cristina Sheila C. Cabaraban	June 13-December 31, 2023
Member	Franz Josef George E. Alvarez	June 15-December 31, 2023
Member	Victor Emmanuel S. Dato	July 26-December 31, 2023

**elected as President on July 3, 2023*

Term of Office

Section 17 of RA No. 10149 as well as Section 14 of GCG Memorandum Circular No. 2012-07 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 year-end bonus.

The Company's executive officers are as follows:

Position	Name
President and CEO (January 1-June 29, 2023)	Jesus Cristino P. Posadas
President and CEO (June 29-December 31, 2023)	Oliver Mario B. Butalid
Senior Vice President (VP) for Energy Business	Atty. Graciela M. Barleta
OIC-Senior VP for Finance and Administrative Services	Jennifer R. Racho
Senior Vice President for Energy Investments	Atty. Ronald C. Chua

Position	Name
OIC-Manager, Administrative Services Department	Atty. Efren A. Legaspi
Manager, Accounting Department	Aoron R. Viuya
OIC-Manager, Treasury Department	Nicetas Ruth Q. Garvida
OIC-Manager, Asset Management Department	Atty. Reynilda T. De Leon
Manager, PNOC Energy Supply Base Department	Engr. Carlito B. Pena
Manager, Park Management Department	Edwin G. Celzo
OIC-Manager, Strategy Management Office	Alma B. Taganas
Manager, Internal Audit Office	Gina E. Manalo
Manager, Office of the General Counsel	Atty. Antonio G. Buenviaje
Manager, Business Research and Development	Ma. Rowena C. Raymundo
OIC-Manager, Project Management Department	Maria Belinda L. Cubelo

31.2. Key Management Personnel Compensation

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

Particulars	Aggregate
Salaries and Wages	25,303,774
Other Compensation	12,141,272
Total	**37,445,046**

32. CONTINGENCIES

32.1 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

Handling Counsel: Office of the Solicitor General (OSG)

This is a petition filed in June 2008 by members of the party list representatives and other Congressman to have the Joint Marine Seismic Undertaking (JMSU) among China National Offshore Oil Corporation (CNOOC), PNOC and Petro Vietnam, to be declared unconstitutional and void for violation of Section 17, Article XII of the Constitution and to enjoin the parties from further implementation of the agreement.

Status: As of December 31, 2023, the Supreme Court recently declared the JMSU unconstitutional as carried by news. PNOC or OSG have not received a copy of the decision.

32.2 Keppel Philippines Holdings, Inc. (KPHI) - substituted by LS Shipping Management Civil Case No. 7364 RTC Branch 84, Batangas City

For: Specific Performance

Handling Counsel: OGCC

On August 6, 1976, Luzon Stevedoring Corporation (LUZTEVECO) leased to Keppel Philippines Shipyard, Inc. (Keppel) parcels of lands located in Barangay San Miguel, Bauan, Batangas for 25 years with an option to buy for a total price of P4.09 million, if Keppel is qualified to own land under the laws of the Philippines at the end of 25th year. The lease is automatically renewed for another 25 years if Keppel is not yet qualified to own land. The case involves 6 lots with a total area of 104,992 sqm,

The said properties were transferred from LUZTEVECO to PNOC Marine Corporation and then to PNOC Dockyard and Engineering Corporation which is now the PNOC Renewables Corporation.

In September 2003, Keppel filed a case for specific performance for the sale of the property. PNOC filed its opposition but the RTC ruled on January 12, 2006 in favor of Keppel. PNOC appealed the ruling and July 25, 2016, the Supreme Court upheld the ruling of the lower court and remanded the case to RTC for the determination of Keppel’s equity ownership.

On September 24, 2018, the RTC, Branch 84, Batangas City denied KPHI Motion for Issuance of Writ of Execution ruling that the latter failed to meet the Filipino equity ownership and directed the Clerk of Court to release and return the consigned amount.

Status

On June 4, 2021, KPHI sold their rights over the parcel of lands in Bauan to LS Shipping Management Corporation (LS Shipping), which claims to be a wholly-owned Filipino Company and motioned the Court that it be substituted by LS Shipping which is now the real party in interest.

On June 7, 2021, Poblador Bautista and Reyes entered their appearance on behalf of LS Shipping and filed a Motion for New Trial based on newly discovered evidence. They claim that LS Shipping is 100% Filipino-owned and is therefore a Philippine corporation qualified to own land and that when KPHI transferred the subject properties to LS Shipping it cured or rendered valid any supposed defects in KPHI’s rights to the subject properties.

The Court required PNOC to file its comments and on August 13, 2021, OSG filed its Comments on behalf of PNOC against the Motion for Substitution of Plaintiff and New Trial. Then on August 24, 2021, PNOC received a letter from the OSG dated August 23, 2021 withdrawing as PNOC Counsel in this case invoking its role as People’s Tribune.

As such PNOC referred the case to the OGCC and the latter filed the corresponding Entry of Appearance and Comments. A New Trial was granted and a Pre-Trial was held on June 14, 2022.

PNOC filed a Petition for Certiorari questioning the grant of the new Trial and substitution of parties. In the meantime, the New Trial proceeded and was decided in favor of the plaintiffs. PNOC filed a Motion for Reconsideration.

The PNOC Petition for Certiorari questioning the grant of New Trial and Substitution of Parties was decided by the Court of Appeals in favor of the PNOC on October 25, 2023. Therefore, RTC Resolutions dated March 10, 2022 and May 11, 2022 are ANNULLED and SET ASIDE and all succeeding proceedings, orders, and resolutions in pursuant to the Resolutions dated March 10, 2022 and May 11, 2022 are declared NULL and VOID. As of December 31, 2023, there are no updates.

32.3 Application for Original Registration of Titles of Five Parcels of Lots located in Bauan, Batangas
Cadastral Case (LRC Case No. N-1772)
RTC Branch 8, Batangas City

For: Application for Original Registration of Title pursuant to the provisions of the Property Registration Decree

Handling Counsel: OSG

The Application for Registration was denied by the RTC due to non-availability of some documentary requirements. The decision of the RTC was affirmed by the Court of Appeals.

Status: As of December 31, 2023, PNOC will refile the case through the OGC. Case build up is ongoing.

32.4 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 a decision on the just compensation of the consolidated cases. Just compensation in Civil Case No. 3394-0 is valued at P100.00 per square meter while in Civil Case No. 3670-0, just compensation is valued at P85.00 per square meter. 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 a Notice of Appeal.

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. PNOC also filed its brief.

Status: In an Order dated April 12, 2022, the Court of Appeals affirmed the RTC decision and in a Resolution dated March 14, 2023, CA denied PNOC's Motion for Reconsideration. On June 16, 2023, PNOC, through the OSG, filed a Petition for Review on Certiorari before the Supreme Court assailing the award of P80 and P100 per square meter and proposing the amount of P3 to P30 per square meter. As of December 31, 2023, there are no updates.

32.5 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: As of December 31, 2023, PNOC is awaiting further orders from the trial court.

32.6 PNOC vs. Margie Leila Maglasang
Civil Case No. 3298
RTC Branch 12, Ormoc City

For: Expropriation

Handling Counsel: OSG

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 the new Chairman of the Board of Commissioners. He took his oath of office on May 12, 2017.

The RTC issued an Order dated February 23, 2018 directing the Board of Commissioners thru its Chairman Atty. Allan Castro to submit to Court within 30 days from receipt of the Order, a report of the proceedings conducted by them relative to their task of determining the just compensation of the property sought to be expropriated in this case.

Status: Ocular inspection for the determination of the area being occupied by the PNOC Energy Development Corporation was conducted last November 2022. As of December 31, 2023, PNOC is waiting for the submission of the Commissioners Report.

32.7 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 square meters as appearing on the tax declaration, subsequent relocation surveys show that the subject land only has an actual area of 19,296 square meters.

On February 29, 2016, the Board Commissioner issued a Commissioner's Report determining the amount of just compensation on the expropriated lot at P300.00 per square meter.

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.

Commissioner's Report is submitted for the court's resolution.

Status: On June 28, 2022, the Court rendered a decision fixing the amount of just compensation at P300.00 per square meter or P9,913,200 plus legal interest of 6 per cent from the date of the filing of the complaint until full payment. On August 8, 2022, PNOC thru OSG filed a Motion for Reconsideration citing excessive and unjustified determination of just compensation. In a hearing conducted in November 2022, the Motion was submitted for resolution of the Court. As of December 31, 2023, there are no updates.

32.8 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 per cent 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 Philippine National Bank Ormoc City Branch the initial deposit of just compensation deposited in the name of Flasalie Maglasang in December 1994 amounting to P104,750.00 plus interest.

On May 8, 2015, the RTC issued an Order granting PNOC's Motion directing the PNB Ormoc City Branch to release to the plaintiff the amount of P104,750.00 plus accrued interest thereon.

On October 16, 2015, PNOC issued a letter to PNB Ormoc City Branch with an 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: As of December 31, 2023, PNOC is waiting for PNB reply. A follow-up has been made last April 25 & 26, 2017, at the PNB Ormoc City. For further follow-up of release of deposit per court order.

32.9 PNOC vs. Sps. Celso 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 square meters at P335,040 per hectare or a total of P901,202.32.

On November 19, 2015, the court issued a Decision ordering PNOC, to wit:

a. Pay the remaining balance of the just compensation in the amount of P739,812.22;
b. Pay the Commissioner's fee at 45,000.00 each as Honorarium Fees; and
c. Reimburse the Commissioners the amount of P15,000 for the expenses they incurred in the performance of their duties.

Status: As of December 31, 2023, PNOC is waiting for the execution of judgment.

32.10 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:

a. 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;
b. PNOC's Urgent Motion to lift the Notice of Levy annotated on the TCTs of PNOC properties located in Tacloban City;
c. THDC's Urgent Motion 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 per cent instead of 6 per cent interest from the time of finality of judgment or from March 2005 until full payment should have been computed by the Sheriff. Per THDC's 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. The 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: On September 17, 2019, the OSG received a Notice of Change of Address dated September 2, 2019 filed by defendant-intervenors counsel. As of December 31, 2023, PNOC is awaiting further orders from the trial court.

32.11 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

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.

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

On September 24, 2018, the OSG received a copy of the RTC's August 31, 2018 Order directing the parties to comment on defendants Spouses Candelaria Dayot and Edmundo Dayot's Motion for Last and Final Motion for Reconsideration within ten days from notice.

On October 1, 2018, the OSG filed its comment thereto.

Status: As of December 31, 2023, PNOC is awaiting resolution from the RTC.

32.12 National Transmission Corporation 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 square meters affected by the transmission lines and has been in TransCO's possession since 1960.

Status: On December 20, 2021, the Court ordered the release of the initial deposit of TransCo amounting to P24,573,000.00 to PNOC which was deposited on July 14, 2022. The issue of the determination of just compensation is still pending.

On December 22, 2022, the Court rendered judgment fixing the just compensation at P19.50/sqm plus P1 million exemplary damages and P200,000.00 attorney's fees, which when computed is less than the amount deposited by Transco. Plaintiff was also ordered to pay proportionate real estate taxes from 1965 for the affected area of 16,382 sqm.

Both parties filed their respective Motion for Reconsideration which were denied by the Court in an Order dated May 19, 2023.

PNOC filed a Notice of Appeal. As of December 31, 2023, there are no updates on this.

32.13 National Transmission Corporation 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 square meters) 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 as well.

Status: Pre-Trial was conducted. The parties will explore avenues to settle the case. In December 2022 hearing, the Court dismissed the case citing the recent decision of the Supreme Court that for cases involving government entities, jurisdiction lies with the Department of Justice, OSG or OGCC.

PNOC to file claims subject to arbitration with the OGCC. As of December 31, 2023, there are no updates on this.

32.14 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

Handling Counsel: OSG

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.

Status: On November 13, 2019, RTC Branch 278 of Mandaluyong City promulgated a resolution with the following dispositive portion:

> *"WHEREFORE, premises considered, the Deeds of Conveyance for the Refinery Properties, Bulk Plant Properties and Service Station Properties dated October 29, 1993, are hereby*

RESCINDED. Defendant Philippine National Oil Company is hereby ordered to re-convey to Plaintiff Petron Corporation, all the properties covered under said Deeds of Conveyance dated October 29, 1993. Plaintiff Petron Corporation is likewise ordered to pay to Defendant Philippine National Oil Company the amount of One Hundred Forty-Three Million Pesos (Php 143,000,000.00), with legal interest reckoned from October 29, 1993."

Status: Both parties appealed the decision of the RTC and filed their respective Appellant and Appellee's Briefs. On December 13, 2021, the Court of Appeals (CA) denied the appeals of PNOC and Petron.

PNOC filed its Motion for Reconsideration dated January 31, 2022 on February 2, 2022. Petron, on the other hand, filed its Motion for Reconsideration on February 7, 2022.

On May 10, 2022, the OGCC received the Resolution of the CA dated April 19, 2022, directing it to file a Comment on Petron's Motion for Reconsideration. PNOC then filed its Comment/Opposition on May 20, 2022.

In a Resolution dated October 6, 2022, the CA finding no cogent reason to disturb its assailed decision, denied the motions for reconsideration of both PNOC and Petron. With respect to PNOC, the CA held that:

- The summary judgment rendered by the lower court was ultimately justified as there was no more need for a full-blown trial as the parties had already presented their respective arguments and pieces of evidence in support of the said arguments.

- Contrary to the claim of PNOC, the tenor of the letters was not a mere request for the nullification of the questioned provisions nor was it pursuant to an ongoing negotiation. It was actually an ultimatum with the expressed intent to terminate the lease in case the ultimatum was not met. In other words, there was actually no room for negotiation since in order for Petron to get the lease agreements renewed, the only option left to it is to nullify the questioned provisions.

- As reflected in the Deeds of Conveyances, Petron has adequately and convincingly shown that one of the factors/considerations for the conveyance of the subject properties was the lease-back and long-term use thereof by Petron. Clearly, the lease-back agreement was a material consideration and condition for the conveyance of the subject landholdings by way of dividends.

- All the subject deeds of conveyance and lease agreements should not be taken in isolation from each other as they were all part of a single arrangement.

- Under Article 1191 of the Civil Code, the power to rescind obligations is implied in reciprocal ones. The subject Deeds of Conveyance and Lease Agreements involve reciprocal obligations.

- The Deeds of Conveyance and Lease Agreements involve reciprocal obligations.

Regarding Petron's argument in its Motion for Reconsideration that PNOC should also be ordered to return the lease rentals it paid as a result of the order of mutual restitution, the CA ruled that in exchange for the payment of rentals, Petron received benefits in the form of use or enjoyment of the leased Properties. If PNOC is obliged to return the rental payments it received, Petron must also be obliged to return the benefits it received consisting of its use and enjoyment of the subject Properties. Naturally and logically, the monetary equivalent of such use and enjoyment is the rental amounts received by PNOC.

PNOC and Petron both filed a Notice of Appeal. PNOC filed its Appeal by filing a verified petition for review on certiorari on December 5, 2022, while Petron withdrew its plan to appeal.

On November 21, 2023, the Office of the Government Corporate Counsel (OGCC) received a Minute Resolution dated July 25, 2023 issued by the First Division of the Supreme Court denying the appeal of the PNOC on the Petron case therefore affirming the decision of the RTC 278 of Mandaluyong City

The OGCC filed a Motion for Reconsideration on behalf of the PNOC on December 5, 2023.

32.15 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)
SR Proceeding No. 27-V-08
RTC Branch 75, Valenzuela City

Handling Counsel: Office of the General Counsel (OGC)

PNOC-EDC is one of the listed creditors of the petitioner by virtue of the loan agreement under the Decentralized Energy System 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 but requested waiver of penalties. PNOC cannot waive penalties and the defendant stated that they will go back to Court to ask for the waiver or tempering of interests and penalties.

GO Unique Products, Inc. will now be liquidated and the Court was already presented with the list of possible liquidators. In a hearing last July, the creditors present, including PNOC interposed no objections on the proposed list of liquidators. Unfortunately, the selected liquidator withdrew and the parties are again looking for possible liquidator. As of December 31, 2023, there are no updates on this.

32.16 Energy Oil and Gas Holdings Inc. vs. PNOC et. al.
R-MKT-18-05265-CV
RTC Branch 132, Makati City

For: Specific Performance and Damages

Handling Counsel: OSG

In December 10, 2020, Judge Rommel O. Baybay of Regional Trial Court 132 of Makati City issued a Resolution denying the motion of Energy Oil and Gas Holdings, Inc. for Summary Judgement. The said Resolution was received by the Office of Solicitor General only on January 27, 2021,

The Court denied the Motion stating that there are issues to be determined as provided in the pre-trial order as follows:

1. Whether or not the MOA dated 19 June 2014 was merely a reservation for the plaintiff to be allowed to enter the property and have exclusive rights over the property for a period of one year;
2. Whether or not there is a binding lease agreement;
3. The nature of the P38,639,025.00;
4. The participation of the individual defendants; and
5. Who among the parties are liable for damages and attorney's fee.

Status: Presentation of evidence has been terminated and the case is submitted for the resolution of the Court. As of December 31, 2023, there are no updates on this.

32.17 Indigenous Cultural Communities/Indigenous Peoples represented by Jose Romel Agustin Maurio vs. Japan International Cooperation Agency, National Power Corporation, Philippine National Oil Company, Central Bank of the Philippines
Civil Case No. 21-03761
RTC 58, Makati City

Handling Counsel: Office of the General Counsel (OGC)

This is a civil case for damages filed by a certain Jose Rommel Agustin Murio (supposedly representing a group of ICCs/IPs) against defendants pursuant to the Rules of Procedure for Environmental Cases claiming ownership of the lands occupied by the defendants invoking the provisions of Republic Act No. 8371, otherwise known as the "Indigenous Peoples Rights Act" (IPRA).

On April 06, 2022, the trial court issued an Order:

(1) remanding/forwarding/transmitting the records of the case to the Office of the Clerk of Court for assessment of the value of the lands involved to determine which court has actual jurisdiction over the case as well as the proper venue of the action; and,

(2) directing the plaintiff to provide the Office of the Clerk of Court with the pertinent documents to “aid/assist” said office to arrive at such determination.

Plaintiff moved for reconsideration of said order, to no avail.

Plaintiff elevated the matter via a Petition for Certiorari (under Rule 65) before the Court of Appeals where it is currently pending.

33 SUPPLEMENTARY INFORMATION REQUIRED UNDER REVENUE REGULATIONS (RR) NO. 15-2010 OF THE BUREAU OF INTERNAL REVENUE (BIR)

The BIR issued on November 25, 2010 RR No. 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 PFRSs, 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.

33.1 Compliance with Tax Laws

Taxes withheld and due to the BIR for CY 2023 in the total amount of P557,248,524 were deducted and remitted within the prescribed period. The taxes withheld for the month of December 2023 amounting to P177,629,759 were remitted to the BIR in January 2024.

33.2 The Company’s taxes and licenses in 2023 shown as part of expenses in the statements of comprehensive income are as follows:

Particulars	2023
Real Estate Tax	42,751,002
Business Taxes	1,446,575
Motor Vehicle Registration	57,878
Other Taxes, Fees and Licenses	11,384,947
Total	**55,640,402**

AUDIT OBSERVATIONS AND RECOMMENDATIONS

A. Financial

Investment Property and Property and Equipment

1. **The reliability of the carrying amounts of Investment Property and Property and Equipment accounts amounting to P10.985 billion and P665.365 million as at December 31, 2023, which includes Land, Land Improvements and Buildings and Other Structures was not ascertained due to: a) absence of physical inventory to support existence of the properties; and b) unreconciled amounts of P403.061 million and P451.482 million, respectively, with the amounts shown in the supporting Schedules, hence, did not conform to the faithful representation criteria of Philippine Accounting Standard (PAS) 1 - *Presentation of Financial Statements*.**

1.1. Paragraph 15 of PAS 1 states that:

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

1.2. Sections I and IV of COA Circular No. 80-124 dated January 18, 1980 state that:

> *Physical inventory-taking being an indispensable procedure for checking the integrity of property custodianship has to be regularly enforced. In line with this and to operationalize the provisions of Section 102 of the Government Auditing Code of the Philippines (P.D. 1445), this circular is issued.*
>
> *Xxx*
>
> *Physical inventory of fixed assets shall be made* ***at least once a year as of December 31*** *in accordance with the guidelines enumerated herein.* (emphasis supplied)

1.3. Paragraph 5.1 and 5.12 of COA Circular No. 2020-006 dated January 31, 2020 state that:

> *Each government agency shall conduct physical count of all its PPE, whether acquired through purchase or donation, including those constructed by administration and found at station.*
>
> *xxx*

Property records shall be updated on the results of the physical inventory and reconciled with accounting records to come up with the reconciled balances of PPE accounts to be considered as the correct balance of the agency's PPEs.

1.4. PNOC presents in its financial statements Investment Property, and Property and Equipment which include Land, Land Improvements, Buildings and Other Structures which are located in various places. As at December 31, 2023, the accounting records showed the carrying amounts of Investment Property and Property and Equipment of P10.985 billion and P665.365 million, respectively. The concerned departments in PNOC perform various functions including physical inventory-taking of properties and the monitoring and valuation of the said properties by the Asset Management Department (AMD) and General Services Department (GSD).

1.5. Verification disclosed the following:

a. **Absence of Physical Inventory**

1. While the Report on Physical Count of Property, Plant and Equipment (RPCPPE) is submitted, it has been observed that certain assets under Investment Property such as Land, Land Improvements and Buildings, with carrying amount of P10.985 billion as at December 31, 2023 were not included in the Report. It was also noted that no physical inventory was conducted for these Investment Property items. Similarly, no physical inventory was conducted for Land, Land Improvements and Buildings and Other Structures under the Property and Equipment account, with carrying amount of P613.624 million as at December 31, 2023.

2. Inquiry with Management revealed that immovable properties under Investment Property, and Property and Equipment such as Land, Land Improvements, Buildings and Other Structures are not being subjected to physical inventory. The Inventory Report contains the result of physical inventory of movable items only such as Machineries and Equipment.

3. Management explained that conducting physical inventory of immovable properties under Investment Property and Property and Equipment every year is unreasonable and impractical due to the extensive spread of the said properties to more than 150 sites located nationwide. The lack of manpower and budget constraints were also cited as factors that contributed to the difficulty in complying with the annual physical inventory. Management also added that the AMD visits and inspects the properties with issues and concerns only, but they procure third-party appraisers to validate the existence and assess the status and valuation of the properties.

4. While we acknowledge the challenges in conducting regular and comprehensive physical inventory of all properties, the said activity is an indispensable procedure to determine the existence, condition and

proper valuation of the properties, and ascertain the faithful representation of the balances of the accounts in the financial statements. The Audit Team was not provided with evidence that even a single physical inventory of these Investment Property and Property and Equipment was conducted in compliance with the requirement of the COA Circulars. During audit inquiries and discussion with PNOC officers in the exit conference, it became apparent that Management was unaware that immovable items are to be included in the Physical Inventory Reports. Considering the significance of the amounts of Investment Property and Property and Equipment, and the impact of the absence of physical inventory in the financial statements of PNOC, we maintain our stand on the matter. In the absence thereof and other satisfactory evidence, the existence and proper valuation of the subject properties were not established.

b. **Unreconciled Amounts**

1. Unreconciled amounts between records of Accounting Department, AMD and GSD on the cost of Investment Property and Property and Equipment - P403.061 million and P451.482 million:

Account	Cost per Accounting Department's Records	Cost per AMD and GSD's Records	Variance
Investment Property			
Land	P 2,456,774,878	P 2,219,237,998	P237,536,880
Land Improvements	6,726,315	0	6,726,315
Buildings	158,798,200	0	158,798,200
Total	**2,622,299,393**	**2,219,237,998**	**P403,061,395**
Property and Equipment			
Land	56,081,286	62,068,240	(5,986,954)
Land Improvements	455,134	0	455,134
Buildings and Other Structures	457,013,766	0	457,013,766
Total	**513,550,186**	**62,068,240**	**451,481,946**
Grand Total	**3,135,849,579**	**2,281,306,238**	**P 854,543,341**

2. Verification disclosed a discrepancy between the records kept by the Accounting Department and those of the AMD and GSD. The records of the Accounting Department contain costs of various assets as presented in the General Ledger and lapsing schedule. On the other hand, the AMD has maintained schedule of Land with the details of properties and cost, while for the Land Improvement, Buildings and Other Structures, there was no available schedule or information from the GSD.

1.6. Due to the absence of physical inventory of immovable properties under Investment Property and Property and Equipment accounts, the existence of the subject properties was not substantiated and the necessary adjustments to the balances of the said accounts were not determined. Also, the non-reconciliation between the records of Accounting Department, AMD and GSD casts doubt on the reliability of the recorded balances of Investment Property, and Property and Equipment accounts.

1.7. **We recommended that PNOC Management require the:**

   a) **Inventory Committee to conduct complete physical inventory of all Investment Property and Property and Equipment, and prepare the required inventory reports;**

   b) **Accounting Department, Asset Management Department and General Services Department to reconcile their respective records; and**

   c) **Accounting Department to effect the adjustments, if warranted.**

2. The Other Deferred Credits account with a balance of P69.886 million as at December 31, 2023 includes transactions amounting to P43.034 million without supporting documents, hence, not consistent with the faithful representation and recognition criteria under the Conceptual Framework for Financial Reporting of PFRS.

2.1. Paragraph 5.18 of the Conceptual Framework states that:

> *Recognition of a particular asset or liability is appropriate if it provides not only relevant information, but also a faithful representation of that asset or liability and of any resulting income, expenses or changes in equity. Xxx.*

2.2. Paragraphs 5.6 and 5.7 thereof state that only items that meet the definition of an asset, a liability or equity are recognized in the statement of financial position. An asset or liability is recognized only if recognition of that asset or liability and of any resulting income, expenses or changes in equity provides users of financial statements with information that is useful, that is, with relevant information about the asset or liability and a faithful representation of the asset or liability.

2.3. Other Deferred Credits account is a liability account under the Deferred Credits/Unearned Income in the Revised Chart of Accounts for Government Corporations and is used to recognize other transactions not falling under any of the specific deferred credits accounts.

2.4. In the Calendar Year (CY) 2021 Annual Audit Report, the former Audit Team had raised to the attention of the Management the absence of sufficient details and supporting documents of the various intercompany charges amounting to P240.357 million, recognized under Other Deferred Credits account, from dissolved subsidiaries of PNOC. It was also pointed out that subsidiary ledgers to provide the breakdown of these charges were not maintained. The Audit Team then recommended the analysis of each transaction recorded under the account and effect the necessary adjustments, if any, and maintain subsidiary ledgers for monitoring purposes.

2.5. For the CY 2022, Management addressed the matter by adjusting the Other Deferred Credits account, reclassifying the amount of P197.322 million to

Retained Earnings account, as detailed in their submitted schedule, leaving a balance of P43.034 million.

2.6. As at December 31, 2023, the Other Deferred Credits account with carrying amount of P69.886 million includes the amount of P43.034 million without sufficient details and supporting documents.

2.7. Inquiry with the Accounting Department revealed that despite their efforts, they were unable to locate the documents related to the transactions of the remaining balance of Other Deferred Credits account. It was informed that a soft copy of the schedule pertaining to the P43.034 million was found. Based on the said schedule, the balance of P43.034 million represents deferred interest on advances made by PNOC to other dissolved subsidiaries, earned during the years 1985 to 1989. However, the necessary adjustment to the account was not determined as of audit date due to the absence of sufficient details.

2.8. COA Circular No. 2023-008 dated August 17, 2023, issued for the cleansing of dormant accounts, provides for the instances when an account shall be considered dormant; the procedures for its proper disposition together with the authority from COA; and the *timeline for the filing of the request for said authority* which is *One Year* from the effectivity of same COA Circular, or on September 16, 2023.

2.9. While this latest schedule provides explanation on the nature of the transactions, the absence of supporting documents and suffficient details precluded the application of audit procedures and determination of the appropriate adjustment to the Other Deferred Credits account amounting to P43.034 million.

2.10. **We recommended and Management agreed to direct the Accounting Department to substantiate and analyze the balance of Other Deferred Credits account amounting to P43.034 million, and take up adjustments, if any. Otherwise, comply with the procedures prescribed under COA Circular No. 2023-008 for the derecognition of the same amount.**

3. The balance of Receivables account amounting to P706.543 million as at December 31, 2023 includes negative balances totaling P14.018 million which remained unverified and unadjusted as at reporting date due to the absence of documents and lack of proper monitoring to establish the reliability of the account balance, contrary to the faithful representation criteria under the Conceptual Framework, resulting in the misstatement of the account balance.

3.1. Paragraphs 2.12 and 2.13 of the Conceptual Framework state that:

> *To be useful, financial information must not only represent relevant phenomena, but it must also faithfully represent the substance of the phenomena that it purports to represent. Xxx.*
>
> *To be a perfectly faithful representation, a depiction would have three characteristics. It would be complete, neutral and free from error.*

3.2. In the normal course of operations, the Accounting Department records transactions, performs reconciliation of various accounts including Receivable accounts and make accounting entries as adjustments to the accounts. The financial statements as at December 31, 2023 show Receivables with carrying amount of P706.543 million, supported with the Schedule of Aging of Receivables.

3.3. Verification disclosed that the account includes negative balances totaling P14.018 million as follows:

Accounts	Balance	Negative Balance
Accounts Receivable	538,306,351	(113,475)
Lease Receivable	14,064,145	(115,058)
Due from Officers & Employees	1,193,871	0
Other Receivables	97,226,943	(1,745,245)
Loans Receivable	5,162,301	(12,043,575)
Inter-Agency Receivable	24,678,010	(400)
Interest Receivable	25,910,979	0
Total	**706,542,600**	**(14,017,753)**

3.4. According to the Accounting Department, these negative balances could be attributed to either overpayment or error in recording. Also, the lack of manpower and voluminous transactions, particularly involving PNOC and other subsidiaries being handled by the Accounting Department affected the prompt monitoring and adjustment of the negative balances.

3.5. There were no available documents to determine appropriate adjustments on the negative balances of the Receivables account totaling P14.018 million. These negative balances indicate instances where credits or payments exceed the outstanding amounts owed by the debtors or credits to the account without previous set-up of receivables. The unadjusted errors caused by the absence of regular and prompt monitoring of the transactions have unnecessarily reduced the balance of the Receivables account.

3.6. **We recommended and Management agreed to require the Accounting Department to:**

a) **Verify the transactions, payment records, and trace the origin of the negative balances to rectify the errors or discrepancies; and**

b) **Prepare necessary adjusting entries, if any, to reflect the correct balance of Receivables account and restate the balances of the affected accounts in the prior year financial statements.**

B. Non-Financial

4. The Plan of Liquidation (POL) of PNOC Shipping and Transport Corporation (PSTC), PNOC Alternative Fuels Corporation (PAFC) and PNOC Development and Management Corporation (PDMC) has not yet been submitted to the PNOC Board of Directors (BOD) for approval, contrary to Section 4 of Governance Commission for GOCCs (GCG) Memorandum Circular (MC) No. 2015-03, hindering the accomplishment of the public policy considerations relevant to the abolition of the subsidiaries.

4.1. Sections 4.1 and 4.2 of GCG MC No. 2015-03 or the Guidelines Covering the Merger or Abolition/Dissolution of Government-Owned and/or – Controlled Corporations (GOCCs) state that:

> *4.1 Coverage of "Abolition" under Section 5(a) of RA No. 10149 is a generic term that lawfully covers the following legal processes:*
>
> *(a) Dissolution, which is the point in time when a GOCC ceases to exist as a going concern or for pursuant of its business purpose, and its juridical capacity remains only for purposes of winding-down its affairs and the liquidation of its assets. The date of dissolution shall be effective upon the issuance of the President's approval of the Governance Commission's recommendation to abolish a GOCC.*
>
> *(b) Liquidation, which takes place immediately after dissolution and involves, but is not limited to, the settlement and adjustment of claims against the GOCC, payment of its debts, and collecting all that is due the corporation. In no case shall the period of Liquidation of a GOCC exceed three (3) years pursuant to the Corporation Code.*
>
> xxx
>
> *(d) If applicable, **Integration of a GOCC into the Parent GOCC**, which is the formal abolition of a GOCC with the intention to effect the transfer of its assets, programs and activities into its Parent GOCC, which achieves more efficiently the ends of a De Facto Merger.* (Emphasis supplied)
>
> *4.2 **Public Policy Considerations for the Abolition of GOCC** - The abolition of GOCC under RA No. 10149 shall be pursued consistent with the following policies:*
>
> *(a) **Safeguarding the Public Purpose of Public Funds/Properties**. – The manner of abolition of every GOCC shall be pursued in a manner that preserves the value of its assets and business enterprise that would provide for the highest possible liquidation value to cover the legitimate interests of all stakeholders, and allow the public service*

interests to be pursued in the agency that will take over the abolished GOCC's social development functions.

(b) ***Safeguarding the Priority Claims of Legitimate Creditors of GOCC**. – The liquidation of a GOCC that has been approved for abolition shall be undertaken in full consideration of the security and property rights of legitimate creditors.* (Emphasis supplied)

4.2. Section 4.6 thereof states the the following matters to be resolved by the Technical Working Group (TWG) on Abolition:

xxx

(f) *The **formal submission of the Plan of Liquidation of the GOCC** which shall then be approved by all members of the TWG for implementation of the dissolved GOCC, Parent GOCC, or Supervising Agency, as the case may be;* (Emphasis supplied)

(g) *Such other matters to be resolved for the **effective and expeditious abolition, dissolution and liquidation of the concerned GOCC**.* (emphasis supplied)

4.3. During the special meeting of the PSTC BOD on February 7, 2013, Resolution No. 01 Series 2013 was adopted, approving the recommendation to shorten PSTC's corporate term until March 15, 2013. Concurrently, at a special session of the PNOC BOD held on the same date, following the presentation of the PSTC BOD, Resolution No. 2111, Series of 2013, was passed. This PNOC resolution sanctioned the curtailment of PSTC's corporate existence effective on the same date to safeguard the interests of PNOC, the exclusive shareholder in response to the ongoing decline in PSTC's financial standing. In a Memorandum dated July 5, 2013 issued by the then Executive Secretary of the Office of the President of the Philippines addressed to the GCG, it had approved the abolition of PSTC. PNOC and PSTC executed a Deed of Assignment of Assets and Assumption of Liabilities (DAAAL), as amended, which provides that all assets and liabilities of the latter will be transferred to the former.

4.4. In a Memorandum dated September 8, 2014 of then Executive Secretary of the Office of the President of the Philippines, the recommendation to abolish PAFC and PDMC had been approved with the creation of a TWG composed of representatives from Department of Energy, PNOC as parent company/administrator and Securities and Exchange Commission as recommended by the GCG, to coordinate with the latter and implement, among others, a) winding Down of Operations, Disposition of Assets and Settlement of Liabilities and b) transfer of functions and programs, as well as the remaining Assets from the two Corporations to PNOC. In a letter dated July 20, 2015, PNOC cited the GCG Chairman who mentioned that the abolition of the two Corporations is in effect a De Facto Merger of all programs and assets to PNOC. After the lapse of seven years or on November 10, 2022, SEC revoked PAFC and PDMC's Certificate of Registration for its dissolution. To date, PNOC has less than two years from dissolution to undertake liquidation.

4.5. Thereafter, the former and present Audit Teams issued audit observations (2019-2022) on the required compliance with GCG MC No. 2015-03 including the preparation of the POL and coordination with GCG for the creation of a TWG. PNOC, in its efforts to comply with the prior years' audit recommendation, submitted a POL for PSTC, PAFC and PDMC to the GCG on April, 28, 2023.

4.6. Evaluation of events and documents disclosed that the POL for PSTC, PAFC and PDMC has not yet been submitted for approval to the PNOC BOD, ascertaining all matters in the abolition including disposal of assets and settlement of liabilities. In the email correspondences between the Office of the General Counsel (OGC), PNOC and GCG, it was disclosed that on April 28, 2023, the OGC forwarded the POL for PSTC, PAFC and PDMC to the Disposition and Asset Management Office, GCG which promptly responded on the same day, highlighting to OGC that the POL lacked approval of the PNOC BOD. It emphasized the necessity for the POL to undergo BOD approval before presenting it to the TWG for its endorsement.

4.7. Based on the AAPSIs as of December 31, 2023 of PNOC for PSTC, PAFC and PDMC, Management commented that the TWG that is mandated to approve the POL has not yet been reactivated by the GCG. In its opinion, the TWG should first provide inputs prior to said approval of BOD. PNOC emphasized that obtaining BOD approval before incorporating TWG inputs could necessitate an additional presentation to the BOD, should the TWG introduce substantial revisions or additions. Also, based on the previous minutes of exit conferences, PNOC assured the Audit Teams that even without a POL, it exercises due diligence on the assets of PSTC, PAFC and PDMC and protects the interest of the creditors and the government.

4.8. GCG MC No. 2015-03 explicitly states that there shall be formal submission of the POL of the GOCC and it shall be subject to approval by all the members of the TWG. By way of application, PNOC is responsible for the formal submission, while approval by the TWG follows. Therefore, it is imperative that PNOC Management secure first the approval of the POL by the BOD.

4.9. During the exit conference held on March 8, 2024, the Management, as a result of discussion, agreed to present the POL to the PNOC BOD as prescribed by the GCG.

4.10. It is worth noting that it has been more than nine years since the approval of the abolition of PSTC, PAFC and PDMC and the Audit Teams have repeatedly raised concerns to the PNOC regarding the non-implementation of GCG MC No. 2015-03. While the Management has assured due diligence and duly informed of the requirements of GCG MC No. 2015-03, significant delays in the preparation of POL hindered the fulfillment of public policy considerations aimed at safeguarding public funds, properties and the priority claims of legitimate creditors.

4.11. Pending dissolution/liquidation of the three subsidiaries, the POL should present the detailed procedures to be undertaken to implement the DAAAL, and to provide updates thereon, in the case of PSTC, and in the disposition of assets and settlement of liabilities, setting the schedule for their transfer to PNOC before the expiration period for the liquidation on November 10, 2025, in the case of

PAFC and PDMC. As regards financial reporting, the POL should provide information on the valuation of assets and liabilities to be presented in the financial statements including the basis for financial reporting other than going concern.

4.12. **We recommended and PNOC Management agreed to require the Office of the Senior Vice President (OSVP) - Energy Investments, OSVP-Finance and Administrative Services and Office of the General Counsel to submit the Plan of Liquidation of PSTC, PAFC and PDMC to the PNOC Board of Directors for approval, incorporating all matters in the abolition including disposal of assets and settlement of liabilities, and thereafter submit the same to GCG.**

4.13. To date, the PNOC Management has complied with the audit recommendation and submitted through its letter dated May 20, 2024, proof of Board approval of the POL under Board Resolution No. 2936 series of 2024 dated April 5, 2024 and the same was submitted to the GCG on May 15, 2024. Also, it was informed that the TWG met on May 7, 2024 regarding the dissolution of PSTC and on May 23, 2024 for PAFC and PDMC. They were given until July 22, 2024 to submit the final POL after incorporating the comments from the TWG subject to formal approval in October 2024.

C. Gender and Development

5. PNOC has not yet formulated its Gender and Development (GAD) Agenda, contrary to Philippine Commission on Women (PCW) Memorandum Circular (MC) No. 2018-04 dated September 19, 2018, thus, PNOC has no strategic framework and plan for gender mainstreaming and achieving women empowerment and gender equality.

5.1. Section 3 of PCW MC No. 2018-04 dated September 19, 2018 laid down the general guidelines for the preparation of the GAD Agenda:

> *3.1. The GAD Agenda is the agency's strategic framework and plan on gender mainstreaming and achieving women's empowerment and gender equality. It shall:*
>
> *3.1.1 serve as basis in identifying programs, activities, and projects to be undertaken to achieve the GAD goals and outcomes;*
>
> *3.1.2 provide the monitoring and evaluation (M&E) framework for assessing GAD results and outcomes that shall be the basis for strengthening the mainstreaming of a GAD perspective in the agency's operations and programs; and*
>
> *3.1.3 be formulated in a participatory, consultative and inclusive process. It shall consider the results from consultations with women target beneficiaries as well as women's groups/organizations working on the sector and other*

concerned stakeholders, and the identified gaps resulting from gender analysis.

5.2. Further, Section 8 of the same PCW MC provides that agencies shall submit the GAD Agenda to PCW for the purpose of monitoring, evaluation, reporting of gender equality and women's empowerment results and as necessary, provision of technical assistance on its implementation.

5.3. In the previous year's audit, the Audit Team raised to the attention of Management the non-formulation of GAD Agenda and recommended among others, participation in capacity-building programs of PCW or GAD Practitioners for the preparation of 2024-2025 GAD Agenda. During the year 2023, the schedule of trainings on GAD for the members of GAD Focal Point System (GFPS) was made. PNOC submitted various documents on GAD in response to the request for documentary requirements.

5.4. Verification with Management disclosed that PNOC has not yet formulated its six-year GAD Agenda, which shall serve as the framework for the annual formulation of programs, activities and projects (PAPs) to be integrated in the GAD Plan and Budget (GPB).

5.5. According to the GFPS, they were not able to formulate the GAD Agenda because the scheduled trainings for CY 2023 did not push through.

5.6. The absence of a GAD Agenda raises significant concerns about PNOC's commitment to gender mainstreaming and equality within its organizational policies and operations. Without a GAD Agenda in place, PNOC lacks a structured approach to identify, prioritize, and address gender issues and concerns within its programs and projects. Consequently, this deficiency may hinder the organization's ability to effectively promote gender equality, women empowerment, and inclusivity in its initiatives. Furthermore, the absence of a GAD Agenda may indicate gap in PNOC's compliance with regulatory requirements and mandates concerning gender-responsive planning and programming. Compliance with such regulations is crucial not only for organizational governance but also for demonstrating PNOC's commitment to upholding gender equality principles and fulfilling its social responsibilities.

5.7. **We recommended and Management agreed to direct the GFPS to:**

a) Participate in the capacity-building programs of PCW or GAD practitioners in the preparation of the GAD Agenda;

b) Prepare the 2025 GAD Agenda in order for PNOC to have its strategic framework and plan for gender mainstreaming and achieving women empowerment and gender equality; and

c) Submit the GAD Agenda to PCW in compliance with PCW MC No. 2018-04 dated September 19, 2018.

6. **PNOC did not fully utilize the GAD Budget amounting to P182.761 million for the GAD Programs, Activities and Projects (PAPs) including Attributed PAPs, incurring expenditures of only P1.392 million for the entire GAD PAPs or equivalent to only 0.13 per cent of the Corporate Operating Budget (COB), due to non-integration of GAD to the Attributed PAPs, contrary to Section 6.1 of PCW - Department of Budget and Management (DBM) - National Economic and Development Authority (NEDA) Joint Circular No. 2022-1.**

6.1. Section 6.1 of PCW-DBM-NEDA Joint Circular No. 2022-01 requires that at least five per cent of the total agency budget appropriation authorized under COB shall be allocated/attributed and utilized to fund GAD PAPs. Agencies should also ensure that the GAD plan is integrated in their regular activities.

6.2. In July 2023, PNOC, with approved COB of P1.050 billion, secured endorsement of PCW for its 2023 GPB including the Attributed PAPs to address various gender issues with total GAD Budget of P182.761 million. The Attributed PAPs pertains to the Energy Supply Base (ESB) Development. The approval of the GPB coincided with the appointment of new officials of the agency.

6.3. PNOC submitted to the Audit Team the GAD Accomplishment Report, which is still under review by the PCW, together with the Harmonized Gender and Development Guidelines (HGDG) tools and narrative reports used for the attribution of projects of PNOC.

6.4. Review of the submitted GAD Accomplishment Report disclosed that there is underutilization of allocated/attributed budget for various GAD PAPs, as follows:

PAPs	Budget	Utilization	Over (Under) Utilization
Client-focused activities	600,000	72,258	(527,742)
Organizational-focused activities	2,126,226	1,320,058	(806,168)
Attributed Program	180,034,387	0	(180,034,387)
Grand Total	**182,760,613**	**1,392,316**	**(181,368,297)**

6.5. Analysis of GAD budget utilization shows that actual amount utilized is only P1.392 million or merely 0.13 per cent of the COB amounting to P1.050 billion. The underutilization covers all PAPs including the non-implementation of the ESB-attributed program, with budget of P180.034 million which significantly increase the underutilization of GAD funds.

6.6. Management explained that, aside from acquisition of materials for PAPs at low prices, many activities including those in ESB were deferred due to the new perspectives of the newly appointed President and Chief Executive Officer (PCEO). This delay was necessary for the new PCEO to familiarize himself with PNOC's GAD PAPs to make informed decisions for effective gender mainstreaming.

6.7. Pursuant to the same PCW-DBM-NEDA Joint Circular, PNOC may accomplish the HGDG Project Implementation and Management, and Monitoring and

Evaluation (PIMME) and use the GAD Accomplishment Report as reference or guide in the implementation of their current GAD PAPs, as well as in the preparation of their succeeding GPB.

6.8. PNOC needs to incorporate and integrate GAD to the other regular programs of the agency, in order to achieve the maximum utilization of the GAD

6.9. **We recommended and Management agreed to require the GFPS to:**

a) Develop GAD PAPs that will build, establish and increase awareness on gender issues and women empowerment; and

b) Identify major projects/programs of PNOC that may be attributed as gender-responsive program using the appropriate HGDG design checklists during the GAD planning and budgeting to maximize the GAD budget allocation/attribution and utilization, and gender-responsiveness of PNOC.

D. Compliance with Tax Laws

Taxes withheld in CY 2023 in the total amount of P557.249 million were remitted to the Bureau of Internal Revenue (BIR) within the prescribed period. The taxes withheld for the month of December 2023 amounting to P177.630 million were remitted to the BIR in January 2024.

E. Compliance with Deductions and Remittances to Government Service Insurance System (GSIS), Home Development Mutual Fund (Pag-IBIG) and Philippine Health Insurance Corporation (PhilHealth)

Premiums due to GSIS, Pag-IBIG and PhilHealth for CY 2023 totaling P24.065 million were deducted from the salaries of PNOC personnel and remitted within the prescribed period:

Agency	Premiums Collected from January to November 2023 and Remitted Within CY 2023	Premiums Collected in December 2023 and Remitted in January 2024	Total
GSIS	18,771,748	1,596,426	20,368,174
Pag-IBIG	288,722	24,622	313,344
PhilHealth	3,108,807	274,463	3,383,270
Total	**22,169,277**	**1,895,511**	**24,064,788**

F. Status of Audit Suspensions, Disallowances and Charges

As at December 31, 2023, there were no outstanding audit suspensions and charges. Audit disallowances totaling P1.258 million remained unsettled. Details are as follows:

Audit Action	Beginning Balance January 1, 2023	This Period		Ending Balance December 31, 2023
		Issued	Settled	
Suspensions	0	0	0	0
Disallowances	**1,258,067**	0	0	**1,258,067**
Charges	0	0	0	0
Total	**1,258,067**	**0**	**0**	**1,258,067**

The amount of P1.258 million pertains to the seven Notices of Disallowance issued in CY 2021 representing the Excess Reimburseable Expenses of the Board of Directors with pending Petition for Review before the COA Commission Proper.

STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Out of the 15 audit recommendations embodied in the previous years' Annual Audit Reports, nine were implemented, one was closed and five were not implemented. Three of the five unimplemented audit recommendations were reiterated/restated in Part II of this report. Details are shown in the following table:

Reference	Audit		Status/ Action Taken
	Observations	**Recommendations**	
2022 AAR Observation No. 1, pages 77-79	The balance of Accounts Payable account amounting to P132.523 million as at December 31, 2022 includes accruals amounting to P22.888 million without evidence of goods received or services rendered to PNOC, contrary to the Conceptual Framework for Financial Reporting (Conceptual Framework); resulting in the overstatement of Property, Plant and Equipment (PPE), Accounts Payable, Due to Bureau of Internal Revenue (BIR) and Input Tax accounts amounting to P17.838 million, P22.888 million, P2.023 million and P2.670 million, respectively, and understatement in Retained Earnings account by P4.405 million.	1. Accounting Department to review and analyze the accruals as at December 31, 2022 and thereafter, effect the necessary accounting adjustments to correct the overstatement of PPE, Accounts Payable, Due to BIR and Input Tax accounts amounting to P17.838 million, P22.888 million, P2.023 million, and P2.670 million, respectively, and understatement in Retained Earnings account by P4.405 million.	Implemented
2022 AAR Observation No. 2, pages 79-80	The balance of Other Deferred Credits account amounting to P67.608 million includes transactions amounting to P43.035 million with no supporting details contrary to paragraph 15 of Philippine Accounting Standards (PAS) 1, thus, faithful representation of the balance of the Other Deferred Credits account as	Accounting Department to: 2. Provide details and documents of the transactions amounting to P43.035 million included under Other Deferred Credits account on or before	Not implemented Reiterated in Observation No. 2 of Part II-A of this Report.

Reference	Audit		Status/ Action Taken
	Observations	Recommendations	
	at December 31, 2022 was not ascertained.	September 30, 2023; 3. Prepare subsidiary ledgers for the Other Deferred Credits account; and 4. Analyze and prepare the necessary adjusting entries, if any.	Implemented Not implemented Reiterated in Observation No. 2 of Part II-A of this Report.
2022 AAR Observation No. 2, pages 80-81	The balance of Financial Assets at Fair Value through Other Comprehensive Income (FVOCI) amounting to P4.300 million as at December 31, 2022 includes Investment in Evercrest Golf Club & Resort Inc. (Evercrest) valued at cost amounting to P1.600 million, with no allowance for credit losses despite objective evidence that the asset is impaired, contrary to paragraph 5.5.1 of Philippine Financial Reporting Standard (PFRS) 9 - *Financial Instruments*, resulting in the overstatement of Financial Asset at FVOCI account and understatement of Unrealized Loss from Changes in Fair Value account, by P1.600 million.	5. Accounting Department to recognize allowance for credit losses for the Investment in Evercrest amounting to P1.600 million presented under Financial Assets at FVOCI in the financial statements as at December 31, 2022.	Implemented
2022 AAR Observation Part II-B, pages 81-83	The 2020-2025 Gender and Development (GAD) Agenda of PNOC was not yet formulated, contrary to	GAD Focal Point System to: 6. Participate in the capacity-building	Implemented

Reference	Audit		Status/ Action Taken
	Observations	Recommendations	
	Philippine Commission on Women (PCW) Memorandum Circular (MC) No. 2018-04 dated September 19, 2018, hence, it has no strategic framework and plan for gender mainstreaming and achieving women empowerment and gender equality. Also, GAD Budget was below the required of at least five per cent of the total Corporate Operating Budget (COB) contrary to Section 36 (a) of Republic Act (RA) No. 9710.	programs of PCW or GAD practitioners in the preparation of the GAD Agenda and in the attribution of programs and projects to the GAD Budget; 7. Prepare the 2024-2025 GAD Agenda to comply with the requirements of PCW MC No. 2018-04; 8. Prepare the annual GPB of at least five per cent of the total COB and submit it to PCW for endorsement; and 9. Include in the existing GAD database other vital information such as training needs, civil status, and knowledge about GAD or roles in the household or community as bases in the identification of gender issues and formulation of gender-responsive programs and policies.	 Not implemented Restated in Observation No. 5 of Part II-B of this AAR. Implemented Implemented
2020 AAR Observation No. 2, pages 68-70	No formal agreement was arrived at since 2018 regarding the valuation of the assets transferred/turned over to PNOC relative to the operations of the Energy	10. Elevate the matter to the Board of Directors of PNOC to come up with a formal agreement with the	Implemented Settlement Agreement was finalized and executed on

Reference	Audit		Status/ Action Taken
	Observations	Recommendations	
	Supply Base (ESB) previously owned and operated by PNOC Exploration Corporation (PNOC EC), hence the properties being used and controlled by PNOC are not recorded in its books despite generating revenues from such use, thereby affecting the faithful representation of the effects of transactions in its financial statements.	Management of PNOC EC which will be mutually beneficial to both corporations, in order to determine the proper valuation of the properties to be recognized in the books of PNOC.	March 11 and 13, 2024, respectively.
2018 AAR Observation No. 1, pages 73-76	The non-recognition of assets and depreciation expenses relative to the ESB operations and properties turned over by PNOC EC to PNOC with a fair market value of P147.618 million is contrary to Paragraph 15 of PAS 1, Chapters 4.4(a), 4.38 and Chapter 3 of the Conceptual Framework and paragraph 31 of PFRS 3, thus, affecting the fair presentation of balances of pertinent accounts in the financial statements.	11. Recognize the assets of ESB at Fair Market Value in compliance with PFRS 3, paragraph 31, Conceptual Framework Chapter 4.4(1) and 4.38 and PAS 1.	Closed Audit observation and recommendation were restated in the 2020 AAR Observation No. 2, pages 68-70. For monitoring of the implementation of the Settlement Agreement.
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 Project, a project entered into by and between the Department of Energy and PNOC, were not recognized as payables to PNOC RC by PNOC, thus, understating the liability account by the same amount.	12. Recognize the payables to PNOC RC amounting to P51.956 million and settle the account as soon as possible.	Implemented

Reference	Audit		Status/ Action Taken
	Observations	Recommendations	
2016 AAR Observation No. 7, pages 62-83	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 Certificates of Titles (TCTs) but not in the name of PNOC, and 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 the Estate Management Department (EMD) and Accounting Department (AD) on: a) for the 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.	13. Cause the completion of processing the titles of 67 lots to ensure the proper transfer of ownership to PNOC; 14. 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;	Not implemented Ongoing implementation. Out of 67 lots, 42 lots remain for resolution as of March 31, 2024. Not implemented Four out of 44 lots were disposed while 18 were dropped from the books. The 22 lots remained unregistered under the name of PNOC due to the following: a) processing time for the issuance of the decree of registration as basis for the issuance of title. b) lack/absence of primary documents (deed) to support the requirements in the registration/ titling or even in the transfer of title in PNOC's name; c) necessity to resolve issues that requires

Reference	Audit		Status/ Action Taken
	Observations	Recommendations	
			tedious process like adverse claims and lack of technical descriptions; d) unregistrable lots – part of the public domain; and e) some other issues that bar PNOC from having the said lots transferred/ titled/registered in its name.
		15. Maximize the use of idle lots and exert extra efforts to clear the area of unauthorized settlers in coordination with concerned government agencies	Implemented