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

5-26
SVP KGC

CORPORATE GOVERNMENT AUDIT SECTOR
CLUSTER 3 - PUBLIC UTILITIES

May 19, 2025

Mr. OLIVER MARIO B. BUTALID
President and Chief Executive Officer (CEO)
Philippine National Oil Company (PNOC)
PNOC Building 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, 2024 and 2023.

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, 2024 and 2023 due to the following:

The physical inventory of Land Improvements, Buildings and Other Structures with carrying amounts totaling P245.647 million and P137.170 million, as at December 31, 2024 and 2023 recognized under Investment Property carried at P11.009 billion and P10.979 billion as restated, and Property, Plant and Equipment at P739.920 million and P665.365 million in the Statement of Financial Position as at end of reporting dates, respectively, was not conducted. In the absence of physical inventory, the Auditor was unable to obtain sufficient appropriate audit evidence, nor apply alternative procedures to determine the existence and valuation of the said properties. Consequently, the Auditor was unable to determine whether any adjustment to the balances of Investment Property and Property, Plant and Equipment accounts is necessary, and the balances of the said accounts that should have been recognized as at December 31, 2024 and 2023.

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

a) General Services Division to prepare and maintain property cards or its equivalent for Land Improvements, Buildings and Other Structures under Investment Property and Property, Plant and Equipment accounts;

b) Inventory Committee with members from the General Services Division, Property Management Division and Accounting Department to conduct complete physical inventory of all Land Improvements, Buildings and Other Structures;

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

ANNUAL AUDIT REPORT

on the

PHILIPPINE NATIONAL OIL COMPANY
(A Corporation Wholly-Owned by the Government of the Republic of the Philippines)

For the Years Ended December 31, 2024 and 2023

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. In September 2014, the Governance Commission for Government-Owned or Controlled Corporations (GCG) mandated PNOC to transform from a mere holding company to an operating company. Accordingly, 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 in the same month, pursuant to GCG Memorandum Order Nos. 2014-26 and 2014-25.

   PNOC continues to act as a holding company for PNOC Exploration Corporation and PNOC Renewables Corporation while also taking over certain assets, ongoing programs and functions previously handled by the abolished subsidiaries, PAFC and PDMC.

3. Presently, the membership of the governing Board of Directors of PNOC, which is attached to Department of Energy (DOE), consists of seven directors including the Secretary of DOE as Chairman. PNOC is headed by its President and Chief Executive Officer.

4. PNOC has an approved corporate operating budget of P1.959 billion for CY 2024. As at December 31, 2024, PNOC has a total manpower of 124 for its projects and activities, consisting of 115 permanent and nine co-terminus employees.

B. Financial Highlights

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

I. Financial Position

	2024	2023	Increase/ (Decrease)
Assets	42,233,203,277	41,780,197,167	453,006,110
Liabilities	4,966,523,198	5,237,517,719	(270,994,521)
Equity	37,266,680,079	36,542,679,448	724,000,631

II. Results of Operations

	2024	2023	Increase/ (Decrease)
Service and Business Income	5,723,416,872	6,446,911,430	(723,494,558)
Shares, Grants and Donations	2,012,928	0	2,012,928
Gains	149,903,139	94,960,691	54,942,448
Non-Operating Income	1,293,574	4,081,480	(2,787,906)
Total Income	**5,876,626,513**	**6,545,953,601**	**(669,327,088)**
Personnel Services	155,982,054	160,878,926	(4,896,872)
Maintenance and Other Operating Expenses	310,059,996	216,473,789	93,586,207
Financial Expenses	7,551,743	7,146,967	404,776
Direct Costs	1,187,471,066	1,514,352,655	(326,881,589)
Non-Cash Expenses	139,580,085	216,141,353	(76,561,268)
Total Expense	**1,800,644,944**	**2,114,993,690**	**(314,348,746)**
Profit Before Tax	**4,075,981,569**	**4,430,959,911**	**(354,978,342)**
Income Tax Expense	901,219,430	1,037,277,572	(136,058,142)
Net Income	**3,174,762,139**	**3,393,682,339**	**(218,920,200)**
Other Comprehensive Income for the Period	510,000	1,350,000	(840,000)
Comprehensive Income	**3,175,272,139**	**3,395,032,339**	**(219,760,200)**

C. Scope and Objectives of Audit

The audit covered the examination, on test basis, of the accounts and transactions of PNOC for the period January 1 to December 31, 2024, 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, 2024 and 2023. 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.

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, 2024 and 2023 due to the following:

The physical inventory of Land Improvements, Buildings and Other Structures with carrying amounts totaling P245.647 million and P137.170 million, as at December 31, 2024 and 2023 recognized under Investment Property carried at P11.009 billion and P10.979 billion as restated, and Property, Plant and Equipment at P739.920 million and P665.365 million in the Statement of Financial Position as at end of reporting dates, 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, Plant and Equipment accounts is necessary, and the balances of the said accounts that should have been recognized as at December 31, 2024 and 2023.

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

a) General Services Division to prepare and maintain property cards or its equivalent for Land Improvements, Buildings and Other Structures under Investment Property and Property, Plant and Equipment accounts;

b) Inventory Committee with members from the General Services Division, Property Management Division and Accounting Department to conduct complete physical inventory of all Land Improvements, Buildings and Other Structures;

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

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

E. Significant Audit Observations and Recommendations

In addition to the above audit observations, presented below are other significant observations and recommendations, which are discussed in detail in Part II of this Report:

1. Transferred assets from PNOC Energy Development Corporation (EDC) under the Decentralized Energy System (DES) Project in the form of a) receivables from borrowers with outstanding principal balance of P5.260 million, exclusive of interest and penalty; and b) land and buildings with appraised value in 2019 of at least P54.757 million were not recognized in the books of PNOC as at December 31, 2024 contrary to Paragraphs 4.3, 5.7 and 6.6 of the Conceptual Framework for Financial Reporting (Conceptual Framework), resulting in the understatement of Other Assets and Trust Liabilities accounts estimated at P60.017 million.

Recommendations:

Require the:

a) Accounting Department and Treasury Department to recompute the total outstanding balances of receivables transferred from PNOC EDC;

b) Accounting Department to recognize in the books of PNOC the remaining amount of receivables less any determined amount of impairment loss; and

c) Accounting Department to recognize the appraised values of land and buildings per latest appraisal as deemed cost and record the same in the books of accounts.

2. The Other Deferred Credits account with a balance of P67.608 million as at December 31, 2024 includes transactions amounting to P43.035 million without supporting documents, hence, not consistent with the faithful representation and recognition criteria under the Conceptual Framework.

Recommendations:

Require the:

a) Accounting Department to prepare a detailed report on extent of validation of Other Deferred Credits account and submit the same to the Head of Agency (HoA) together with a recommendation for the creation of Investigation Committee for the conduct of investigation to determine the cause of the absence of documents supporting the account;

b) Investigation Committee to commence investigative proceedings within five working days from receipt of the order from the HoA, on the creation of Investigation Committee, to be completed within 30 working days thereafter; and

c) Investigation Committee, within five working days from the completion of investigation to prepare a Report for submission to HoA, for approval and rendition of decision.

F. Summary of Audit Suspensions, Disallowances and Charges

As at December 31, 2024, audit disallowances amounting to P1.258 million remain unsettled. There are no audit suspension and charges for the current year. Details are presented in Part II of this Report.

G. Status of Implementation of Prior Years' Audit Recommendations

Out of the 14 audit recommendations embodied in the previous years' Annual Audit Report, eight were implemented, and six were not implemented. Details are shown in Part III of this Report.

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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, 2024 and 2023, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to financial statements, including a summary of significant accounting policies.

In our opinion, 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, 2024 and 2023, 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

The physical inventory of Land Improvements, Buildings and Other Structures with carrying amounts totaling P245.647 million and P137.170 million, as at December 31, 2024 and 2023 recognized under Investment Property carried at P11.009 billion and P10.979 billion as restated, and Property, Plant and Equipment at P739.920 million and P665.365 million in the Statement of Financial Position as at end of reporting dates, 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, Plant and Equipment accounts is necessary, and the balances of the said accounts that should have been recognized as at December 31, 2024 and 2023.

We conducted our audits in accordance with International Standards of Supreme Audit Institutions (ISSAIs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of PNOC in accordance with the 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 33.1 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 was likewise denied by the CA on October 6, 2022. PNOC subsequently filed a petition for certiorari with the Supreme Court (SC) on December 5, 2022. On November 21, 2023, the First Division of the SC denied PNOC's appeal, thereby affirming the RTC's decision. The Office of the Government Corporate Counsel filed a Motion for Reconsideration on December 5, 2023, followed by a Supplemental Motion for Reconsideration on June 26, 2024. The SC reaffirmed its decision in 2023 and ordered finality of judgment on November 25, 2024. PNOC filed another Motion for Reconsideration on January 21, 2025. Our opinion is not modified in respect of this matter.

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 34 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
Supervising Auditor

May 15, 2025

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of the Philippine National Oil Company is responsible for the preparation of the financial statements including the schedules attached therein, for the years ended December 31, 2024, and 2023, 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 PNOC's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate PNOC or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing PNOC's financial reporting process. Likewise, the Board of Directors approves the financial statements including the schedules attached therein.

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

RAPHAEL PERPETUO M. LOTILLA
PNOC Chairman of the Board
Date Signed: MAY 14 2025

JOSEPHINE CASSANDRA J. CUI
PNOC SVP for Finance and Administrative Services
Date Signed: __________

OLIVER B. BUTALID
PNOC President and CEO
Date Signed: ________

SUBSCRIBED AND SWORN TO BEFORE ME this 14 of May 2025 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

Doc. No. 335
Page No. 68
Book No. IV
Series of 2025

ATTY. KARL KRISTJAN B. MOR
Appointment No. 7 (2024-2025)
Notary Public for Taguig City
Until 31 December 2025
PNOC Building VI, Energy Center, Rizal Drive
Bonifacio Global City, Taguig City
Roll of Attorneys No. 64581
IBP No. 494651/01.02.2025/ Makati
MCLE Compliance No. VII-0007525
PTR No. MKT 10470958/01.08.2025/ Makati

PHILIPPINE NATIONAL OIL COMPANY
STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31, 2024 AND 2023

	NOTE	2024	2023 (As restated)
ASSETS			
Current Assets			
Cash and Cash Equivalents	5	2,240,854,340	1,675,377,312
Financial Assets	6.1	5,519,854,304	3,581,728,601
Receivables	7	455,520,105	706,542,599
Other Current Assets	13	249,194,708	366,831,022
Total Current Assets		**8,465,423,457**	**6,330,479,534**
Non-Current Assets			
Financial Assets	6.1	6,976,759,991	7,590,770,843
Investments in Associates	6.2	107,429,139	99,866,719
Investments in Subsidiaries	6.3	4,859,775,056	4,859,775,056
Other Investments	6.4	141,549,450	141,549,450
Inventory	8	9,228,216,841	10,415,687,907
Investment Property	9	11,008,866,976	10,978,764,381
Property, Plant and Equipment	10	739,920,137	665,365,191
Intangible Asset	11	814,316	689,316
Deferred Tax Assets	12	704,199,304	697,000,160
Other Non-Current Assets	13	248,610	248,610
Total Non-Current Assets		**33,767,779,820**	**35,449,717,633**
Total Assets		**42,233,203,277**	**41,780,197,167**
LIABILITIES			
Current Liabilities			
Financial Liabilities	14	218,184,157	134,081,601
Inter-Agency Payables	15	245,784,857	403,538,583
Trust Liabilities	16	284,892,174	280,033,106
Other Payables	17	1,621,283,906	1,774,063,449
Total Current Liabilities		**2,370,145,094**	**2,591,716,739**
Non-Current Liabilities			
Deferred Credits/Unearned Income	18	222,491,940	270,233,729
Provisions	19	42,912,783	44,276,950
Deferred Tax Liabilities	20	2,330,973,381	2,331,290,301
Total Non-Current Liabilities		**2,596,378,104**	**2,645,800,980**
Total Liabilities		**4,966,523,198**	**5,237,517,719**
EQUITY			
Retained Earnings	21	34,148,378,310	33,424,887,679
Stockholders' Equity	21	3,114,595,519	3,114,595,519
Cumulative Changes in Fair Value	21	3,706,250	3,196,250
Total Equity		**37,266,680,079**	**36,542,679,448**
Total Liabilities and Equity		**42,233,203,277**	**41,780,197,167**

The notes on pages 11 to 66 form part of these statements.

PHILIPPINE NATIONAL OIL COMPANY
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2024 and 2023

	NOTE	2024	2023 (As restated)
Income			
Service and Business Income	22	5,723,416,872	6,446,911,430
Shares, Grants and Donations	23	2,012,928	0
Gains	29	149,903,139	94,960,691
Non-Operating Income	29	1,293,574	4,081,480
Total Income		**5,876,626,513**	**6,545,953,601**
Expenses			
Personnel Services	24	155,982,054	160,878,926
Maintenance and Other Operating Expenses	25	310,059,996	216,473,789
Financial Expenses	26	7,551,743	7,146,967
Direct Costs	27	1,187,471,066	1,514,352,655
Non-Cash Expenses	28,29	139,580,085	216,141,353
Total Expenses		**1,800,644,944**	**2,114,993,690**
Profit Before Tax		**4,075,981,569**	**4,430,959,911**
Income Tax Expense	30	**901,219,430**	**1,037,277,572**
Profit After Tax		**3,174,762,139**	**3,393,682,339**
Other Comprehensive Income for the Period		**510,000**	**1,350,000**
Comprehensive Income		**3,175,272,139**	**3,395,032,339**

The notes on pages 11 to 66 form part of these statements.

PHILIPPINE NATIONAL OIL COMPANY
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2024 and 2023

	Cumulative Changes in Fair Value of Investments	Retained Earnings/ (Deficit)	Stockholders' Equity	TOTAL
BALANCE AT JANUARY 1, 2023	**1,846,250**	**31,510,518,289**	**3,114,595,519**	**34,626,960,058**
Add/(Deduct):				
Prior Period Adjustments	0	293,033,223	0	293,033,223
BALANCE AT JANUARY 1, 2023 (As restated)	**1,846,250**	**31,803,551,512**	**3,114,595,519**	**34,919,993,281**
CHANGES IN EQUITY FOR 2023				
Add/(Deduct):				
Comprehensive Income for the year	0	3,393,682,339	0	3,393,682,339
Dividends	0	(1,773,342,694)	0	(1,773,342,694)
Other Adjustments:				
Changes in fair value of available-for-sale securities	1,350,000	0	0	1,350,000
Prior Period Adjustments	0	996,522	0	996,522
BALANCE AT DECEMBER 31, 2023 (As restated)	**3,196,250**	**33,424,887,679**	**3,114,595,519**	**36,542,679,448**
CHANGES IN EQUITY FOR 2024				
Add/(Deduct):				
Comprehensive Income for the year	0	3,174,762,139	0	3,174,762,139
Dividends	0	(1,617,768,800)	0	(1,617,768,800)
Dividends in Arrears for 2021-2022		(1,337,915)		(1,337,915)
Additional 25% Dividends for CY 2023		(870,753,325)		(870,753,325)
Other Adjustments:				
Changes in fair value of available-for-sale securities	510,000	0	0	510,000
Prior Period Adjustments	0	38,588,532	0	38,588,532
BALANCE AT DECEMBER 31, 2024	**3,706,250**	**34,148,378,310**	**3,114,595,519**	**37,266,680,079**

PHILIPPINE NATIONAL OIL COMPANY
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Inflows		
Collection of Income/Revenue	5,332,423,217	6,310,224,183
Collection of Receivables	545,719,991	793,730,656
Trust Receipts	11,471,865	11,605,842
Other Receipts	65,159,930	4,246,689
Total Cash Inflows	**5,954,775,003**	**7,119,807,370**
Cash Outflows		
Payment of Expenses	300,051,181	511,436,719
Purchase of Inventories	0	218,882
Grant of Cash Advances	3,934,818	2,001,388
Prepayments	0	6,022,538
Refund of Deposits	6,612,796	7,417,750
Payments of Accounts Payable	97,757,858	11,612,665
Remittance of Personnel Benefit Contributions and Mandatory Deductions	725,743,899	690,762,241
Other Disbursements	722,853,232	932,271,729
Total Cash Outflows	**1,856,953,784**	**2,161,743,912**
Adjustments	6,144,381	8,333,597
Adjusted Cash Outflows	**1,863,098,165**	**2,170,077,509**
Net Cash Provided by Operating Activities	**4,091,676,838**	**4,949,729,861**
CASH FLOWS FROM INVESTING ACTIVITIES		
Total Cash Inflows		
Proceeds from Sale/ Disposal of Investment Property	4,557,000	0
Proceeds from Sale/Disposal of Property, Plant and Equipment	0	8,145
Receipt of Interest Earned	493,362,203	296,556,173
Receipt of Cash Dividends	2,474,003	0
Proceeds from Matured Investments	6,052,202,265	2,253,739,143
Total Cash Inflows	**6,552,595,471**	**2,550,303,461**
Cash Outflows		
Purchase/Construction of Investment Property	51,829,240	0
Purchase/Construction of Property and Equipment	55,042,603	7,567,520
Purchase of Intangible Assets	125,000	686,875
Purchase of Investments	7,373,547,361	6,170,957,403
Total Cash Outflows	**7,480,544,204**	**6,179,211,798**
Net Cash Used in Investing Activities	**(927,948,733)**	**(3,628,908,337)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Cash Outflows		
Payment of Cash Dividends	2,645,433,934	1,683,411,489
Total Cash Outflows	**2,645,433,934**	**1,683,411,489**
Net Cash Used In Financing Activities	**(2,645,433,934)**	**(1,683,411,489)**
INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	**518,294,171**	**(362,589,965)**
Effects of Exchange Rate Changes on Cash and Cash Equivalents	**47,182,857**	**39,404,815**
CASH AND CASH EQUIVALENTS, JANUARY 1	**1,675,377,312**	**1,998,562,462**
CASH AND CASH EQUIVALENTS, DECEMBER 31	**2,240,854,340**	**1,675,377,312**

PHILIPPINE NATIONAL OIL COMPANY
NOTES TO FINANCIAL STATEMENTS

1. GENERAL INFORMATION

Philippine National Oil Company *(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. 2014-26 and 2014-25.

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 May 14, 2025 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 percent) were placed in comparable positions. The remaining 109 residual positions (55.05 percent) 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 was 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 2024, the majority of the positions under the Reorganized Table of Organization have been filled-up by 122 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*

The PNOC holds a strategic asset known as "banked gas," which refers to the accumulated unused natural gas acquired under the take-or-pay provisions of the Ilijan Gas Sales and Purchase Agreement (GSPA). This asset, amounting to 108.60 Petajoules (PJ), was purchased from the Department of Energy (DOE) in September 2009. Over the years, portions of the banked gas have been withdrawn or contracted to various entities. In 2013, the Power Sector Assets and Liabilities Management Corporation (PSALM) withdrew 4.605 PJ. Later, in 2016, PNOC entered into a GSPA with Pilipinas Shell Petroleum Corporation (PSPC) for the supply of 6.324 PJ to its Tabangao Refinery. Following these transactions, the remaining uncontracted banked gas stood at 97.671 PJ.

PSPC began withdrawing banked gas on June 1, 2018, under the 2016 GSPA, which was originally set to expire on February 23, 2024. However, in November 2020, PSPC proposed an early termination of the agreement due to the permanent shutdown of its Tabangao Refinery, which was heavily impacted by the COVID-19 pandemic. The PNOC Board of Directors approved the terms of the early termination on May 17, 2021, and the contract was officially terminated on July 23, 2021, following a favorable review by the Office of the Government Corporate Counsel (OGCC).

Throughout the agreement, PSPC withdrew a total of 2.716 PJ of banked gas. Additionally, it paid for 0.391 PJ in annual deficiency volumes, bringing the total volume settled under the contract to 3.107 PJ. Upon termination, PSPC also paid for its outstanding obligation of 3.217 PJ, which was not physically withdrawn. As a result, a total of 3.608 PJ (comprising the 3.217 PJ outstanding volume and 0.391 PJ in deficiency payments) was reverted to PNOC's banked gas inventory. Following the termination, PNOC's total remaining banked gas stood at 101.278 PJ. To further monetize this asset, PNOC signed two GSPAs in December 2021 with First Gen Corporation subsidiaries: 4.453 PJ was contracted to Prime Meridian PowerGen Corporation (PMPC), while 26.566 PJ was allocated to First NatGas Power Corporation (FNPC). Deliveries to PMPC began on December 26, 2021, while the delivery to FNPC started on December 28, 2021.

Since deliveries began, PNOC has supplied 0.179 PJ in 2021, 11.131 PJ in 2022, 11.421 PJ in 2023, and 8.95 PJ in 2024. The monetization of PNOC's banked gas remains a key initiative of the company.

On February 23, 2024, PNOC and its buyers - FNPC and PMPC agreed to amend their GSPAs to align the contract duration with SC38's extended term. These amendments also increased the Total Contract Quantity (TCQ), raising FNPC's allocation to 87.01 PJ and PMPC to 14.27 PJ.

A total of 8.955 PJ of Banked Gas was delivered to FNPC and PMPC in 2024.

1.2 *Offshore Wind Integration Port*

Aligned with PNOC's mission, vision, and Three-Arrow Strategy, PNOC aims to position itself as a strategic niche player in the Philippines by serving as an infrastructure catalyst. A key initiative is the development of the Batangas Offshore Wind Integration Port (OSWIP), which supports the Philippine Energy Plan's goal of expanding renewable energy, particularly offshore wind.

The Batangas OSWIP will facilitate the construction, operation, and maintenance of offshore wind farms, playing a critical role in advancing the country's renewable energy targets.

As of December 2024, PNOC has undertaken several initiatives for OSWIP, including procuring a consultant for the preparatory study and conceptual design. However, the procurement process has faced challenges, with three failed bidding attempts due to bidders' non-compliance with eligibility requirements. Efforts are ongoing to refine the approach and attract qualified firms.

PNOC has also engaged in preliminary discussions with offshore wind players and port developers. Additionally, it has completed the Terms of Reference (TOR) for the preparatory study and the basic concepts of OSWIP, providing a framework for assessing technical, economic, and environmental feasibility.

1.3 *Rooftop Solar PV Systems for Government Buildings (RGB)*

In line with its new mission and vision statements, PNOC aims to be a strategic niche player in the Philippine energy industry by providing timely and responsive intervention in underserved segments of the energy sector. As part of this vision, PNOC has set six high impact flagship initiatives which include the Onsite Rooftop Solar PV Systems for Government Entities.

Through this initiative, PNOC will help to overcome the barriers to energy efficiency in the public sector, such as the lack of financial resources and the lack of technical expertise. This initiative is also part of PNOC's efforts to contribute to the energy diversification efforts of the DOE, which is motivated by the need to address the risks associated with supply disruptions of fossil fuels, the need to reduce the carbon footprint, and the need to promote sustainable energy.

As of December 2024, PNOC signed Memoranda of Agreements (MOAs) for a total aggregate capacity of 5,488 kW (5.488 MW) with the National Food Authority (NFA)-5,100 kW, Angeles City Water District (ACWD)-198 kW, National Economic Development Authority (NEDA) Region 4A-50 kW, Tanza Water District (TWD)-35 kW, Carmona Water District (CWD)-25 kW, and Technical Education and Skills Development Authority (TESDA)-80 kW.

1.4 *Electric Vehicle Fast Charging Station*

PNOC aims to complement the efforts of the private sector in developing energy sources and other technologies. The installation of Electric Vehicle Fast Charging Stations is one of its flagship initiatives.

PNOC intends to support the growth of the electric vehicle (EV) industry in the Philippines by taking the first mover role through the installation of EV fast charging stations in strategic locations across the country, such as major highways, urban centers, and tourist destinations. This project will boost public confidence in EVs and support the transition towards a more sustainable transportation system.

As of December 2024, PNOC completed a business plan covering 13 locations (11 Tourist Rest Areas and two TIEZA-managed sites in Metro Manila).

1.5 *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.

1.6 *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.

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.

1.7 *Real Property Projects*

PNOC manages a strategic portfolio of 370 lots, covering approximately 573.44 hectares, with many situated in prime locations. A significant portion is leased to Petron Corporation, while key government agencies, including the Department of Energy (DOE), Cybercrime Investigation Coordinating Center, and Land Bank of the Philippines, also occupy PNOC properties. The Asset Management Department (AMD) oversees the administration and leasing of the remaining lots to private entities, ensuring their optimal utilization, value generation, and alignment with PNOC's strategic objectives.

1.8 *Other Properties*

PNOC strategically managed its real estate assets through optimization, enhancement, or disposal, aligning with operational goals and national development priorities. This involved assessing underutilized properties, exploring revenue opportunities, and identifying sites for redevelopment or divestment to maximize value. Through data-driven decision-making and sustainable land use practices, PNOC aimed to enhance asset efficiency, support economic growth, and contribute to energy-related initiatives in line with government policies.

1.9 *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.

On February 16, 2024, PNOC formalized its partnership with the University of the Philippines - Information Technology Development Center (UP-ITDC) through a Memorandum of Agreement (MOA) to advance its Digital Transformation Initiatives.

These initiatives aimed to enhance operational efficiency, transparency, and service delivery through innovative technologies, aligning with the government's broader push for digitalization and smart governance. In 2024, PNOC's digital efforts included the implementation of the Document Routing System (DRS) to automate document tracking and approvals, ICT training and capability-building programs through seminars and webinars to equip employees with the latest ICT tools and best practices, and the redesign of the PNOC website to improve user experience and accessibility. Additionally, PNOC collaborated with UP-ITDC on the implementation of its Information Systems Strategic Plan (ISSP), particularly in crafting the Terms of Reference for acquiring key digital systems, including the Computerized Accounting System (CAS), Human Resource Information System (HRIS), and Corporate Business Intelligence (BI) Dashboard. Through this partnership, PNOC strengthened its digital capabilities, fostering innovation, optimizing business processes, and enhancing overall service delivery.

The PNOC - Strategy Management Office also developed the company's Intranet as a centralized platform to enhance internal communication, collaboration, and access to corporate resources. Designed to streamline workflows and integrate key internal systems, it supports PNOC's Digital Transformation Strategy, fostering a more connected, efficient, and technology-driven work environment.

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, 2024.

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 percent 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.

f. **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 2024, PNOC recognized a revenue arising from the transfer of assets from PNOC EC amounting to P2,012,928.

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 2024, PNOC recognized assets transferred by PNOC EC amounting to P102,587,364.

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, 2024, 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 PFRSs 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*

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 12 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.

e. 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 2023 AAR	(996,522)
Prior Period Adjustments prior to 2023:	
Adjustment in Dividends Payable	(298,673,487)
Adjustment in Investment Property	5,640,264
Prior Period Adjustments in 2023:	
Adjustment in Dividends Payable	4,247,460
Adjustments in Depreciation	470,022
Prior Period Adjustments in 2024:	
Adjustments in Income	(39,060,420)
Adjustments in Accrued Liabilities	(650,062)
Adjustments in Expenses	(49,797)
Adjustments in Deferred Tax Asset	175,000
Adjustments in Deferred Tax Liabilities	(1,250)
Adjustments in Receivable	144,871
Adjustments in Inter-agency Receivable	855,328
Adjustments in Inter-agency Payable	(2,202)
Total Prior Period Adjustments	**(327,900,795)**

5. CASH AND CASH EQUIVALENTS

Particulars	2024	2023
Cash-Collecting Officers	3,304,957	1,636,772
Petty Cash	500,000	429,006
Cash in Bank-Local Currency	70,839,150	65,649,634
Cash in Bank-Foreign Currency	407,447,892	575,074,302
Cash Equivalents	1,758,762,341	1,032,587,598
Total Cash and Cash Equivalents	**2,240,854,340**	**1,675,377,312**

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 percent for local currency and 3.00 percent for foreign currency.

6. INVESTMENTS

6.1 Financial Assets

Particulars	2024	2023
Total Current Financial Assets	5,519,854,304	3,581,728,601
Total Non-Current Financial Assets	6,976,759,991	7,590,770,843
Total	**12,496,614,295**	**11,172,499,444**

a. Reconciliation of the Current Investment in Treasury Bills

Particulars	2024	2023
Beginning Balance as at January 1	2,300,806,601	954,508,042
Additional investments made	4,373,001,168	2,421,307,000
Less: Investment sold/collected	(2,208,953,465)	(1,075,008,441)
Balance as at December 31	**4,464,854,304**	**2,300,806,601**

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 one year and earn interest at 5.25 – 6.58 percent deposit rates.

Particulars	2024	2023
Investments in Time Deposit	1,055,000,000	1,280,922,000
Total	**1,055,000,000**	**1,280,922,000**

Investment in Time Deposits are made for varying periods of more than 90 days but less than one year and earn interest at 5.45 – 5.99 percent 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, 2024	**7,585,320,843**	**5,450,000**	**7,590,770,843**
Additional investments made	1,282,306,748	0	1,282,306,748
Fair value changes	0	600,000	600,000
Allowance for credit losses	0	0	0
Less: Investment sold/ collected	(1,896,917,600)	0	(1,896,917,600)
Balance at December 31, 2024	**6,970,709,991**	**6,050,000**	**6,976,759,991**

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 increase (decrease)	0	1,350,000	1,350,000
Allowance for credit losses	0	(1,600,000)	(1,600,000)
Less: Investments sold/ collected	(565,751,483)	0	(565,751,483)
Balance as at December 31, 2023	**7,585,320,843**	**5,450,000**	**7,590,770,843**

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 percent.

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.

6.2 Investments in Associates

Particulars	Percentage of Ownership	2024	2023
Acquisition Cost:			
Gulf Oil Philippines, Inc. (GOPI)	35	99,866,719	90,704,289
Equity in Net Earnings of Investees:			
Equity in net earnings for the year		10,036,423	9,162,430
Dividends received for the year		(2,474,003)	0
Balance at end of year		**107,429,139**	**99,866,719**

PNOC owns a 35 percent 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 2024, PNOC received cash dividends from GOPI amounting to P2,474,003.

6.3 Investments in Subsidiaries

Particulars	Percentage of Ownership	2024	2023
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

Particulars	Percentage of Ownership	2024	2023
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.

On November 10, 2022, the SEC, after thorough review and coordination with the GCG, revoked the Certificates of Registration as dissolution of PAFC and PDMC.

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.

On June 25, 2024, the SEC, revoked the Certificate of Registration as dissolution of PSTC for failure to submit its reportorial requirements for more than five consecutive years.

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 percent allowance for impairment of its investment to the dissolved subsidiaries pursuant to Philippine Accounting Standards 36.

6.4 Other Investments

Particulars	2024	2023
Other Investments	141,549,450	141,549,450
Total	**141,549,450**	**141,549,450**

Reconciliation of Other Investments – Non-Current

Particulars	2024	2023
Investment in Stocks		
PLDT Preferred Shares	96,100	96,100
Total Investment in Stocks	**96,100**	**96,100**
Other Investments		
Goodyear Philippines - (11 percent - 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 percent - 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	2024	2023
Total Current Receivables (net)	455,520,105	706,542,599
Total	**455,520,105**	**706,542,599**

Aging/Analysis of Receivable

As at December 31, 2024

		Age of Accounts			
		Current		Past Due	
Accounts	Total	Less than 1 year	Over 1 year	2 to 4 years	Over 5 years
Accounts Receivable	271,296,703	265,949,503	5,325,580	12,838	8,782
Interests Receivable	28,165,541	1,622,644	0	26,542,897	0
Lease Receivable	204,124,885	29,276,211	3,268,347	9,758,256	161,822,071
Inter-Agency Receivables	1,726,403,500	2,112,018	1,715,087	22,396,167	1,700,180,228
Loans receivable	67,067,595	1,804,931	1,800,000	5,404,932	58,057,732
Other Receivables	102,978,238	50,548,048	50,584,927	59,577	1,785,686
Less: *Allowance for Impairment*	(1,944,516,357)	0	0	(22,661,858)	(1,921,854,499)
Total	**455,520,105**	**351,313,355**	**62,693,941**	**41,512,809**	**0**

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

In 2024, PNOC recognized Impairment Loss for the year amounting to P12,922,902 on receivables aged over two years.

7.1 Loans and Accounts Receivables

Particulars	2024	2023
Accounts Receivable	271,296,703	538,359,544
Interests Receivable	28,165,541	25,910,979
Loans Receivable	67,067,595	65,262,663
Allowance for Impairment	(61,319,970)	(60,153,555)
Total	**305,209,869**	**569,379,631**

7.2 Lease Receivables

Particulars	2024	2023
Total Current Operating Lease Receivables	204,124,885	181,768,709
Allowance for Impairment - Lease Receivables	(167,741,711)	(167,704,563)
Total	**36,383,174**	**14,064,146**

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	2024	2023
Not later than one year	139,099,006	156,009,926
Later than one year but not later than five years	205,707,534	531,453,733
Later than five years	673,494,901	1,149,468,985
Total	**1,018,301,441**	**1,836,932,644**

7.3 Inter-Agency Receivables

Particulars	2024	2023
Due from Government Corporations	112,543,142	112,543,142
Due from Subsidiaries	1,613,860,359	1,614,067,371
Less: *Allowance for Impairment-Due from Government Corporations*	(112,543,142)	(112,543,142)
Allowance for Impairment-Due from Subsidiaries	(1,601,074,787)	(1,589,389,362)
Total	**12,785,572**	**24,678,009**

7.4 Other Receivables

Particulars	2024	2023
Due from Officers and Employees	2,759,024	1,913,755
Other Receivables	100,219,214	98,432,858
Less: Allowance for Impairment-Due from Officers and Employees	(706,968)	(719,884)
Allowance for Impairment-Other Receivables	(1,129,780)	(1,205,916)
Total	**101,141,490**	**98,420,813**

Other Receivables includes receivables from the Department of Energy for the implementation of the Phase 3 of the Barangay Electrification Project, from the Department of Environment and Natural Resources for the POPS Project and from lessees pertaining to their proportionate share in utility expenses, including electricity, water, and maintenance services.

8. INVENTORY

8.1 BANKED GAS INVENTORY

Particulars	2024	2023
Inventory Held for Sale		
Carrying Amount, January 1	10,415,687,907	11,930,040,563
Sold during the year	(1,187,471,066)	(1,514,352,656)
Total Carrying Amount	**9,228,216,841**	**10,415,687,907**

PNOC sold 8.95 PJ in 2024 and 11.421 PJ in 2023. The monetization of PNOC's banked gas remains a key initiative of the company.

9. INVESTMENT PROPERTY

As at December 31, 2024

Particulars	Investment Property-Land	Investment Property-Buildings	Investment Property-Land Improvements	Total
Carrying Amount, January 1	10,926,981,864	48,844,841	2,937,676	10,978,764,381
Additions/Acquisitions	0	41,017,240	0	41,017,240

Particulars	Investment Property-Land	Investment Property-Buildings	Investment Property-Land Improvements	Total
Total	**10,926,981,864**	**89,862,081**	**2,937,676**	**11,019,781,621**
Disposals	(1,627,518)	(31,947)	0	(1,659,465)
Depreciation	0	(8,808,649)	(446,531)	(9,255,180)
Impairment Loss	(10,812,000)	0	0	(10,812,000)
Adjustment to Cost	10,812,000	0	0	10,812,000
Carrying Amount, December 31	**10,925,354,346**	**81,021,485**	**2,491,145**	**11,008,866,976**
Gross Cost	11,042,594,514	214,499,068	6,726,315	11,263,819,897
Accumulated Depreciation	0	(133,477,583)	(4,235,170)	(137,712,753)
Accumulated Impairment Loss	(117,240,168)	0	0	(117,240,168)
Carrying Amount, December 31	**10,925,354,346**	**81,021,485**	**2,491,145**	**11,008,866,976**

As at December 31, 2023 (As restated)

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	(7,829,363)	(576,146)	(8,405,509)
Impairment Loss	(5,072,880)	0	0	(5,072,880)
Adjustment to Cost	2,749,843	9,202,536	0	11,952,379
Carrying Amount, December 31	**10,926,981,864**	**48,844,841**	**2,937,676**	**10,978,764,381**
Gross Cost	11,033,410,032	173,641,000	6,726,315	11,213,777,347
Accumulated Depreciation	0	(124,796,159)	(3,788,639)	(128,584,798)
Accumulated Impairment Loss	(106,428,168)	0	0	(106,428,168)
Carrying Amount, December 31	**10,926,981,864**	**48,844,841**	**2,937,676**	**10,978,764,381**

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.

Prior period adjustment pertains to the reclassification of the property in Tanauan, Batangas with TCT No. 139062 to *Investment Property-Building* previously recognized as *Investment Property-Land*. As a result, the accumulated depreciation from the year 2010 to 2023 was recorded to present the asset at its proper carrying value.

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 2023, the Company recognized further impairment of the three 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.

In 2024, the Company has finalized a settlement agreement with PNOC EC regarding the transfer of the ESB assets which resulted to recognition of additional investment properties. Also, a portion of the land located in Zamboanga City with a total cost of P1,627,518 was expropriated for a just compensation of P4,557,000 resulting in a gain of P2,615,609. Further, the Company donated tennis court, exclusive of land, to Department of Energy with a carrying amount of P31,947.

The fair value of investment properties amounted to P45,114,946,769 in 2024 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 P610,267,431 in 2024 and P556,081,471 in 2023.

10. PROPERTY, PLANT AND EQUIPMENT

As at December 31, 2024

	Land	Land Improvements	Buildings and Other Structures	Machinery and Equipment	Total
Carrying Amount, January 1	528,236,886	162,279	85,225,337	51,740,689	665,365,191
Additions/Acquisitions	0	0	80,736,642	12,184,371	92,921,013
Total	**528,236,886**	**162,279**	**165,961,979**	**63,925,060**	**758,286,204**
Depreciation/Reversal	0	(23,254)	(3,958,219)	(13,156,685)	(17,138,158)
Adjustment	0	0	(8,337)	(1,219,572)	(1,227,909)
Carrying Amount, December 31	**528,236,886**	**139,025**	**161,995,423**	**49,548,803**	**739,920,137**
Gross Cost	528,236,886	455,134	537,742,071	133,011,937	1,199,446,028
Accumulated Depreciation	0	(316,109)	(375,746,648)	(83,376,892)	(459,439,649)
Accumulated Impairment Loss	0	0	0	(86,242)	(86,242)
Carrying Amount, December 31	**528,236,886**	**139,025**	**161,995,423**	**49,548,803**	**739,920,137**

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**
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	(15,876)	(15,876)
Depreciation/Reversal	0	(23,254)	(2,283,220)	(8,788,191)	(11,094,665)

	Land	Land Improvements	Buildings and Other Structures	Machinery and Equipment	Total
Adjustment	(17,592,643)	0	0	(236,608)	(17,829,251)
Carrying Amount, December 31	**528,236,886**	**162,279**	**85,225,337**	**51,740,689**	**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)	(371,788,429)	(69,000,635)	(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**	**85,225,337**	**51,740,689**	**665,365,191**

In 2024, the Company recognized additions in Building and Other Structures as a result of the finalization of the settlement agreement with PNOC EC regarding the transfer of the ESB assets and the replacement of the air-conditioning unit in Building 5. Further, the additions recognized in Machinery and Equipment is due to the purchase of asset inventory management system and rehabilitation of PNOC network system.

In 2023, the Company disposed Information and Communication Equipment with net book value of P15,877. 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 fire truck in Industrial Park in Mariveles, Bataan.

Fully depreciated property and equipment amounted to P440,757,119 and P420,223,262 as at December 31, 2024 and 2023, respectively.

PNOC recorded an adjustment in the carrying amount of its Machinery and Equipment to account for depreciation expenses related to shared assets utilized in the administration and maintenance of the PNOC Industrial Park. These depreciation costs were subsequently billed to locators within the park as part of their administrative dues. This adjustment ensures that the depreciation of shared assets is appropriately allocated and recovered through charges to the beneficiaries of these assets.

11. INTANGIBLE ASSET

This pertains to the carrying amount of Adobe Create Cloud Software and Microsoft Office. This also includes the carrying cost of the software for time attendance purchased in 2024.

12. DEFERRED TAX ASSETS

As at December 31, 2024

Particulars	Tax effect of Temporary differences	Unrealized loss in Financial Assets at FVOCI	Total
January 1, 2024	**697,000,160**	**0**	**697,000,160**

Particulars	Tax effect of Temporary differences	Unrealized loss in Financial Assets at FVOCI	Total
Credited to profit or loss for the year			
Adjustment:			
Allowance for Credit Losses	0	0	0
Deferred Tax Asset on Unearned Rental	3,994,377	0	3,994,377
Deferred Tax Asset on Unrealized Forex Loss	179,784	0	179,784
Deferred Tax Asset on Reversal of Impairment Loss on Receivables	(30,742)	0	(30,742)
Deferred Tax Asset on Allowance for Impairment Loss on Receivables	3,230,725	0	3,230,725
Prior period adjustment	0	(175,000)	(175,000)
Total	**704,374,304**	**(175,000)**	**704,199,304**

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			
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**

13. OTHER ASSETS

Particulars	2024			2023		
	Current	Non-Current	Total	Current	Non-Current	Total
Advances	4,806	0	4,806	2,005	0	2,005
Prepayments	11,126,685	0	11,126,685	126,596,046	0	126,596,046
Deposits	238,063,217	0	238,063,217	240,232,971	0	240,232,971
Other Assets	0	248,610	248,610	0	248,610	248,610
Total	**249,194,708**	**248,610**	**249,443,318**	**366,831,022**	**248,610**	**367,079,632**

Prepayments account includes advance payments of Real Property Taxes for the year 2025 on various PNOC properties amounting to P5,891,318 and advances to contractors amounting to P2,926,104.

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	2024	2023
Accounts Payable	216,642,755	132,889,329
Due to Officers and Employees	1,541,402	1,192,272
Total	**218,184,157**	**134,081,601**

Accounts payables account represents obligations to suppliers and contractors for the purchase of raw materials, supplies, and services related to the Company's operations and capital projects. The increase is mainly attributable to higher volume of purchases during the year.

15. INTER-AGENCY PAYABLES

Particulars	2024	2023
Due to Subsidiaries	166,222,183	132,641,548
Due to BIR	6,109,952	7,308,835
Due to GSIS	2,137,035	2,415,325
Due to PhilHealth	484,999	332,972
Due to Pag-IBIG	84,490	61,304
Due to Others	674,691	1,497,136
Income Tax Payable	70,071,507	259,281,463
Total	**245,784,857**	**403,538,583**

Increase in *Due to Subsidiaries* pertains to receipt of PSTC's Cash Dividends from Keppel Philippines amounting to P33,724,517.

16. TRUST LIABILITIES

Particulars	2024	2023
Trust Liabilities	235,422,734	237,652,472
Guaranty/Security Deposits Payable	49,469,440	42,380,634
Total	**284,892,174**	**280,033,106**

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	2024	2023 (As restated)
Dividends Payable	1,617,768,800	1,773,342,694
Other Payables	3,515,106	720,755
Total	**1,621,283,906**	**1,774,063,449**

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 percent of net earnings to the National Government. Net earnings subjected to dividends amounted to P3,235,537,599 for the year 2024.

18. DEFERRED CREDITS/UNEARNED INCOME

Particulars	2024	2023
Unearned Revenue/Income-Investment Property	27,914,295	11,936,786
Other Deferred Credits	67,607,634	69,886,134
Output Tax	126,970,011	188,410,809
Total	**222,491,940**	**270,233,729**

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 decrease pertains to the finalization of the expropriation of a 651 sqm. right of way in Zamboanga City with Department of Public Works and.

The decrease in *Output Tax* is consistent with the decrease in revenues subject to Value-Added Tax (VAT) for the year 2024.

19. PROVISIONS

Particulars	2024	2023
Leave Benefits Payable	42,912,783	44,276,950
Total	**42,912,783**	**44,276,950**

20. DEFERRED TAX LIABILITIES

Particulars	Revaluation Increment on Investment Property	Unrealized Gain in Financial Assets at FVOCI	Accrued Rent Income	Unrealized Gain	Total
January 1, 2024	2,293,482,818	431,250	37,376,233	0	2,331,290,301
Adjustments:					
Sale of Investment Property	(405,768)				(405,768)
Related to valuation of club shares	0	90,000	0	0	90,000
Revaluation of Dollar Accounts	0	0	0	98	98
Prior period adjustment	0	(1,250)	0	0	(1,250)
December 31, 2024	**2,293,077,050**	**520,000**	**37,376,233**	**98**	**2,330,973,381**

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

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 P1,617,768,800 for 2024 net earnings due to the National Government.

PNOC declared and remitted a total cash dividend of P1,773,342,694 for 2023 net earnings.

c. Cumulative Changes in Fair Value

As at December 31, 2024, the Company holds certain financial assets classified as financial assets at fair value through other comprehensive income (FVOCI) in accordance with IFRS 9, Financial Instruments. These assets are measured at fair value with cumulative gains and losses recognized in other comprehensive income (OCI).

The cumulative unrealized gains or losses on these financial assets recognized in OCI as at December 31, 2024 has amounted to P3,706,250.

22. SERVICE AND BUSINESS INCOME

Particulars	2024	2023
Sales Revenue	4,474,276,064	5,402,167,023
Rent/Lease Income	610,267,431	556,081,471
Interest Income	497,421,696	302,821,984
Other Business Income – ESB	76,577,058	85,870,829
Waterworks System Fees	30,507,626	41,968,527
Seaport System Fees	17,934,101	39,796,576
Share in Profit/Revenue of Associates/Affiliates	10,036,423	9,162,430
Fines and Penalties-Business Income	2,810,545	5,261,812
Management Fees	3,585,928	3,780,778
Total	**5,723,416,872**	**6,446,911,430**

Sales Revenue pertains to sales of banked gas. PNOC extracted 11,420,743 Gigajoules (GJ) and 8,955,511 GJ of banked gas during 2023 and 2024, 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. SHARES, GRANTS AND DONATION

This pertains to the income arising from the transfer of assets from PNOC EC amounting to P2,012,928.

24. PERSONNEL SERVICES

Particulars	2024	2023
Salaries and Wages	93,698,715	94,106,147
Other Compensation	39,318,787	45,185,116
Personnel Benefit Contributions	13,851,522	13,472,978
Other Personnel Benefits	9,113,030	8,114,685
Total	**155,982,054**	**160,878,926**

24.1 Salaries and Wages

Particulars	2024	2023
Salaries and Wages-Regular	93,698,715	94,106,147
Total	**93,698,715**	**94,106,147**

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.

24.2 Other Compensation

Particulars	2024	2023
Year End Bonus	7,962,285	7,933,779
Mid Year Bonus	7,387,405	8,059,605
Overtime and Night Pay	4,403,179	3,229,887
Representation Allowance (RA)	2,843,602	2,427,578
Personal Economic Relief Allowance	2,826,635	2,916,617
Directors and Committee Members' Fees	2,532,000	2,163,000
Transportation Allowance (TA)	1,528,923	1,615,590
Clothing/Uniform Allowance	829,592	725,229
Cash Gift	604,246	610,084
Honoraria	403,000	389,500
Longevity Pay	70,000	85,000
Other Bonuses & Allowances	7,927,920	15,029,247
Total	**39,318,787**	**45,185,116**

Other Bonuses and Allowances include 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.

24.3 Personnel Benefit Contributions

Particulars	2024	2023
Retirement and Life Insurance Premiums	11,238,783	11,479,526
PhilHealth Contributions	2,194,140	1,695,403
Pag-IBIG Contributions	276,489	148,042
Employees Compensation Insurance Premiums	142,110	150,007
Total	**13,851,522**	**13,472,978**

24.4 Other Personnel Benefits

Particulars	2024	2023
Terminal Leave Benefits	8,134,030	7,595,685
Retirement Gratuity	979,000	519,000
Total	**9,113,030**	**8,114,685**

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.

25. MAINTENANCE AND OTHER OPERATING EXPENSES

Particulars	2024	2023
Award, Reward, Prizes and Indemnities	85,618,391	0
General Services	77,562,717	73,215,822
Taxes, Insurance Premiums and Other Fees	50,508,158	61,789,662
Utility Expenses	24,966,639	29,775,628
Professional Services	22,463,739	14,910,532
Repairs and Maintenance	12,801,215	8,500,197
Supplies and Materials Expenses	7,873,563	7,339,983
Communication Expenses	4,698,680	4,708,682
Travelling Expenses	3,275,286	1,214,110
Training and Scholarship Expenses	479,147	1,278,116
Confidential, Intelligence and Extraordinary Expenses	26,998	120,677
Other Maintenance and Operating Expenses	19,785,463	13,620,380
Total	**310,059,996**	**216,473,789**

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.

25.1 Award, Reward, Prizes and Indemnities

This pertains the indemnity to the Public-Private Partnership Center of the Philippines and to Ms. Gloria V. Gomez as the administrator of PDMC amounting to P56,439,061 and P29,179,330, respectively.

25.2 General Services

Particulars	2024	2023
Security Services	46,282,996	44,673,416
Janitorial Services	11,420,391	11,393,666
Other General Services	19,859,330	17,148,740
Total	**77,562,717**	**73,215,822**

25.3 Taxes, Insurance Premiums and Other Fees

Particulars	2024	2023
Taxes, Duties and Licenses	43,133,276	55,627,373
Insurance Expenses	7,092,787	5,874,930
Fidelity Bond Premium	282,095	287,359
Total	**50,508,158**	**61,789,662**

Taxes, Duties and Licenses in 2024 includes amendment of Income Tax Return for the year 2023 and VAT Return for the 4th quarter of the year 2023 amounting to P289,233 while in the year 2023, the account includes PNOC's VAT Liability for 2019 amounting to P6,236,453 and PAFC's VAT Liability for 2020 amounting to P4,370,523.

25.4 Utility Expenses

Particulars	2024	2023
Electricity Expenses	21,854,134	27,423,681
Water Expenses	2,904,201	2,130,161
Other Utility Expenses	208,304	221,786
Total	**24,966,639**	**29,775,628**

The decrease in *Electricity Expenses* in 2024 is due to lower consumption of the PNOC Industrial Park and PNOC Energy Center.

25.5 Professional Services

Particulars	2024	2023
Auditing Services	6,564,211	6,757,236
Consultancy Services	5,154,643	3,412,078
Legal Services	1,335,000	1,400,000
Other Professional Services	9,409,885	3,341,218
Total	**22,463,739**	**14,910,532**

Consultancy Services in 2024 includes services from University of the Philippines for the digital transformation of PNOC. *Other Professional Services* in 2024 includes services from job order hires to support the Company's operational and project-based requirements.

25.6 Repairs and Maintenance

Particulars	2024	2023
Repairs and Maintenance - Building and Other Structures	7,341,585	5,289,016
Repairs and Maintenance - Machinery and Equipment	3,336,586	1,857,202
Repairs and Maintenance - Transport Equipment	1,131,696	1,281,677

Repairs and Maintenance - Land Improvements	896,295	30,426
Repairs and Maintenance - Furniture & Fixtures	95,053	41,876
Total	**12,801,215**	**8,500,197**

Repairs and Maintenance – Building and Other Structures in 2024 pertains to exterior and interior repainting, waterproofing, various repair activities and window glass cleaning of buildings and other structures.

25.7 Supplies and Materials Expenses

Particulars	2024	2023
Fuel, Oil and Lubricants Expenses	4,018,852	3,574,022
Office Supplies Expenses	877,448	2,284,706
Semi-Expendable Furniture, Fixtures and Books Expenses	787,117	0
Semi-Expendable Machinery and Equipment Expenses	519,039	318,222
Medical, Dental and Laboratory Supplies Expenses	74,790	192,474
Electrical Materials and Supplies Expense	62,850	143,583
Other Supplies and Materials Expenses	1,533,467	826,976
Total	**7,873,563**	**7,339,983**

25.8 Communication Expenses

Particulars	2024	2023
Telephone Expenses	2,796,879	2,776,645
Internet Subscription Expenses	1,770,396	1,759,896
Cable, Satellite, Telegraph and Radio Expenses	78,571	96,213
Postage and Courier Services	52,834	75,928
Total	**4,698,680**	**4,708,682**

25.9 Traveling Expenses

Particulars	2024	2023
Traveling Expenses-Local	1,700,683	1,214,110
Training Expenses-Foreign	1,574,603	0
Total	**3,275,286**	**1,214,110**

25.10 Training and Scholarship Expenses

Particulars	2024	2023
Training Expenses-Local	479,147	1,271,116
Training Expenses-Foreign	0	7,000
Total	**479,147**	**1,278,116**

PNOC experienced a decrease in *Training Expenses* due to its leverage on digital learning platforms and internal knowledge-sharing systems.

25.11 Confidential, Intelligence and Extraordinary Expenses

Particulars	2024	2023
Confidential, Intelligence and Extraordinary Expenses	26,998	120,677
Total	**26,998**	**120,677**

25.12 Other Maintenance and Operating Expenses

Particulars	2024	2023
Major Events and Conventions Expenses	6,237,779	4,229,761
Subscriptions Expenses	2,592,709	520,722
Representation Expenses	2,458,712	2,438,868
Rent/Lease Expenses	930,997	0
Printing and Publication Expenses	874,000	374,472
Membership Dues and Contributions to Organizations	715,762	1,201,508
Advertising, Promotional and Marketing Expenses	95,310	50,100
Other Maintenance and Operating Expenses	5,880,194	4,804,949
Total	**19,785,463**	**13,620,380**

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.

PNOC celebrated its 51st Year Founding Anniversary on November 8, 2024 with its partners, called 'The Partner's Night', and on November 9, 2024 with the employees.

The increase in *Subscriptions Expenses* is due to installation of a comprehensive anti-virus solution and upgrade of the PNOC's cloud-based email platform which is part of the its ongoing commitment to data protection and technology modernization

26. FINANCIAL EXPENSES

Particulars	2024	2023
Management Supervision/Trusteeship Fees	7,408,375	7,055,543
Bank Charges	143,368	91,424
Total	**7,551,743**	**7,146,967**

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

27. DIRECT COSTS

Particulars	2024	2023
Cost of Sales of Banked Gas	1,187,471,066	1,514,352,655
Total	**1,187,471,066**	**1,514,352,655**

PNOC extracted 11,420,743 Gigajoules (GJ) and 8,955,511 GJ of banked gas during 2023 and 2024, respectively.

28. NON-CASH EXPENSES

28.1 Depreciation

Particulars	2024	2023 (As restated)
Depreciation - Investment Property	9,255,180	8,405,509
Depreciation - Machinery and Equipment	13,156,685	8,788,191
Depreciation - Building and Other Structures	3,958,219	2,283,220
Depreciation - Land Improvements	23,254	23,254
Total	**26,393,338**	**19,500,174**

Prior period adjustment affecting *Depreciation – Investment Property* pertains to recognition of depreciation for the year 2023 of the *Investment Property-Building* in Tanauan, Batangas previously recorded as *Investment Property-Land*.

28.2 Impairment Loss

Particulars	2024	2023
Impairment Loss - Receivables	12,922,902	131,702,990
Impairment Loss - Investment Property	0	5,072,880
Impairment Loss - Financial Assets-Available for Sale Securities	0	1,600,000
Total	**12,922,902**	**138,375,870**

29. NON-OPERATING INCOME, GAINS AND LOSSES

29.1 GAINS

Particulars	2024	2023
Gain on Foreign Exchange (FOREX)	147,287,530	94,952,546

Gain on Sale of Investment Property	2,615,609	0
Gain on Sale of Unserviceable Properties	0	8,145
Total	**149,903,139**	**94,960,691**

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.

29.2 OTHER NON-OPERATING INCOME

Particulars	2024	2023
Miscellaneous Income	1,170,607	1,383,966
Reversal of Impairment Loss	122,967	2,697,514
Total	**1,293,574**	**4,081,480**

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

29.3 NON-OPERATING LOSSES

Particulars	2024	2023
Loss on Foreign Exchange (FOREX)	100,263,845	58,265,309
Total	**100,263,845**	**58,265,309**

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.

30. INCOME TAX EXPENSE/(BENEFIT)

Particulars	2024	2023
Current Income Tax	908,999,244	1,076,004,093
Deferred Income Tax (Benefit)	(7,779,814)	(38,726,521)
Total	**901,219,430**	**1,037,277,572**

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

Particulars	2024	2023 (As restated)
Profit after Tax	3,174,762,139	3,393,682,339
Non-cash Income/Expenses:		
Depreciation	25,923,316	19,500,174
Gain on sale of investment property	(2,615,609)	0
Gain on donation	(2,012,928)	(8,145)
Impairment loss	0	138,375,870

Particulars	2024	2023 (As restated)
Other non-cash income	(10,159,391)	(106,859,775)
Other non-cash expenses	1,187,471,066	7,146,967
Income credited to investing activities	(497,421,696)	(302,821,984)
Increase in Current Liabilities*	91,755,975	(182,123,471)
Decrease in Current Assets*	292,026,671	1,773,515,394
Decrease in Current Liabilities*	(159,313,821)	(58,832,440)
Increase in Current Assets*	(8,738,884)	268,154,932
Net Cash Flows from Operating Activities	**4,091,676,838**	**4,949,729,861**

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

32. RELATED PARTY TRANSACTIONS

32.1 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, 2024
Alternate Chairman	Alessandro O. Sales	January 1-December 31, 2024
Member, President and CEO	Oliver Mario B. Butalid	January 1-December 31, 2024
Member	John Martin Francis J. Arenas	January 1-December 31, 2024
Member	Joel R. Caminade	January 1-December 31, 2024
Member	Celestina Ma. Jude P. De La Serna	January 1-June 1, 2024
Member	Ma. Cristina Sheila C. Cabaraban	January 1-December 31, 2024
Member	Franz Josef George E. Alvarez	January 1-September 30, 2024
Member	Victor Emmanuel S. Dato	January 1-December 31, 2024
Member	Maria Jasmine S. Oporto	July 1-December 31, 2024

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	Oliver Mario B. Butalid
Senior Vice President (VP) for Energy Business	Atty. Graciela M. Barleta
Senior VP for Finance and Administrative Services	Atty. Josephine Cassandra J. Cui
Senior Vice President for Energy Investments	Ma. Rowena C. Raymundo
Manager, Administrative Services Department	Atty. Arolf E. Suyom
Manager, Accounting Department	Aoron R. Viuya
Manager, Treasury Department	Jennifer R. Racho
Manager, Asset Management Department	Atty. Efren A. Legaspi
Manager, PNOC Energy Supply Base Department	Engr. Carlito B. Pena
Manager, Park Management Department	Edwin G. Celzo
OIC-Manager, Strategy Management Office	Helen M. Alfonso
Manager, Internal Audit Office	Gina E. Manalo
Manager, Office of the General Counsel	Atty. Antonio G. Buenviaje
Manager, Business Research and Development	Alma B. Taganas
Manager, Project Management Department	Maria Belinda L. Cubelo

32.2 Key Management Personnel Compensation

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

Particulars	Aggregate
Salaries and Wages	25,124,596
Other Compensation	10,865,761
Total	**35,990,357**

33. CONTINGENCIES

33.1 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: OGCC

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 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 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 Court of Appeals (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 Court of Appeals 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

A Motion for Reconsideration (MR) was filed on December 5, 2023, and a supplemental MR was filed on June 26, 2024. On September 9, 2024, Petron filed an Opposition to the Supplemental MR. On November 25, 2024 the SC issued a ruling affirming its decision and ordering finality of judgment. PNOC, however, filed on January 21, 2025 another Motion for Reconsideration.

33.2 RTC Branch 84, Batangas City *Keppel Philippines Holdings, Inc. (KPHI) (substituted by LS Shipping Management Corporation) vs. PNOC/PDEC 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 six 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, who 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. Their claim is that LS Shipping is 100 percent 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 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 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 ANNULED and SET ASIDE and all succeeding proceedings, orders, resolutions in pursuant to the Resolutions dated March 10, 2022 and May 11, 2022 are declared NULL and VOID.

The CA however reversed itself. Hence PNOC filed an appeal to the Supreme Court. The appeal is still pending resolution by the Supreme Court.

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

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

Handling Counsel: Officer of Solicitor General (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. (EOGHI) for Summary Judgement. The said Resolution was received by the OSG 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:

- Whether or not the MOA dated June 19, 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;
- Whether or not there is a binding lease agreement
- The nature of the P38,639,025
- The participation of the individual defendants; and
- Who among the parties are liable for damages and attorney's

Status: On November 3, 2023, the RTC Makati dismissed the case filed by the EOGHI for lack of merit but with no pronouncements on the cost.

EOGHI filed a Notice of Appeal.

33.4 National Transmission Corp. vs. PNOC
Civil Case No. -131-ML
RTC Branch 94, Mariveles Bataan (Stationed at Balanga City)

For: Expropriation

Handling Counsel: OSG

This is a complaint for expropriation filed by National Transmission Corporation (TRANSCO) against PNOC for a portion of land located in Alangan, Limay, Bataan consisting of 16,382 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 to PNOC. PNOC has withdrawn the amount without prejudice to the determination of just compensation.

On December 22, 2022, the Court rendered judgment fixing the just compensation at P19.50/sqm plus P1 million exemplary damages and P200,000 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 are of 16,382 sqm.

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

PNOC filed its appeal brief with the CA and also have discussions with Transco and OGCC on this matter.

33.5 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. Initial discussion with OGCC and Transco were held last November 2024.

33.6 PNOC vs. Mamerto Espina and Flor Penaranda
Civil Case No. 3670-0; Civil Case 3394-0
RTC Branch 35, Ormoc City

For: Expropriation

Handling Counsel: OSG

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

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.

33.7 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: Awaiting further orders from the trial court.

33.8 *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 new Chairman of the Board of Commissioner. 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 EDC was conducted last November 2022. Waiting for the submission of the Commissioners Report.

33.9 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 shows 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 Php300.00 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 per square meter or P9,913,200 plus legal interest of six percent 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 on November 2022, the Motion was submitted for resolution of the Court.

The MR was denied and PNOC filed a Notice of Appeal on April 18, 2024.

33.10 PNOC vs. Flasalie Maglasang
Civil Case No. 3276,
RTC Branch 35, Ormoc City

For: Expropriation

Handling Counsel: OSG

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

Pending issue: PNOC to withdraw from the PNB Ormoc City Branch the initial deposit of just compensation deposited in the name of Flasalie Maglasang in December 1994 amounting to Php104,75 plus interest.

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

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

Status: For further follow-up of release of deposit per court order.

33.11 PNOC vs. Sps. Celso Garilva and Anita Garilva
Civil Case No. 1141
RTC Branch 62, Bago City

For: Expropriation

Handling Counsel: OSG

The Board of Commissioners submitted the commissioners report to the trial court recommending the value of the just compensation of the subject lot consisting of 26,898.35 square meters at P335,040 per hectare or a total of Php901,202.32 pesos.

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

a. Pay the remaining balance of the just compensation in the amount of P739,812;
b. Pay the Commissioners fee at Php45,000 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: Waiting for the execution of judgment.

33.12 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 P63,856,153 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 percent instead of six percent interest from the time of finality of judgment or from March 2005 until full payment should had been computed by the Sheriff. Per THDC allegation, PNOC still owes not less than P11 million to them. PNOC opposed the said Motion during the last hearing.)

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

Status: Awaiting further orders from the trial court.

33.13 In the matter of the Petition for Declaration of State of Suspension of Payments

GO UNIQUE Products, Inc. Petitioner
PNOC, BIR, DOST, SSS, DBP, PHIC (Creditors – Oppositors)
SP Proceeding No. 27-V-08
RTC Branch 75, Valenzuela City

Handling 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 are 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 is now under liquidation 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.

The Court already lifted the order of suspension of payment. GO Unique submitted new proposal for payment which was declined by PNOC. PNOC will refer the case to OGCC for collection.

33.14 Indigenous Cultural Communities/Indigenous Peoples represented by Jose Romel Agustin Murio 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: 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 6, 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.

33.15 People vs Ronie Pader, et al
MTC, Mariveles, Bataan

For: Theft

This involves the theft of water pipes in the PNOC Industrial Park worth about P150,000. A case was filed against Ronie Pader, Paul Maravilla and Rex Mallari and four other John Does. They were found guilty by the MTC on January 21, 2023. The decision was affirmed by the RTC and the judgment became final on December 9, 2024.

PNOC will move for the execution of judgment.

34. 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.

34.1 Compliance with Tax Laws

Taxes withheld and due to the BIR for CY 2024 in the total amount of P693,379,896 were deducted and remitted within the prescribed period. The taxes withheld for the month of December 2024 amounting to P112,817,149 were remitted to the BIR in January 2025.

34.2 The Company's taxes and licenses in 2024 shown as part of expenses in the statements of comprehensive income are as follows:

Particulars	2024
Real Estate Tax	41,103,111
Business Taxes	1,212,074
Motor Vehicle Registration	80,772
Other Taxes, Fees and Licenses	578,123
Total	**42,974,080**

AUDIT OBSERVATIONS AND RECOMMENDATIONS

A. Financial Issues

Investment Property and Property, Plant and Equipment

1. The reliability of the carrying amounts of Investment Property and Property, Plant and Equipment accounts amounting to P11.009 billion and P739.920 million as at December 31, 2024, which includes Land, Land Improvements, Buildings and Other Structures was not ascertained due to: a) absence of physical inventory of Land Improvements, Buildings and Other Structures with carrying amounts totaling P245.647 million, and b) unreconciled cost of Land, Land Impovements, Buildings and Other Structures totaling P1.003 billion, between the Accounting records and supporting schedules/records contrary to Paragraph 15 of Philippine Accounting Standard (PAS) 1 – *Presentation of Financial Statements.*

This is a restatement of prior year's audit observations with updated figures.

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. Paragraphs 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. In the previous year's audit, the Audit Team raised to the attention of Management the absence of physical inventory of Land, Land Improvements, Buildings and Other Structures under Investment Property and Property, Plant and Equipment accounts with carrying amount of P11.592 billion and recommended to the Management to require the Inventory Committee to conduct the complete physical inventory of all Investment Property and Property, Plant and Equipment, and prepare the required inventory reports. Also, the Audit Team raised the unreconciled amount of cost of Land, Land Improvements, Buildings and Other Structures amounting to P403.061 million and P451.482 million, respectively, shown on the records of the Accounting Department, Asset Management Department (AMD) and General Services Division (GSD).

1.5. As at December 31, 2024, PNOC presents in its financial statements the Investment Property, and Property, Plant and Equipment accounts with carrying amounts of P11.009 billion and P739.920 million, respectively, which include Land, Land Improvements, Buildings and Other Structures located in various places. Similar to previous years, the concerned departments of PNOC perform various functions including the physical inventory of properties and the monitoring and valuation of the above properties by the AMD and GSD, together with the accomplished Agency Action Plan and Status of Implementation (AAPSI) as of December 31, 2024.

1.6. Verification disclosed the following:

a. **Incomplete Physical Inventory**

1. While the Inventory Reports were submitted, it was observed that Land Improvements, Buildings and Other Structures under Investment Property and Property, Plant and Equipment accounts with carrying amounts of P83.513 million and P162.134 million, respectively, as at December 31, 2024 were not included therein. It was then noted that no physical inventory was conducted for these Investment Property and Property, Plant and Equipment items. Per AAPSI, there is no action taken indicated to complete the physical inventory.

2. Inquiry with the Administrative Services Department revealed that Land Improvements, Buildings and Other Structures under Investment Property and Property, Plant and Equipment accounts were not subjected to physical inventory by the GSD due to absence of responsibility thereon, along with the absence of Property Cards or its equivalent, which would aid the Inventory Committee in conducting the physical inventory. Management commented that they will undertake procedures including preparation of Property Cards or its equivalent to pursue the conduct of physical inventory of Land Improvements, Buildings and Other Structures.

3. Based on the Minutes of the exit conference for calendar year (CY) 2023 audit, GSD had acknowledged its duty in the monitoring of the Land Improvements, Buildings and Other Structures.

b. **Unreconciled Amounts**

1. It was noted that there were unreconciled amounts between the records of the Accounting Department and AMD/GSD on the cost of Land, Land Improvements, Buildings and Other Structures under Investment Property and Property, Plant and Equipment accounts of P458.762 million and P544.184 million, respectively:

Account	Cost per Accounting Department's Records	Cost per AMD and GSD's Records	Variance
Investment Property			
Land	2,441,927,633	2,204,390,752	237,536,881
Land Improvements	6,726,315	0	6,726,315
Buildings	214,499,068	0	214,499,068
Total	**2,663,153,016**	**2,204,390,752**	**458,762,264**
Property, Plant and Equipment			
Land	56,081,286	62,068,240	5,986,954
Land Improvements	455,134	0	455,134
Buildings and Other Structures	537,742,071	0	537,742,071
Total	**594,278,491**	**62,068,240**	**544,184,159**
Grand Total	**3,257,431,507**	**2,266,458,992**	**P 1,002,946,423**

2. The records of the Accounting Department contains the cost of various assets as presented in the General Ledger and lapsing schedule. On the other hand, the AMD maintained schedule of Land with details of properties particularly the title and area, while for the Land Improvements, Buildings and Other Structures, there was no available schedule or details from the GSD. Per AAPSI, there is no action taken indicated to reconcile the records of the Accounting Department and AMD and GSD.

3. Inquiry with the Accounting Department revealed that their reconciliation with the records of AMD is only focused on land title and area. On the other hand, the GSD has no Property Cards or its equivalent that would serve as a control check against the accounting records. Similarly, Management commented that they will perform actions to reconcile the balances between records of Accounting Department and AMD and GSD.

1.7. While we acknowledge the efforts on the actual physical inventory of all Land properties, the continuing absence of physical inventory of Land Improvements, Buildings and Other Structures hindered substantiation of their existence and actual condition. Hence, any adjustments required to the balances of the accounts involved were not determined. Also, the non-reconciliation of the variances between the records of Accounting Department and AMD/GSD of the cost of Land, Land Improvements, Buildings and Other Structures creates doubt on the reliabiity of the recorded balances of Investment Property and Property, Plant and Equipment accounts.

1.8. **We recommended and Management agreed to direct the:**

a) **General Services Division to prepare and maintain property cards or its equivalent for Land Improvements, Buildings and Other Structures under Investment Property and Property, Plant and Equipment accounts;**

b) **Inventory Committee with members from the General Services Division, Property Management Division and Accounting Department to conduct complete physical inventory of Land Improvements, Buildings and Other Structures;**

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

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

2. **The balance of the Property, Plant and Equipment account amounting to P739.920 million as at December 31, 2024 includes 25 items of Machinery and Equipment – tagged as missing in the RPCPPE, with total acquisition cost of P2.529 million and carrying amount of P 0.613 million, contrary to Paragraph 7 of PAS 16 and Paragraph 15 of PAS 1; thereby, resulting in the overstatement of Property, Plant and Equipment account by P0.613 million.**

2.1. Paragraph 7 of PAS 16 states that:

> *The cost of an item of property, plant and equipment shall be recognised as an asset if, and only if:*
>
> *(a) it is probable that future economic benefits associated with the item will flow to the entity; and*
>
> *(b) the cost of the item can be measured reliably.*

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

2.3. Item 7 of the 2024 Physical Inventory Plan provides that the Property Management Division (PMD) shall issue a memorandum to employees who are accountable for unlocated items.

2.4. Section 7 of COA Circular No. 2020-006 provides the disposition procedures for non-existing/missing PPEs or the One-Time Cleansing of PPE account. It states that the Head of the Property Unit shall be responsible in determining the person/s accountable for non-existing/missing PPEs. It further provides that the Accounting Unit shall take up the necessary accounting entries to recognize in the books of accounts the loss of PPE and to set up the corresponding receivables from concerned accountable officers/personnel for the non-existing/missing PPEs that could not be produced upon demand. If accountability/responsibility over the missing PPE could not be pinpointed, authority for derecognition thereof from the books of accounts may be requested from the COA, in accordance with the procedures provided.

2.5. PNOC holds tangible properties recognized in the books as PPEs. As at December 31, 2024, the financial statements including the Notes to FS of PNOC showed Property, Plant and Equipment account. The physical inventory reports for CY 2024 were submitted including schedules showing the existence and condition of the properties.

2.6. Verification of the submitted supporting documents disclosed that 25 items of Machinery and Equipment were missing with total acquisition cost of P2.529 million and carrying amount P0.613 million. Based on records on disposal maintained by Property Management Division (PMD), the above items were not among those reported in the documents covering disposal in previous periods.

2.7. Inquiry with PMD revealed that there was no procedure undertaken after the reconciliation of accounting records with the physical inventory report to locate the missing items or to inform the accountable officers/personnel. During the exit conference, Management commented that the PMD is finalizing the memorandum to accountable officers to produce the missing PPE items. Once completed, a list will be submitted to the Accounting Department, which will record the loss and establish receivables from accountable officers within the year.

2.8. The inclusion of missing Machinery and Equipment is not in accordance with the recognition criteria for PPE under PAS 16 and resulted in the overstatement of the Property, Plant and Equipment account by P0.613 million.

2.9. **We recommended and Management agreed to direct the:**

a) **Property Management Division to immediately identify the accountable personnel for the missing properties and issue memorandum requiring them to produce the missing items;**

b) **Property Management Division to submit to the Accounting Department the List of Missing PPEs, with complete information i.e missing items that cannot be produced and name of the accountable officers/personnel; and**

c) **Accounting Department to take up the necessary adjustments to recognize the loss of Property, Plant and Equipment and set up the corresponding receivables from the accountable officers/personnel.**

Other Assets and Trust Liabilities

3. **Transferred assets from PNOC Energy Development Corporation (EDC) under the Decentralized Energy System (DES) Project in the form of a) receivables from borrowers with outstanding principal balance of P5.260 million, exclusive of interest and penalty; and b) land and buildings with appraised value in 2019 of at least P54.757 million were not recognized in the books of PNOC as at December 31, 2024 contrary to Paragraphs 4.3, 5.7 and 6.6 of the Conceptual Framework for Financial Reporting (Conceptual Framework), resulting in the understatement of Other Assets and Trust Liabilities accounts estimated at P60.017 million.**

3.1. Paragraphs 4.3, 5.7 and 6.6 of the Conceptual Framework state that:

> *An asset is a present economic resource controlled by the entity as a result of past events.*
>
> *Xxx*
>
> *Not recognising an item that meets the definition of one of the elements makes the statement of financial position and the statement(s) of financial performance less complete and can exclude useful information from financial statements. Xxx. An asset or liability is recognised 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, ie with: (a) relevant information about the asset or liability and about any resulting income, expenses or changes in equity; and (b) a faithful representation of the asset or liability and of any resulting income, expenses or changes in equity.*
>
> *Xxx*
>
> *When an asset is acquired or created, or a liability is incurred or taken on, as a result of an event that is not a transaction on market terms, it may not be possible to identify a cost, or the cost may not provide relevant information about the asset or liability. In some such cases, a current value of the asset or liability is used as a deemed cost on initial recognition and that deemed cost is then used as a starting point for subsequent measurement at historical cost.*

3.2. By virtue of the privatization of PNOC EDC, all assets and properties including credits, rights and interest and contracts being held and administered by PNOC EDC for the DES Project, were transferred to PNOC including receivables amounting to P5.260 million exclusive of interest and penalty, and land and buildings with appraised value in 2019 of P54.757 million. As at December 31, 2024, PNOC has prepared its financial statements with supporting schedules to substantiate the balance of the DES Project Fund in Other Assets and Trust Liabilities accounts, including the Schedule of Outstanding Loan Granted to Borrowers and Inventory of Properties both transferred to PNOC under the DES Project.

3.3. Verification of the submitted supporting schedules and documents disclosed that the transferred assets in the form of receivables and land and buildings from PNOC EDC under the DES Project were not recognized in the books of PNOC as detailed below:

Transferred Receivables

Borrower	Principal	Interest (6%)	Penalty (24%)	Total
A	3,985,856	516,783	18,012,841	22,515,480
B	903,350	41,462	4,142,859	5,087,671
C	370,683	8,841	1,045,454	1,424,978
Total	**5,259,889**	**567,086**	**23,201,154**	**29,028,129**

Transferred Land and Buildings

Location	TCT No.	Area (sq.m.)	Appraised Value
Miramar Subd., Dungon B, San Isidro, Jaro, Iloilo City	T-146788[1]	213	852,000
Purok 3, Banuson, Brgy. Gusa, Cagayan De Oro City, Misamis Oriental	T-141321	21,931	10,965,500
32 Benevolence St., Goodwill Homes, San Bartolome, Novaliches, Quezon City	N-229989	155	1,395,000
Mississippi St., Carolina Subd., Brgy. Sta. Cruz, Anipolo City	R-5796	147	1,087,800
Brgy. Pasong Buaya II, Imus, Cavite	T-990618	279	1,674,000
Lopez Jaena St., Brgy. Capasigan, Pasig City	PT-130515[2]	1,888	32,096,000
79-A Magat, Salamat St., Brgy. Marilag, Project 4, Quezon City	N-229988[3]	279	6,686,400
Total			**54,756,700**

3.4. Inquiry with the Accounting Department revealed that the transferred receivables and land and buildings were not recognized in the books since they have been long outstanding for over 14 to 18 years and were potentially impaired, and there is no reliable basis for valuation, respectively. Management commented that the Accounting Department and Treasury Department will review the documents related to the transferred receivables and recompute the total outstanding balance. Also, the Accounting Department will assess the documents turned over by PNOC EDC to determine the appropriate valuation of the transferred land and buildings and recognize them in the books of PNOC accordingly within the year.

3.5. Despite the probable impairment of the receivables and the 2019 valuation being the latest available reference for land and buildings, their non-recognition and lack of measurement in the books result in the financial statements not fully reflecting the entity's financial position and financial performance, as provided in the Conceptual Framework for Financial Reporting on the recognition, derecognition and measurement of assets, liabilities, income and expenses. Consequently, this

[1] With residential house
[2] With residential building/machine shop
[3] With residential structure

resulted in the understatement of the Other Assets and Trust Liabilities accounts estimated at P60.017 million.

3.6. **We recommended and Management agreed to direct the:**

a) **Accounting Department and Treasury Department to recompute the total outstanding balances of receivables transferred from PNOC EDC;**

b) **Accounting Department to recognize in the books of PNOC the remaining amount of receivables less any determined amount of impairment loss; and**

c) **Accounting Department to recognize the appraised values of land and buildings per latest appraisal as deemed cost and record the same in the books of accounts.**

4. **Interest earned from the Investment in Treasury Bills of the DES Project Fund for the year ended December 31, 2024 amounting to P10.729 million was not recognized contrary to Paragraph 28 of Philippine Accounting Standard (PAS) 1, resulting in the understatement of the Other Assets and Trust Liabilities accounts both by P10.729 million.**

4.1. Paragraph 28 of PAS 1 states that:

When the accrual basis of accounting is used, an entity recognises items as assets, liabilities, equity, income and expenses (the elements of financial statements) when they satisfy the definitions and recognition criteria for those elements in the Conceptual Framework.

4.2. PNOC is administering the DES Project Fund and has been investing portion thereof in financial institutions to earn interest. As at December 31, 2024, records showed that PNOC invested the amount of P232.407 million DES Project Fund placed in Treasury Bills which is reported under Other Assets and Trust Liability accounts in the financial statements. The said investment earned a total of P10.729 million for the year 2024.

4.3. Verification of the supporting documents disclosed that the interest earned for CY 2024 amounting to P10.729 million from the Investment in Treasury Bills of DES Project Fund was not recognized in the books of accounts. Only the DES Project Fund placed in investments and related interest earned in prior years are recorded in the books of PNOC.

4.4. Inquiry with the Accounting Department revealed that they did not accrue the interest due to the accounting treatment that classifies the interest as neither an income nor expense since the DES Project Fund is a Trust Liability and the affected accounts are both balance sheet items. Management commented that they will recompute the accrued interest from the Investment in Treasury Bills of the DES Project Fund up to the current period and record the adjustment in May 2025.

4.5. Regardless of the classification of transaction due to the nature of DES Project Fund, PNOC, adopting accrual basis of accounting, should recognize the interest earned from its investment of the DES Fund, for financial reporting purposes. Hence, the non-accrual of interest earned for CY 2024 as at December 31, 2024 understated the Other Assets and Trust Liabilities accounts by the same amount of P10.729 million.

4.6. **We recommended and Management agreed to direct the Accounting Department to recognize interest earned on the Investment in Treasury Bills of the DES Project Fund amounting to P10.729 million as addition to Other Assets and Trust Liabilities accounts.**

Deferred Credits/Unearned Income

5. The Other Deferred Credits account with a balance of P67.608 million as at December 31, 2024 includes transactions amounting to P43.035 million without supporting documents, hence, not consistent with the faithful representation and recognition criteria under the Conceptual Framework.

This is a restatement of prior year's audit observations.

5.1. 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.*

5.2. 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.

5.3. The 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.

5.4. In the CY 2021 Annual Audit Report (AAR), 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. For the audit of 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 the schedule, leaving a balance of P43.035 million. For CY 2023, the Audit Team raised the same condition relative to the absence of supporting documents of the remaining balance of P43.035 million and recommended, for which Management agreed to comply, among others, with the procedures prescribed under COA Circular No. 2023-008 dated

August 17, 2023 for the cleansing of dormant accounts including deferred credits account by applying the procedures for its disposition before requesting authority from COA for its derecognition from the books of accounts.

5.5. For CY 2024 audit, the financial statements as at December 31, 2024 showed Other Deferred Credits account with carrying amount of P67.608 million which includes the amount of P43.035 million.

5.6. Verification disclosed that the amount of P43.035 million has no sufficient details and supporting documents yet, for the appropriate adjustments in the books and the recommended disposition procedures were not implemented. Per AAPSI, the Accounting Department is still in the process of substantiating the balance through documents available before 2020.

5.7. The salient procedures in Section 7 of COA Circular No. 2023-008 before requesting authority from COA for derecognition of account are as follows:

- The Accounting Unit shall prepare a detailed report on extent of validation of Other Deferred Credits account and submit the same to the Head of Agency (HoA) together with a recommendation for the creation of Investigation Committee for the conduct of investigation to determine the cause of the absence of documents supporting the account.
- Upon receipt of the report, the HoA shall cause the conduct of investigation. The HoA shall create an Investigation Committee through an order to determine cause of absence of documents.
- Within five working days from receipt of the order from the HoA, the investigative proceedings shall commence and shall be completed within 30 working days thereafter.
- Within five working days from the completion of investigation, the Investigation Committee shall submit to HoA an Investigation Report, for approval.
- Within five working days from receipt of Investigation Report, the HoA shall render decision. A copy of the Investigation Report together with the decision of HoA shall be furnished to the Accounting Unit.

5.8. During the exit conference, Management committed to perform the procedures to derecognize the Other Deferred Credits account without details and supporting documents within the year.

5.9. The absence of supporting documents precluded the determination of the faithful representation of the Other Deferred Credits account amounting to P43.035 million. In addition, the failure to perform the procedures for dormant accounts outlined under COA Circular No. 2023-008 has been delaying the process for the derecognition of the account balance from the books.

5.10. **We recommended and Management agreed to direct the:**

a) Accounting Department to prepare a detailed report on extent of validation of Other Deferred Credits account and submit the same to the Head of Agency (HoA) together with a recommendation for the creation

of Investigation Committee for the conduct of investigation to determine the cause of the absence of documents supporting the account;

b) **Investigation Committee to commence investigative proceedings within five working days from receipt of the order from the HoA, on the creation of Investigation Committee, to be completed within 30 working days thereafter; and**

c) **Investigation Committee, within five working days from the completion of investigation to prepare a Report for submission to HoA, for approval and rendition of decision.**

Inter-Agency Payables

6. The reliability of the balances of Due to Government Service Insurance System (GSIS) and Due to Philippine Health Insurance Corporation (PhilHealth) accounts amounting to P2.137 million and P484,999, respectively, as at December 31, 2024 was not ascertained due to the existence of negative balances and items for reconciliation amounting to a total of P4.286 million and P4.017 million, respectively, contrary to paragraphs 2.12 and 2.13 of the Conceptual Framework.

6.1. 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.

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

6.2. In compliance with existing laws on GSIS and PhilHealth, PNOC records transactions in its books of accounts covering the required mandatory deductions, remittances and adjustments for corrections, if necessary. PNOC received Certification/letter from GSIS that PNOC has remitted its obligations for CY 2023 and it has no arrearages for mandatory deductions. As at December 31, 2024, the financial statements including the Notes to Financial Statements showed, among others, the Due to GSIS and Due to PhilHealth accounts with carrying amounts of P2.137 million and P484,999, respectively.

6.3. Verification of the supporting documents on personnel premium and loan payments, and benefit contributions disclosed that there are negative balances and items for reconciliation totaling P4.286 million and P4.017 million, respectively, on the following accounts:

Accounts	Negative Balances	Items for Reconciliation
DUE TO GSIS		
a. Due to GSIS	0	3,381
b. Due to GSIS- Life Insurance & Retirement Premium	(4,286,107)	0
c. Due to GSIS-Employee Share (EE)	0	1,468,171
d. Due to GSIS- Employer Share (ER)	0	2,342,332

e. Due to GSIS- Employees' Compensation Commission	0	12,478
f. Due to GSIS- Salary Loan	0	108,725
g. Due to GSIS- Policy Loan	0	10,651
h. Due to GSIS-Other Loans	0	13,443
Sub-Total	**(4,286,107)**	**3,959,181**
DUE TO PHILHEALTH		
a. Due to PhilHealth	0	57,423
b. Due to PhilHealth-EE	0	0
c. Due to PhilHealth-ER	0	0
Sub-Total	**0**	**57,423**
TOTAL	**(4,286,107)**	**4,016,604**

6.4. The negative balance of P4.286 million and the items for reconciliation of P4.017 million in Due to GSIS and PhilHealth accounts pertain to possible over-deductions of contribution/payments from the salaries of employees or errors in accounting entries.

6.5. Inquiry with the Accounting Department revealed that there were no schedules prepared in the previous years to monitor the said accounts. Further, they still need to review previous years' payroll documents to determine if these are over-deductions of contribution/payments from the salaries of employees or errors in accounting entries in order to determine the necessary adjusting entries. During the exit conference, Management requested for extension to finalize and submit the reconciliation of the Due to GSIS and Due to PhilHealth accounts within the year.

6.6. Although there is certification/letter from the GSIS stating that PNOC has remitted premium contributions and there are no arrearages on mandatory deductions, the balances of the Due to GSIS and Due to PhilHealth accounts contain negative balances and items for reconciliation, indicating errors or overdeductions. The negative balances may indicate that the amounts of premium contributions debited upon remittance to GSIS were not the same amounts credited upon recording of the deduction to employees' payroll, hence payments/remittances may have exceeded the amount deducted from the personnel. These negative balances caused by absence of records in previous years and the items still subject for reconciliation rendered the reliability of Due to GSIS and Due to Philhealth accounts doubtful.

6.7. **We recommended and Management agreed to direct the Accounting Department to:**

a) Review and analyze the accounting entries and payroll documents to determine whether the negative balances and items for reconciliation are due to errors in the accounting entries, over-deductions of employee contributions, or any other factors that may have contributed to the noted conditions; and

b) Make necessary adjusting entries to correct the balances of Due to GSIS and Due to Philhealth accounts.

Financial Liabilities and Trust Liabilities

7. The balance of the Financial Liabilities and Trust Liabilities accounts amounting to P218.184 million and P284.892 million, respectively, as at December 31, 2024 includes a) long outstanding Accounts Payable and Guaranty/Security Deposits Payable per Aging Schedule with carrying amounts of at least P2.926 million and P1.766 million, respectively, were not derecognized despite the absence of valid claims; and b) negative balances of Accounts Payable by at least P0.574 million, contrary to Paragraphs 2.12, 2.13, 4.26 and 5.26 of the Conceptual Framework, thus, resulting in the overstatement of Accounts Payable and Guaranty/Security Deposits Payable by same amount and rendering the reliability of Accounts Payable account with negative balance doubtful, respectively.

7.1. Paragraphs 2.12, 2.13, 4.26 and 5.26 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.

Xxx

A liability is a present obligation of the entity to transfer an economic resource as a result of past events.

Xxx

Derecognition is the removal of all or part of a recognised asset or liability from an entity's statement of financial position. Derecognition normally occurs when that item no longer meets the definition of an asset or of a liability:

xxx
(b) for a liability, derecognition normally occurs when the entity no longer has a present obligation for all or part of the recognised liability.

7.2. PNOC has financial obligations to various individuals arising from its day-to-day operations. As at December 31, 2024, the financial statements including the Notes to FS of PNOC bear, among others, the Financial Liabilities and Trust Liabilities accounts amounting to P218.184 million and P284.892 million, respectively. The Aging of Accounts Payable and Aging of Guaranty/Security Deposits Payable were prepared to support the balances of the accounts presented in the FS.

7.3. Verification of the submitted supporting documents disclosed that the long outstanding Accounts Payable and Guaranty/Security Deposits Payable with carrying amounts of at least P2.926 million and P1.766 million, respectively, were not derecognized despite the absence of valid claims. Also, Accounts Payable include negative balances of P573,582 which were not yet adjusted as at reporting date. The financial obligations without valid claims have existed and have no movement for over two years per Aging of Accounts Payable and Aging of Guaranty/Security Deposits Payable. On the other hand, the Aging of Accounts Payable showed negative balances which unnecessarily reduce the balance of the said account. Further, the Aging of the Accounts Payable did not include accrued expenses as at December 31, 2024, hence, unreconciled with the balance per detailed ledger and financial statements.

7.4. Inquiry with the Accounting Department revealed that the long outstanding Accounts Payable and Guaranty/Security Deposits Payable without valid claims were not derecognized due to the lack of review of the accounts owing to shortage of manpower. For the negative balances, the Accounting Department has yet to determine the nature of the said balances. Management commented that the Accounting Department will conduct a thorough review, analysis and validation of the Accounts Payable and Guaranty/Security Deposits Payable accounts within the year.

7.5. The non-derecognition of Accounts Payable and Guaranty/Security Deposits accounts which have been long outstanding without valid claims resulted to the overstatement of the said accounts by P2.926 million and P1.766 million, respectively, and the existence of negative balances in Accounts Payable account amounting to P573,582 creates doubt on the reliability of the balance of the said account.

7.6. **We recommended and Management agreed to direct the Accounting Department to:**

a) Derecognize all Accounts Payable and Guaranty/Security Deposits Payable amounting to P2.926 million and P1.766 million which have been long outstanding and without valid claims;

b) Analyze and verify the nature of Accounts Payable presented in the aging schedule with negative balances of P573,582 and effect the necessary adjustments; and

c) Maintain a complete and updated aging schedule of accounts payable which reconciles with the balance per detailed ledger and financial statements.

Receivables

8. The Receivables account with carrying amount of P455.520 million as at December 31, 2024, includes negative balances amounting to P2.634 million representing: a) unadjusted overpayments amounting to P2.589 million for reporting as Other Unearned Revenue/Income account; and b) items subject for verification amounting to P45,049, contrary to paragraphs 2.12 and 2.13 of Conceptual Framework and Annex C of COA Circular No. 2020-002 dated January 28, 2020; thereby, resulting in the understatement of Receivables and Other Unearned Revenue/Income accounts both by P2.589 million.

8.1. Annex C of COA Circular No. 2020-002 provides the definition of *Other Unearned Revenue/Income account* under the Revised Chart of Accounts of Government Corporations:

> *Other Unearned Revenue/Income account is credited to recognize other income/revenue received in advance not falling under any of the specific unearned revenue/income accounts. This account is debited when revenue is earned, and/or for adjustments.*

8.2. In the CY 2023 AAR, the Audit Team had identified the presence of negative balances in the Receivable accounts totaling P14.023 million. The team recommended that the Accounting Department verify the nature, origin, and payment records of the transactions and prepare the necessary adjusting entries, to which Management has substantially complied.

8.3. Based on the understanding of procedures involving determined overpayments, the Accounting Department records/maintains the overpayments in Receivable account. The overpayment information is then forwarded to the Treasury Department, which contacts the clients/customers to inform them about the overpayment and determine if they wish to request for a refund. The Accounting Department does not offset overpayments against future billings of clients/customers.

8.4. As at December 31, 2024, PNOC prepared the financial statements including the Notes to FS bearing, among others, Receivables account amounting to P455.520 million, supported with the schedule of Aging of Receivables.

8.5. The schedule of Aging of Receivables disclosed that negative balances totaling P2.634 million still exist. Out of this amount, P2.589 million was identified as overpayments and the remaining amount represents items still for verification.

8.6. It was also noted that there is no standardized procedures and policies on handling or managing overpayments made by the clients/customers including the elimination and prevention of negative balances. The Quality Management System (QMS) manual of PNOC does not include a specific policy on the accounting treatment of overpayments made by the clients/customers.

8.7. Inquiry with the Accounting Department on overpayments revealed that they are respecting the clients/customers preferences on whether they want to offset the overpayments against future billings or receive a refund. For the items that are still subject to verification, these are overpayments or errors in accounting entries. During the exit conference, Management commented that the Accounting Department will review and adjust overpayments, use proper liability accounts, and develop a policy on managing negative accounts as part of their QMS within the year.

8.8. The absence of a formal policy on handling overpayments has contributed to the recurrence of negative balances in the Receivables account. The unadjusted negative balances from overpayments amounting to P2.589 million resulted to understatement of Receivables and Other Unearned Revenue/Income accounts both by the same amount. On the other hand, the remaining negative balance of P45,049 is still subject to verification.

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

a) **Take up the adjusting entry on clients/customers overpayments amounting to P2.589 million to Other Unearned Revenue account;**

b) **Review and analyze the items still for verification amounting to P45,049 and take up the necessary adjustments; and**

c) **Formulate a policy on the accounting procedures for the handling of overpayments made by the clients/customers, for approval of the Board of the Directors.**

Non-Financial Issues

Extension of Contract beyond Six Months

9. The extension of contract no. 23-014 – CY 2023, Custodial and Janitorial Services for PNOC Energy Supply Base (ESB), for more than six months is contrary to Section 5.2, Appendix 37 of the 2016 Revised Implementing Rules and Regulations (RIRR) of Republic Act (RA) No. 9184, thereby, defeating the governing principle on government procurement to streamline the procurement process.

9.1. Section 5.2, Appendix 37 of 2016 RIRR of RA No. 9184 provides that the duration for each contract extension shall not exceed three months and the total combined period covering all contract extensions shall not exceed six months.

9.2. PNOC regularly procures custodial and janitorial services necessary for the daily operations in ESB. The declared winning bidder supplies manpower including tools, equipment and materials for custodial and janitorial services. In CY 2023, PNOC awarded the contract to the winning bidder which is obliged to perform duties covering the period March 1, 2023 to December 31, 2023. In pursuance of business, the Procurement Management Division (PMD) and the Bids and Awards Committee (BAC) were directed to review contract no. 23-014 and perform the procurement activities including preparation of Terms of Reference (TOR).

9.3. Verification of transactions in October 2024 disclosed that the personnel of the winning bidder still render services at ESB. It was then noted that the engagement of the manpower services of the winning bidder is based on the extended contract of PNOC and the winning bidder in contract no. 23-014.

9.4. Inquiry with PMD revealed that the procurement of CY 2024 Custodial and Janitorial Services for ESB did not proceed due to delay in the finalization and approval of the TOR. Management commented that the procurement for CY 2024 which was published on October 31, 2024 and the early procurement for CY 2025 which was published on October 29, 2024 and January 27, 2025 both failed due to non-receipt of bids and budget discrepancies. During exit conference, Management commented that the negotiations with LBP Resources and Development Corporation (LBRDC) for an agency-to-agency agreement began earlier this year, upon the directive from the President and CEO, following the expansion of covered area of LBRDC services beyond Metro Manila. However, the finalization of the agency-to-agency agreement remains pending with the LBRDC. The delay, spanning for almost two months, is due to the fact that LBRDC Board of Directors has not yet convened.

9.5. To date, the said winning bidder is still the supplier for Custodial and Janitorial Services at PNOC ESB.

9.6. The purpose of contract extension is to prevent hiatus in support services essential to the operations of the procuring entity. Nonetheless, failure to comply with the allowed maximum extension period, undermines the governing principle of streamlining the procurement process in government transactions.

9.7. **We recommended and Management agreed to require the Procurement Management Division and Bids and Awards Committee to ensure, prior to termination of contract, the completion of documents for the succeeding procurements and in ensuring timely conduct thereof in compliance with the requirements of RA No. 9184.**

Non-participation of Accounting representative in the Physical Inventory

10. The conduct of the physical inventory of Land for CY 2024 by the Asset Management Department without the participation of a representative from the Accounting Department is contrary to Paragraph 5.2 of COA Circular No. 2020-006 dated January 31, 2020.

10.1. Paragraph 5.2 of COA Circular No. 2020-006 states that:

> *The Head of the Agency shall create an Inventory Committee composed of adequate number of members to be able to complete the physical inventory in three months or less. The Inventory Committee shall have at least one member each from the Accounting and Property Divisions/Units of the agency.*

10.2. PNOC holds tangible properties including Land, reported under Investment Property and Property, Plant and Equipment accounts. In previous year's audit, the Audit Team raised the absence of physical inventory and recommended that Management require the Inventory Committee to conduct complete physical inventory of all Investment Property and Property, Plant and Equipment , and prepare the required inventory reports.

10.3. The AAPSI as at December 31, 2024 reported that AMD has substantially completed the physical inventory of real estate properties of PNOC.

10.4. Verification disclosed that the conduct of physical inventory of Land for CY 2024 had no participation of a representative from the Accounting Department, as evidenced by the lack of signatures in the physical inventory reports.

10.5. Inquiry with the Accounting Department and AMD revealed that the non-participation of the Accounting Department in the CY 2024 physical inventory of Land was due to budget constraints.

10.6. While physical inventory was undertaken and the Inventory Report was prepared by the Inventory Committee, the activity requires the presence and participation of all the members of the Inventory Committee, which includes a representative from the Accounting Department pursuant to paragraph 5.2 of COA Circular No. 2020-006.

10.7. **We recommended and Management agreed to direct the:**

a) Inventory Committee to require the participation of the Accounting Department in subsequent physical inventory and preparation of the required inventory reports; and

b) Treasury Department to ensure the availability of budget for the conduct of subsequent physical inventory.

B. Gender and Development (GAD)

11. No adequate action was undertaken by Management for the formulation of PNOC GAD Agenda which was raised by the audit team in 2023, 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.

This is a reiteration of prior year's audit observations.

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

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 women's groups/organizations working on the sector and other *concerned stakeholders, and the identified gaps resulting from gender analysis.*

11.2. 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.

11.3. In CYs 2022 and 2023 AAR, the Audit Team had raised the issue on the non-formulation of GAD Agenda of PNOC which shall serve as its strategic framework for the annual formulation of programs, activities and projects to be integrated in the GAD Plan and Budget (GPB) and recommended the GAD Focal Point System (GFPS) of PNOC to participate in the capacity-programs of PCW. This will enable the GFPS to prepare and submit the GAD Agenda to PCW. For CY 2024, PNOC has prepared documents on GAD which is stated in the Agency Action Plan and Status of Implementation (AAPSI) as of December 31, 2024.

11.4. Verification disclosed that PNOC has not yet formulated its six-year GAD Agenda. In response to the Audit Team for the documentary requirements on GAD, PNOC submitted the GAD Plan and Budget and GAD Accomplishment Report. In the latest AAPSI, the GFPS of PNOC participated in trainings intended to support the preparation of GAD Agenda.

11.5. According to the management, they initially planned to hire a Consultant for the task. In CY 2025, however, they opted to handle the formulation of the GAD Agenda internally. To date, the drafting of the GAD Agenda is underway to be preceded by workshop to be participated in by various PNOC Offices. Management commented that PNOC GFPS – Technical Working Group (TWG) will exert all efforts to promptly finalize and submit the six-year GAD Agenda to PCW in compliance with PCW MC No. 2018-04, and the PNOC GFPS-TWG will maximize participation in PCW's annual GAD webinar series to further build its capacity.

11.6. In effect, PNOC lacked a structured approach to address gender issues in its programs and projects, potentially hindering efforts toward inclusivity and women empowerment.

11.7. **We recommended and Management agreed to direct the GAD Focal Point System to:**

a) **Participate in the capacity-building programs offered by PCW as this will equip them with the necessary knowledge and skills for the effective formulation, implementation, and monitoring of the GAD Agenda; and**

b) **Formulate a six-year GAD Agenda to provide PNOC with a strategic framework for institutionalizing gender mainstreaming and advancing gender equality and women's empowerment across its programs and operations for submission to Philippine Commission on Women, in compliance with PCW Memorandum Circular No. 2018-04 dated September 19, 2018.**

12. The GAD Budget for CY 2024 was underutilized at only 0.20 percent of its P208.771 million allocation due to the non-implementation of major GAD activities, contrary to Section 6.1 of PCW-DBM-NEDA Joint Circular No. 2022-01.

12.1. Section 6.1 of PCW-DBM-NEDA Joint Memorandum Circular 2022-01 states that:

> 6.1 *At least five percent (5%) of the total agency budget appropriation authorized under the annual GAA shall be allocated/attributed and utilized to fund GAD PAPs. Agencies should also ensure that the GAD plan is integrated in their regular activities. Xxx*

PNOC submitted their GAD Plan and Budget (GPB) and initial draft of GAD Accomplishment Report for CY 2024. In their submitted GPB, PNOC has listed a total of 14 GAD projects, activities and programs (PAPs) with total allocated budget of P208.771 million or 10.66 per cent of the approved Corporate Operating Budget (COB) of PNOC, as follows:

PAPs	Budget No. of activities	 Amount
Client-focused activities	1	P1,001,000
Organizational-focused activities	12	1,520,000
Attributed Program	1	206,250,000
Total	**14**	**208,771,000**

12.2. Review of the submitted GAD Accomplishment Report disclosed that there is underutilization of the allocated budget for various GAD PAPs. Out of 15 activities reported in the GAD Accomplishment Report, only three were fully accomplished, six were partially implemented and the remaining six were not implemented at all.

PAPs	Budget	Utilization	Over (Under) Utilization	Status
Client-focused activities				
Activity 1	1,001,000	0	(1,001,000)	Not Done
Sub-Total	**1,001,000**	**0**	**(1,001,000)**	
Organizational-focused activities				
Activity 2*	150,000	95,352	(54,648)	Done
Activity 3	450,000	47,519	(402,481)	Partially Done
Activity 4	450,000	234,757	(215,243)	Done
Activity 5	50,000	0	(50,000)	Not Done
Activity 6	50,000	21,220	(28,780)	Partially Done
Activity 7	50,000	9,139	(40,861)	Partially Done
Activity 8	50,000	9,139	(40,861)	Partially Done
Activity 9	70,000	9,204	(60,796)	Partially Done
Activity 10	50,000	0	(50,000)	Not Done
Activity 11	50,000	0	(50,000)	Partially Done
Activity 12	100,000	0	(100,000)	Not Done
Activity 13	100,000	0	(100,000)	Done

Activity 14	50,000	0	(50,000)	Not Done
Sub-Total	**1,670,000**	**426,330**	**(1,243,670)**	
Attributed Program				
Activity 15[4]	206,250,000	0	(206,250,000)	Not Done
Sub-Total	**206,250,000**	**0**	**(206,250,000)**	
Grand Total	**208,921,000**	**426,330**	**(208,494,670)**	

** Not included in the listed activities in GPB but identified as gender-responsive program conducted by PNOC in CY 2024*

12.3. Based on the initial draft of the GAD Accomplishment Report, the reasons for the unused and underutilization of GAD funds for GAD activities are the following: i) unforeseen delay on the release of budget necessary for the execution of project/activity, ii) absence of some individuals as participants in certain activities, iii) unanticipated scheduling of activities and iv) resource constraints.

12.4. Management commented that the PNOC GFPS-TWG remains committed to developing and implementing GAD-related PAPs that promote gender sensitivity, raise awareness on gender issues, and support women's empowerment. Management also commented that the PNOC GFPS-TWG will coordinate with all departments, offices and divisions of PNOC to identify major programs and projects that may be attributed to GAD using the Harmonized Gender and Development Guidelines (HGDG) design checklists. This aims to institutionalize the HGDG within PNOC and ensure the optimal utilization of the GAD budget and strengthen the gender-responsiveness of PNOC's initiative in CY 2025 and beyond.

12.5. The underutilization of GAD funds limited the implementation of gender-responsive programs for significant impact on gender equality and may signal a lack of commitment to GAD goals.

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

a) Meticulously plan the activities identified in the GPB, taking into account different aspects such as the budgeting, availability of participants, timeline or scheduling, and contingency plan; and

b) Design and implement more GAD PAPs focused on raising awareness of gender issues and advancing women empowerment across all levels of the organization; and

C. Compliance with Tax Laws

Taxes withheld in CY 2024 in the total amount of P693.380 million were remitted to the Bureau of Internal Revenue (BIR) within the prescribed period. The taxes withheld for the month of December 2024 amounting to P112.817 million were remitted to the BIR in January 2025.

[4] Installation of Solar Photovoltaic Systems in various Government Agencies

D. Compliance with Rules on the Government Mandatory Deductions

Premiums due to GSIS, Pag-IBIG and PhilHealth for CY 2024 totaling P11.119 million were deducted from the salaries of PNOC personnel and remitted within the prescribed period.

Agency	Premiums Collected from January to November 2024 and Remitted Within CY 2024	Premiums Collected in December 2024 and Remitted in January 2025	Total
GSIS	7,843,015	806,094	8,649,109
Pag-IBIG	256,002	27,758	283,760
PhilHealth	1,994,809	191,275	2,186,084
Total	**10,093,826**	**1,025,127**	**11,118,953**

E. Insurance of Property

PNOC has been compliant with RA No. 656 on insuring its properties with the GSIS.

F. Status of Audit Suspensions, Disallowances and Charges

As at December 31, 2024, there were no outstanding audit suspensions and charges. Audit disallowances totaling P1.258 million remained unsettled.

	Beginning Balance January 1, 2024	Issued	Settled	Ending Balance December 31, 2024
Suspensions	0	1,200,000	1,200,000	0
Disallowances	1,258,067	0	0	1,258,067
Charges	0	0	0	0
Total	**1,258,067**	**1,200,000**	**1,200,000**	**1,258,067**

STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Out of the 14 audit recommendations embodied in the previous years' Annual Audit Report, eight were implemented, six were not implemented. Four of the six unimplemented audit recommendations were restated and the remaining two audit recommendations were reiterated in Part II of this Report. Details are shown in the following table:

Reference	Audit		Status/ Action Taken
	Observations	Recommendations	
2023 AAR Observation No. 1, pages 69-72	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*.	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 Division to reconcile their respective records; and c. Accounting Department to effect the adjustments, if warranted.	Not Implemented In CY 2024, AMD conducted the physical inventory of Land only. Restated in Observation No. 1, Part II of this Report. Not Implemented Restated in Observation No. 1, Part II of this Report. Not Implemented Restated in Observation No. 1, Part II of this Report.
2023 AAR Observation No. 2, pages 72-73	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	Require the Accounting Department to substantiate and analyze the balance of Other Deferred Credits account amounting to P43.034 million, and take up adjustments, if	Not Implemented Restated in Observation No. 5, Part II of this Report.

Reference	Audit		Status/ Action Taken
	Observations	Recommendations	
	the faithful representation and recognition criteria under the Conceptual Framework for Financial Reporting of PFRS.	any. Otherwise, comply with the procedures prescribed under COA Circular No. 2023-008 for the derecognition of the same amount.	
2023 AAR Observation No. 3, pages 73-74	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.	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.	Implemented Implemented
2023 AAR Observation No. 4, pages 75-78	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	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	Implemented

Reference	Audit		Status/ Action Taken
	Observations	Recommendations	
	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.	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.	
2023 AAR Observation No. 5 pages 78-79	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.	Require the GAD Focal Point System (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.	a. Implemented b. Not Implemented Reiterated in Observation No. 11, Part II of this Report. c. Not Implemented Reiterated in Observation No. 11, Part II of this Report. (Note: b and c were presented as one recommendation in Part 2)

Reference	Audit		Status/ Action Taken
	Observations	**Recommendations**	
2023 AAR Observation No. 6, pages 80-81	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 percent 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.	Require 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.	 Implemented Implemented
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	a. Cause the completion of processing the titles of 67 lots to ensure the proper transfer of ownership to PNOC; and b. Document the inventory of land to confirm and validate the TCTs establishing the required	Implemented Implemented

Reference	Audit		Status/ Action Taken
	Observations	Recommendations	
	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.	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.	