



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

ANNUAL AUDIT REPORT

on the

PNOC RENEWABLES CORPORATION
(A Wholly-Owned Subsidiary of Philippine National Oil Company)

For the Years Ended December 31, 2024 and 2023

EXECUTIVE SUMMARY

A. Introduction

Background Information

1. On March 13, 2002, the Board of Directors (BOD) of Philippine National Oil Company (PNOC) passed Resolution No. 1393, approving the recommendation of PNOC Management for the creation of the PNOC New and Renewable Energy Sources Corporation (PNOC-NRES Corporation) resulting in the reactivation of the PNOC Dockyard and Engineering Corporation (PDEC) and the amendment of its corporate purposes to serve as the corporate vehicle for the creation of PNOC-NRES Corporation.
2. On October 17, 2007, PNOC reactivated the PDEC through its Board Resolution No. 1706 for the purpose of reorganizing it into PNOC Renewables Corporation (PNOC RC). The amended Articles of Incorporation was approved by the Securities and Exchange Commission on March 7, 2008.
3. PNOC RC's primary purpose is to promote and undertake research, development, utilization, manufacture, sale, marketing, distribution and commercial application of new, renewable, non-conventional and environment-friendly energy sources and systems including, but not limited to, solar, wind, water, heat, steam, ocean, tidal, biomass, biogas, chemical, mechanical, electrical, synthetic, agricultural, and other natural, fossil or non-fossil fuel based, artificial, organic or otherwise, and of energy systems that use new, renewable and any energy resources applying new and efficient energy conversion and/or utilization of technologies for commercial application and promote their efficient utilization.
4. Presently, the membership of the governing BOD of PNOC RC, as subsidiary of PNOC which is attached to Department of Energy (DOE), consists of 6 directors including the Secretary of DOE as Chairman. PNOC RC is headed by its President and Chief Executive Officer.
5. For CY 2024 PNOC RC has an approved corporate operating budget of P65.104 million.
6. PNOC RC received a letter dated July 10, 2024 from its parent company, PNOC, informing the former that the PNOC BOD resolved and approved the deactivation of PNOC RC during its special meeting held on June 7, 2024. At present, the deactivation is pending approval by the Governance Commission for GOCCs (GCG). Also, the PNOC RC BOD, through Board Resolution No. 7, s. 2024 approved the abolition of 21 positions under the existing table of organization to address operational losses, attributed to the high operating expenses, particularly its Personnel Cost. The GCG issued Memorandum Order No. 2024-15 approving the abolition of positions on September 27, 2024.
7. After the abolition of the 21 positions, PNOC RC has 17 personnel for its existing projects and activities.

B. Financial Highlights

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

I. Financial Position

	2024	2023	Increase/ (Decrease)
Assets	729,838,184	794,790,560	(64,952,376)
Liabilities	77,385,131	96,653,048	(19,267,917)
Equity	652,453,053	698,137,512	(45,684,459)

II. Results of Operations

	2024	2023	Increase/ (Decrease)
Service and Business Income	19,959,407	19,132,300	827,107
Other Non-Operating Income	1,432,443	5,799,020	(4,366,577)
Total Income	21,391,850	24,931,320	(3,539,470)
Personnel Services	31,074,689	28,549,688	2,525,001
Maintenance and Other Operating Expenses	14,858,388	16,565,186	(1,706,798)
Financial Expenses	649,041	790,236	(141,195)
Direct Costs	14,810,478	11,852,519	2,957,959
Non-Cash Expenses	4,057,550	4,461,927	(404,377)
Total Expenses	65,450,146	62,219,556	3,230,590
Income Tax Expense	74,144	209,455	(135,311)
Comprehensive Loss	(44,132,440)	(37,497,691)	(6,634,749)

C. Scope and Objectives of Audit

The audit covered the examination of the accounts and transactions of PNOC RC 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 RC with pertinent laws, rules and regulations, as well as adherence to prescribed policies and procedures.

D. Auditor's Opinion

The Auditor rendered an unmodified opinion on the fairness of presentation of the financial statements of the PNOC RC for the years ended December 31, 2024 and 2023.

E. Significant Audit Observations and Recommendations

1. The existing conditions indicating impairment of the Rizal Hydropower Plant (RHPP) under Infrastructure Asset – Property, Plant and Equipment (PPE) account, with carrying amount of P22.482 million as at December 31, 2024 were not considered and recognized in the books in 2024, contrary to paragraph 9 of PAS 36, hence, proper valuation of the PPE account and the necessary adjustment to the account balance as at year-end were not determined.

Recommendations:

- a. Assess the RHPP property at the end of each reporting period to determine whether adjustment is necessary considering the existence of indications of impairment; and
- b. Create a policy in coordination with National Development Company for the conduct of impairment testing to ensure that the proper valuation of the RHPP property is recognized at the end of each reporting date.

F. Summary of Audit Suspensions, Disallowances and Charges

There were no balances of suspensions, disallowances and charges as of December 31, 2024.

G. Status of Implementation of Prior Year's Audit Recommendations

The two audit recommendations embodied in the previous year's Annual Audit Report were all implemented. Details are presented in Part III of this Report.

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PART I

AUDITED FINANCIAL STATEMENTS



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

INDEPENDENT AUDITOR'S REPORT

THE BOARD OF DIRECTORS

PNOC Renewables Corporation
Building 5, Energy Center, Rizal Drive
Bonifacio Global City, Taguig City

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of **PNOC Renewables Corporation (PNOC RC)**, 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 the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of PNOC RC 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 Opinion

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 RC 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 3.3 to the financial statements which disclosed, among others, that PNOC RC incurred net loss of P44.132 million in 2024 and accumulated net losses of P477.174 million from 2013 to 2024. Likewise, the amount of P45.989 million from its cash flows from operations in 2024 was used. On July 15, 2024, Philippine National Oil Company (PNOC) informed PNOC RC that the PNOC Board of Directors had resolved and approved

the deactivation of PNOC RC during its special meeting held on June 7, 2024. As of the date of approval of these financial statements, deactivation is pending approval from the Governance Commission for GOCCs. This decision, along with the pending approval, creates significant uncertainty regarding the future viability of PNOC RC.

Given the ongoing losses, negative cash flow, and the deactivation decision, Management believes that these conditions raise substantial doubt about the PNOC RC's ability to continue as a going concern within the next twelve months. Management's plans regarding this matter are disclosed in Note 3.3. 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 PNOC RC'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 RC or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the PNOC RC'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 RC'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 RC's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause PNOC RC 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 the Revenue Regulations No. 15-2010 in Note 32 and the Revised Securities Regulation Code Rule 68 in Note 33 to the financial statements is presented for the purpose of filing with the Bureau of Internal Revenue and the Securities and Exchange Commission, respectively, and are not required part of the basic financial statements. Such supplementary information is the responsibility of Management and has been subjected to the auditing procedures applied in our audits of the basic financial statements. In our opinion, the supplementary information is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

COMMISSION ON AUDIT

JONATHAN B. JAVIER

Supervising Auditor

March 31, 2025

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of PNOC Renewables Corporation is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, for the years ended December 31, 2024, and 2023, in accordance with prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

Commission on Audit, the independent auditor appointed by the stockholders, has audited the financial statements of the company in accordance with the International Standards of Supreme Audit Institutions, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such audit.


RAPHAEL PERPETUO M. LOTILLA

Ex-Officio Chairman

MAR 31 2025

Date Signed




ARNEL P. CORONA
Treasurer

Date Signed


JOHN J. ARENAS
President and CEO

Date Signed

SUBSCRIBED AND SWORN to before me this 03/31/2025
Taguig, affiant exhibiting to me their respective Government issued IDs,

in the City of


CARL PHILIP N. BATUCAN
Appointment No. 74 (2024-2025)
Notary Public for Taguig City
Until 31 December 2025

PNOC Bldg. VI, Energy Center, Rizal Drive,
Bonifacio Global City, Taguig
Roll No. 67061
PTR No. 5904908/01-03-2025
IBP No. 499344/01-06-2025
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PNOC RENEWABLES CORPORATION
(A Wholly-Owned Subsidiary of Philippine National Oil Company)
STATEMENTS OF FINANCIAL POSITION
AS AT DECEMBER 31, 2024 AND 2023

	<u>NOTE</u>	<u>2024</u>	<u>2023</u>
ASSETS			
Current Assets			
Cash and Cash Equivalents	6	125,672,301	113,001,826
Receivables	8	8,355,445	8,961,717
Other Current Assets	11	39,907,818	38,829,577
Total Current Assets		173,935,564	160,793,120
Non-Current Assets			
Financial Assets	7.1	9,254,092	68,409,608
Other Investments	7.2	161,820,200	161,820,200
Investment Property	9	273,082,350	273,082,350
Property, Plant and Equipment	10	109,302,351	127,396,093
Other Non-Current Assets	11	2,443,627	3,289,189
Total Non-Current Assets		555,902,620	633,997,440
Total Assets		729,838,184	794,790,560
LIABILITIES			
Current Liabilities			
Financial Liabilities	12	13,053,460	15,568,663
Inter-Agency Payables	13	17,447,094	24,218,324
Trust Liabilities	14	9,299,381	9,700,389
Other Payables	17	21,017,297	30,530,828
Total Current Liabilities		60,817,232	80,018,204
Non-Current Liabilities			
Deferred Credits/Unearned Income	15	731,910	798,855
Deferred Tax Liabilities	16	15,835,989	15,835,989
Total Non-Current Liabilities		16,567,899	16,634,844
Total Liabilities		77,385,131	96,653,048
EQUITY			
Retained Earnings	18	277,481,053	323,165,512
Share Capital	18	374,972,000	374,972,000
Total Equity		652,453,053	698,137,512
Total Liabilities and Equity		729,838,184	794,790,560

The notes on pages 9 to 45 form part of these financial statements.

PNOC RENEWABLES CORPORATION
(A Wholly-Owned Subsidiary of Philippine National Oil Company)
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	<u>NOTE</u>	<u>2024</u>	<u>2023</u>
Income			
Service and Business Income	19	19,959,407	19,132,300
Other Non-Operating Income	20	1,432,443	5,799,020
Total Income		21,391,850	24,931,320
Expenses			
Personnel Services	21	31,074,689	28,549,688
Maintenance and Other Operating Expenses	22	14,858,388	16,565,186
Financial Expenses	23	649,041	790,236
Direct Costs	24	14,810,478	11,852,519
Non-Cash Expenses	25	4,057,550	4,461,927
Total Expenses		65,450,146	62,219,556
Loss Before Tax		(44,058,296)	(37,288,236)
Income Tax Expense	29	74,144	209,455
Comprehensive Loss		(44,132,440)	(37,497,691)

The notes on pages 9 to 45 form part of these financial statements.

PNOC RENEWABLES CORPORATION
(A Wholly-Owned Subsidiary of Philippine National Oil Company)
STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	Share Capital	Retained Earnings	Total
BALANCE AT JANUARY 1, 2023	374,972,000	359,464,777	734,436,777
CHANGES IN EQUITY FOR 2023			
Add/(Deduct):			
Comprehensive Loss for the Year	0	(37,497,691)	(37,497,691)
Prior Period Adjustments	0	1,198,426	1,198,426
BALANCE AT DECEMBER 31, 2023	374,972,000	323,165,512	698,137,512
CHANGES IN EQUITY FOR 2024			
Add/(Deduct):			
Comprehensive Loss for the Year	0	(44,132,440)	(44,132,440)
Prior Period Adjustments	0	(1,552,019)	(1,552,019)
BALANCE AT DECEMBER 31, 2024	374,972,000	277,481,053	652,453,053

PNOC RENEWABLES CORPORATION
(A Wholly-Owned Subsidiary of Philippine National Oil Company)
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Inflows		
Proceeds from Sale of Goods and Services	16,693,041	13,823,380
Collection of Income/Revenue	4,785,395	56,303,277
Receipt of Inter-Agency Fund Transfers	0	17,915,311
Other Receipts	1,432,443	5,799,020
Total Cash Inflows	<u>22,910,879</u>	<u>93,840,988</u>
Adjustments	0	0
Total Cash Inflows	<u>22,910,879</u>	<u>93,840,988</u>
Cash Outflows		
Payment of Expenses	61,362,849	72,290,483
Remittance of Personnel Benefit Contributions and Mandatory Deductions	7,536,876	8,577,875
Total Cash Outflows	<u>68,899,725</u>	<u>80,868,358</u>
Net Cash Provided By / (Used in) Operating Activities	<u>(45,988,846)</u>	<u>12,972,630</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Cash Inflows		
Proceeds from Matured Investments/ Redemption of Long-term Investments	342,500,242	314,367,283
Total Cash Inflows	<u>342,500,242</u>	<u>314,367,283</u>
Cash Outflows		
Construction of Property, Plant and Equipment	496,196	2,528,865
Purchase of Investments	283,344,725	251,971,504
Total Cash Outflows	<u>283,840,921</u>	<u>254,500,369</u>
Net Cash Provided By Investing Activities	<u>58,659,321</u>	<u>59,866,914</u>
INCREASE IN CASH AND CASH EQUIVALENTS	12,670,475	72,839,544
CASH AND CASH EQUIVALENTS, JANUARY 1	<u>113,001,826</u>	<u>40,162,282</u>
CASH AND CASH EQUIVALENTS, DECEMBER 31	<u><u>125,672,301</u></u>	<u><u>113,001,826</u></u>

PNOC Renewables Corporation
(A Wholly-Owned Subsidiary of Philippine National Oil Company)
Notes to Financial Statements

1. GENERAL INFORMATION/ENTITY PROFILE

The reactivation of the PNOC Dockyard and Engineering Corporation (PDEC) and the amendment of its corporate purposes to serve as the corporate vehicle for the creation of PNOC New and Renewable Energy Sources Corporation (PNOC-NRES) was passed by the Board of Directors of Philippine National Oil Company (PNOC) on March 13, 2002 per Board Resolution No. 1393, approving the recommendation of PNOC Management for the creation of PNOC-NRES.

On October 17, 2007, PNOC reactivated the PDEC through its Board Resolution No. 1706 for the purpose of reorganizing it into PNOC Renewables Corporation (*herein referred to as PNOC RC or the Corporation*). The amended Articles of Incorporation was approved by the Securities and Exchange Commission on March 7, 2008.

PNOC RC was created primarily to promote and undertake research, development, utilization, manufacture, sale, marketing, distribution and commercial application of new, renewable, non-conventional and environmental-friendly energy sources and systems including but not limited to solar, wind, water, heat, steam, ocean, tidal, biomass, biogas, chemical, mechanical, electrical, synthetic, agricultural, and other natural, fossil or non-fossil fuel based, artificial, organic or otherwise, and of energy systems that use new, renewable and any energy resources applying new and efficient energy conversion and/or utilization of technologies for commercial application and promote their efficient utilization.

PNOC RC, a wholly-owned subsidiary of PNOC, is the primary vehicle of the government in promoting, developing and implementing new and renewable energy sources in the country. Through renewable energy, the country would be able to reduce its dependence on imported oil while mitigating climate change. It is an important component in the country's drive towards energy self-sufficiency, security and independence.

The financial statements of PNOC RC were authorized for issue on March 31, 2025 by the PNOC RC Board of Directors as shown in the Statement of Management's Responsibility for Financial Statements.

The principal and registered office address of PNOC RC is on 1st floor, PNOC Building 5, Energy Center, Bonifacio Global City, Taguig City.

2. STATUS OF OPERATIONS

A. Geothermal Projects

Maibarara Geothermal Power Project

The project is operated by Maibarara Geothermal, Inc. (MGI), a joint venture (JV) with 65 percent owned by PetroGreen Energy Corporation, 25 percent owned by PHINMA

Energy Corporation (formerly Trans-Asia Oil and Energy Development) and 10 percent owned by PNOC RC.

The project started its commercial operations on February 8, 2014 and April 30, 2018 for the 20 Megawatt (MW) and 12MW capacity, respectively. This project is situated in Sto. Tomas, Batangas.

B. Hydropower Projects

The existing projects as of December 31, 2024 are as follows:

Name/ Service Contract No.	Location	Capacity	Status
Pampanga River Irrigation System Main Canal (PRIS MC) Hydroelectric Power Project HSC No. 2013-12-346	Rizal, Nueva Ecija	1.00 MW	<p>The project was inaugurated on December 9, 2015. Testing and commissioning of the power plant were conducted from January to March 2016. The Energy Regulatory Commission released the Certificate of Compliance on June 30, 2016; thus, commercial operation began on July 1, 2016.</p> <p>The project is owned by PNOC RC and National Development Corporation (NDC) with 50 percent share each.</p> <p>For the year 2024, PRIS MC was non-operational due to the ongoing repair and rehabilitation of the power plant.</p>
Kabayan-2 Hydroelectric Power (HEP) Project (formerly Nalatang B Hydroelectric Power Project) HSC No. 2009-10-34	Kabayan, Benguet	52 MW	<p>In February 2015, PNOC RC signed a JV Agreement with Aboitiz Power Corporation (APC) for the development of the project that is now estimated to be 52MW (previously 44MW) based on APC's latest study. The Department of Energy (DOE) has approved the assignment of the service contract from PNOC RC to APC and later to Hedcor Cordillera, Inc., the SPV created by APC for the project. In June 2016, the DOE signed the amended service contract covering the increase in capacity to 52MW and the change in name to Kabayan 2 HEP. Further, the Project is now under Hedcor Kabayan, Inc., formerly Hedcor Cordillera, Inc.</p>

Name/ Service Contract No.	Location	Capacity	Status
			The project was put on hold due to issues with the Distribution Utility and Indigenous People.
			PNOC RC's share in this project is one percent of the gross revenue.

C. Solar

In 2015, PNOC RC launched a program to install solar rooftop Photovoltaic systems in different government institutions. The primary objective of this program is to promote the use of renewable energy in the government.

The ongoing projects as of December 31, 2024 are as follows:

Name/ Service Contract No.	Location	Capacity	Date of MOA/ Status
Philippine International Convention Center (PICC) Reception, Secretariat, and Delegation Hall	Manila	1.20 MW	September 15, 2017 Ongoing Operation and Maintenance
LGU Naga City – Enan Chiong Activity Center	Cebu	100 KW	September 19, 2017 Ongoing Operation and Maintenance
Bangko Sentral ng Pilipinas (BSP) – Security Plant Complex	Quezon City	400 KW	February 9, 2017 Ongoing Operation and Maintenance
BSP - Electronic Data Processing Center	Manila	200 KW	December 29, 2016 Ongoing Operation and Maintenance
Commission on Audit (COA) - PIDS and Dormitory	Quezon City	200 KW	May 30, 2016 Ongoing Operation and Maintenance
Philippine Coconut Authority (PCA) – R&D Building	Quezon City	80 KW	March 29, 2016 Ongoing Operation and Maintenance
University of the Philippines – Diliman (UPD) - Palma, Melchor, and Quezon Hall	Quezon City	240 KW	March 1, 2016 Ongoing Operation and Maintenance
Department of Environment and Natural Resources (DENR) - Environment Management Bureau	Quezon City	100 KW	December 1, 2015 Ongoing Operation and Maintenance

Name/ Service Contract No.	Location	Capacity	Date of MOA/ Status
Department of Science and Technology (DOST) - Science Heritage Building	Taguig City	100 KW	June 2, 2015 Ongoing Operation and Maintenance
Philippine Heart Center (PHC) - Medical Arts Building	Quezon City	100 KW	May 11, 2015 Ongoing Operation and Maintenance
DOST Expansion Project	Taguig City	100 KW	September 2023 Ongoing Operation and Maintenance
LGU Naga City- Expansion Project	Cebu	190 KW	September 2023 Ongoing Pre-development activities

D. Energy Efficiency Lighting

PNOC RC launched the Energy Efficient Lighting (EEL) Program in 2015. There are options for EEL like the use of halogen incandescent, compact fluorescent lamps, and light-emitting diodes (LEDs). PNOC RC is proposing the use of LEDs, as they are the most energy-efficient in the market today.

PNOC RC has installed an aggregate of 3,725 bulbs at the Philippine Public Safety College in Silang, Cavite with the duration of the contract ended in August 2022.

The transfer of assets to PNPA will be completed after the settlement of unpaid balances.

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

3.1 Statement of Compliance

The financial statements have been prepared in compliance with the Philippine Financial Reporting Standards (PFRS). The Corporation 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.

3.2 Basis of Preparation

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

The financial statements are also presented in Philippine Peso (P), which is the functional and presentation currency of the Philippines. 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 Corporation to exercise judgment in applying the Corporation'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 4.

3.3 Going Concern

The financial statements have been prepared on a going concern basis which assumes that PNOC RC will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. However, based on the current financial condition, the company's ability to continue as a going concern is subject to substantial doubt.

As of December 31, 2024, PNOC RC has incurred a net loss of P44.132 million for the current year and accumulated net losses totaling P477.174 million from 2013 to 2024. Furthermore, the company has used P45.989 million in cash flows from operations during the year ended December 31, 2024, indicating ongoing financial challenges.

On July 15, 2024, PNOC RC received a letter dated July 10, 2024 from its parent company, PNOC, informing the former that the PNOC Board of Directors resolved and approved the deactivation of PNOC RC during its special meeting held on 7 June 2024. As of the date of approval of these financial statements, deactivation is still pending approval from the Governance Commission for GOCCs (GCG). This decision, along with the pending approval, creates significant uncertainty regarding the future viability of the company.

Management's Assessment and Plans to Address Going Concern Doubt

Given the ongoing losses, negative cash flow, and the deactivation decision, management believes that these conditions raise substantial doubt about the company's ability to continue as a going concern within the next 12 months. However, management is actively pursuing various measures to address these challenges, including:

1. Financing Options:
 - a. Loans from PNOC: PNOC RC may seek funding through loans from its parent company, PNOC, for specific projects, subject to PNOC's internal funding rules and guidelines.
 - b. Project Financing: The company is exploring project financing options through local banks for its renewable energy initiatives.
 - c. Partnerships: PNOC RC is considering potential partnerships with government agencies such as the National Electrification Administration (NEA), the National Development Corporation (NDC), and private entities to secure additional funding.

2. Asset Divestment:

Management is evaluating the option of divesting certain assets to generate funds required for pre-development activities of ongoing and future projects.

3. Cost-Cutting Measures:

a. The PNOC RC Board of Directors, through Board Resolution No. 7, s. 2024 approved the abolition of twenty-one (21) positions under the existing table of organization to address operational losses, attributed to the high operating expenses, particularly its Personnel Cost. Accordingly, the GCG issued Memorandum Order No. 2024-15 approving the abolition of positions on September 27, 2024.

b. In light of the negative cash flow situation, PNOC RC further plans to implement cost-cutting initiatives to reduce operating expenses and mitigate the impact of financial challenges.

Renewable Energy Development and Project Portfolio

Despite these efforts, the company's ability to secure financing or raise additional capital remains uncertain at this time. As a result, there is no assurance that PNOC RC will be able to secure the necessary funds to continue operations or achieve profitable future operations.

PNOC RC has been actively pursuing Renewable Energy (RE) projects, a sector known for its high capitalization requirements and long development periods. As is typical in the renewable energy industry, companies generally experience net losses until the commercial operations of their projects commence.

Since 2013, PNOC RC has completed approximately 2,970 kW of renewable energy projects, as detailed in Notes 2.C and D. These projects have been designed to be of lower capacity and capital requirements, with shorter gestation periods, in line with the company's strategy to mitigate the financial risks associated with long-term RE development.

Additionally, PNOC RC has invested in the 32 MW Maibarara Geothermal Power Project, which has been operational since 2014 for the 20 MW portion and expanded to 32 MW in 2018. This project represents a significant long-term investment in the company's renewable energy portfolio.

Conclusion

In light of the aforementioned conditions, the going concern assumption is subject to significant uncertainty. The company's ability to continue as a going concern is heavily dependent on securing adequate financing, achieving positive cash flows, and successfully executing its renewable energy projects. Given the ongoing financial challenges, management is committed to implementing measures to address these issues; however, there is no assurance that these efforts will be successful.

The financial statements do not include any adjustments related to the outcome of the going concern assumption, which could be required if the company is unable to continue operations as currently planned.

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 Basis of accounting

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

For the preparation of financial statements and other financial reports as at December 31, 2024, PNOC RC adopted the conversion of accounts and account codes in compliance with COA Circular No. 2020-002, *“Adoption of the Updated Revised Chart of Accounts for Government Corporation (2019),”* dated January 28, 2020.

4.2 Financial Instruments

a. Financial assets

i. Classification and measurement

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

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

- a. At 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. At FVOCI - a financial asset is measured at FVOCI if both of the following conditions are met:
 - the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; 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.

- c. At FVPL - any financial assets that are not held in one of the two business models mentioned are measured at FVPL.

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

PNOC RC's financial assets include cash and cash equivalents, trade and other trade receivables and quoted and unquoted financial instruments.

PNOC RC has no derivative financial instrument as at December 31, 2024.

ii. Derecognition

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

1. the contractual rights to the cash flows from the financial asset expired or waived; and
2. PNOC RC has transferred its contractual rights to receive the cash flows of the financial assets, or retains the contractual rights to receive the cash flows of the financial assets but assumes a contractual obligation to pay the cash flows to one or more recipients in an arrangement that meets the conditions set forth in PFRS 9, and either the Corporation has:
 - transferred substantially all the risks and rewards of ownership of the financial asset; or
 - neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset but has transferred the control of the asset.

iii. Impairment of financial assets

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

Evidence of impairment may include the following indicators:

1. The debtors or a group of debtors are experiencing significant financial difficulty;
2. Default or delinquency in interest or principal payments;

3. The probability that debtors will enter bankruptcy or other financial reorganization; and
4. Observable data indicates a measurable decrease in estimated future cash flows (e.g. changes in arrears or economic conditions that correlate with defaults).

Financial assets carried at amortized cost

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

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the assets carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in profit or loss. Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realized or transferred to PNOC RC. If, in a subsequent year, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognized, the previously recognized impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to finance costs in profit or loss.

b. Financial liabilities

All 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 PNOC RC designates to be measured at fair value through profit or loss.

After initial recognition, any financial liability cannot be reclassified.

Derecognition

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

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.

4.3 Cash and Cash Equivalents

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

4.4 Investment Property

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

Investment property acquired through a non-exchange transaction is measured at its fair value at the date of acquisition. PNOC RC uses the cost method for the measurement of investment property after initial recognition.

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

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

In Calendar Year (CY) 2016, an error occurred in the disclosures to Notes to Financial Statement relative to the valuation model used for investment property that carried up to CY 2018. A fair value method was inadvertently written instead of a cost method, this error caused the modification of audit opinions from CY 2018 and 2019. PNOC RC reiterates that the Corporation has not changed its accounting policy pertaining to valuation of investment property from the time it was transferred from PPE in CY 2013. Aside from operations of PNOC RC that is not primarily engaged in real estate business, the Corporation sees it best to recognize this investment property under cost method due to some issues in the properties themselves.

4.5 *Property, Plant and Equipment*

a. Recognition

An item is recognized as PPE if it meets the characteristics and recognition criteria as a 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 Corporation;
- ii. The cost or fair value of the item can be measured reliably; and
- iii. The cost is at least P 50,000 based on COA Circular No. 2022-004 dated May 31, 2022.

b. Measurement at recognition

An item recognized as property, plant, and equipment 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 the Corporation 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 RC 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 of the month. However, if the PPE is available for use after the 15th of the month, depreciation is for the succeeding month.

ii. Depreciation method

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

iii. Estimated useful life

PNOC RC uses the life span of PPE based on the estimated useful lives of the assets as follows:

Category	Estimated Useful Life (in years)
Infrastructure Assets	5 to 15
Transportation Equipment	5
Leased Assets - Buildings and Other Structures	5
Machinery and Equipment	3 to 10
Furniture, Fixtures and Books	3 to 5

iv. Residual value

PNOC RC implemented the residual value equivalent to at least five percent of the cost of the PPE except for Infrastructure Assets due to the contract provisions.

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 RC 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.

4.6 Leases

PNOC RC as a lessee

PFRS 16 supersedes PAS 17, Leases. PNOC RC adopted PFRS 16 using modified retrospective approach, as a result of the adoption, the Corporation recognized right-of-use (ROU) assets of P14,155,256 and lease liability of P14,720,623, reported in PPE and Financial Liabilities, respectively, on the statements of financial position.

The following table shows the movement in the ROU assets and lease liability for the year ended December 31, 2024.

	ROU Asset	Lease Liability
Balance as at January 1, 2023	17,485,903	17,485,903
Interest Expense	0	774,783
Rental payments	0	(3,540,063)
Depreciation	(3,330,648)	0
Balance as at December 31, 2023	14,155,256	14,720,623
Changes for 2024		
Interest Expense	0	634,418
Rental payments	0	(3,717,131)

	ROU Asset	Lease Liability
Depreciation	(3,330,648)	0
Balance as at December 31, 2024	10,824,608	11,637,910

In March 2023, PNOC RC signed a contract agreement on lease rental with PNOC that will last until March 2028.

The PNOC RC incremental borrowing rate applied to lease liabilities in March 2023 was 4.76 percent.

Prior to adoption of PFRS 16, the Corporation classified Leases as operating lease.

4.7 Provisions, Contingent Liabilities and Contingent Assets

a. Provisions

Provisions are recognized when PNOC RC 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 RC 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 financial performance 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 RC does not recognize 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 RC 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 RC 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.

4.8 *Changes in Accounting Policies and Estimates*

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

PNOC RC 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.

4.9 *Revenue from Exchange Transactions*

a. Measurement of revenue

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

b. Rendering of services

PNOC RC recognizes revenue from rendering of services by reference to the stage of completion when the outcome of the transaction can be estimated reliably. The stage of completion is measured by reference to labor hours incurred to date as a percentage of total estimated labor hours.

Where the contract outcome cannot be measured reliably, revenue is recognized only to the extent that the expenses incurred are recoverable.

c. Sale of goods

Revenue from the sale of goods is recognized when the significant risks and rewards of ownership have been transferred to the buyer, usually on delivery of the goods and when the amount of revenue can be measured reliably and it is probable that the economic benefits or service potential associated with the transaction will flow to PNOC RC.

d. 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.

e. Dividends

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

4.10 *Impairment of Non-Financial Assets*

a. Impairment of cash-generating assets

At each reporting date, PNOC RC 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 RC 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 RC 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 RC 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 RC 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 RC 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 RC does not intend (as its primary objective) to realize a commercial return.

4.11 *Related Parties*

PNOC RC regards a related party as a person or a Corporation with the ability to exert control individually or jointly, or to exercise significant influence over PNOC RC 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.

4.12 *Borrowing Costs*

For loans borrowed directly by PNOC RC, the allowed alternative treatment is used. As of December 31, 2024, PNOC RC has no existing loan.

4.13 *Employee Benefits*

The employees of PNOC RC are members of the Social Security System (SSS), which provides life and retirement insurance coverage.

PNOC RC 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.

4.14 *Measurement Uncertainty*

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

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

5. PRIOR PERIOD ADJUSTMENTS

In 2024, mainly due to the reversal of prior years' intercompany transactions, it resulted in a debit of P1.552 million in retained earnings.

6. CASH AND CASH EQUIVALENTS

Particulars	2024	2023
Cash in Bank-Local Currency	125,672,301	113,001,826
Total	125,672,301	113,001,826

Cash in Bank-Local Currency are cash deposits that earn interest at the respective bank deposit rates. PNO C RC depository banks include the Land Bank of the Philippines and the Development Bank of the Philippines.

The increase in Cash and Cash Equivalents for the year 2024 is mainly due to the proceeds from matured investments.

7. INVESTMENTS

7.1 Financial Assets

a. Reconciliation of the Non-Current Financial Assets

NON-CURRENT FINANCIAL ASSETS As at December 31, 2024	
Particulars	Financial Assets- Held to Maturity
Beginning Balance as at January 1, 2024	68,409,608
Additional Investments Made	283,344,725
Less: <i>Fair value Decrease</i>	
<i>Investments Collected</i>	(342,500,241)
Balance as at December 31, 2024	9,254,092
NON-CURRENT FINANCIAL ASSETS As at December 31, 2023	
Particulars	Financial Assets- Held to Maturity
Beginning Balance as at January 1, 2023	130,805,388
Additional Investments Made	251,971,503
Less: <i>Fair Value Decrease</i>	
<i>Investments Collected</i>	(314,367,283)
Balance as at December 31, 2023	68,409,608

Financial Assets-Held to Maturity consist of Investment in Treasury Bills and Investment in Bonds which are made for varying periods of more than 90 days and earn interest at 3.20 percent to 5.35 percent deposit rates.

7.2 Other Investments

Particulars	2024	2023
Investment in Maibarara Geothermal, Inc.	161,820,200	161,820,200
Total	161,820,200	161,820,200

8. RECEIVABLES

Particulars	2024			2023		
	Current	Non-Current	Total	Current	Non-Current	Total
Loans and Receivables	5,240,293	0	5,240,293	6,756,137	0	6,756,137
Inter-Agency Receivables	1,471,750	0	1,471,750	1,161,383	0	1,161,383
Other Receivables	1,643,402	0	1,643,402	1,044,197	0	1,044,197
Total	8,355,445	0	8,355,445	8,961,717	0	8,961,717

8.1 Aging of Receivables

As at December 31, 2024

Accounts	Total	Not past due	Past due		
			<30 days	30-60 days	> 60 days
Loans and Receivables	5,240,293	2,460,345	0	0	2,779,948
Inter-Agency Receivables	1,471,750	1,471,750	0	0	0
Other Receivables	1,643,402	1,643,402	0	0	0
Total	8,355,445	5,575,497	0	0	2,779,948

8.2 Loans and Receivables

Accounts	2024			2023		
	Current	Non - Current	Total	Current	Non - Current	Total
Accounts Receivable	5,240,293	0	5,240,293	6,756,137	0	6,756,137
Total	5,240,293	0	5,240,293	6,756,137	0	6,756,137

In 2023, collection of payment from PNOC for the Barangay Electrification Project resulted in closing out the Non-Current Receivables balance.

8.3 Inter-Agency Receivables

Accounts	2024	2023
Due from National Government Agencies	349,324	736,714
Due from Associates/Affiliates	1,122,426	424,669
Total	1,471,750	1,161,383

In October 2023, a MOA was signed between PNOC RC, as the implementing agency, and the DOE, as the source agency, for the implementation of the Electronic Vehicle Charging Stations (EVCS). The costs incurred by PNOC RC for this program that are still unpaid are recorded as *Due from National Government Agencies (NGAs)*.

The increase in *Due to Associates/Affiliates* account is due to expenses incurred from joint venture operation on the Rizal Hydroelectric Power Project.

8.4 Other Receivables

Accounts	2024	2023
Due from Officers and Employees	85,281	359,886
Other Receivables	1,558,121	1,134,311
Allowance for Impairment-Other Receivables	0	(450,000)
Total	1,643,402	1,044,197

In 2023, an *Allowance for Impairment-Other Receivables* was set up to recognize the loss on other receivables which Management has finally determined to be worthless/uncollectible.

9. INVESTMENT PROPERTY

Particulars	2024			2023		
	<i>Investment Property-Land</i>	<i>Investment Property-Buildings</i>	Total	<i>Investment Property-Land</i>	<i>Investment Property-Buildings</i>	Total
Carrying Amount, January 1	273,082,350	0	273,082,350	273,082,350	0	273,082,350
Disposal	0	0	0	0	0	0
Carrying Amount, December 31 (As per Statement of Financial Position)	273,082,350	0	273,082,350	273,082,350	0	273,082,350

Gross Cost (Balance per Statement of Financial Position)	273,082,350	13,905,734	286,988,084	273,082,350	13,905,734	286,988,084
<i>Accumulated Depreciation</i>	0	(13,905,734)	(13,905,734)	0	(13,905,734)	(13,905,734)
Carrying Amount, December 31 (As per Statement of Financial Position)	273,082,350	0	273,082,350	273,082,350	0	273,082,350

The *Investment Property – Land* of PNOC RC consists of 11 land holdings totaling 165,214 square meters located in Brgy. Bolo and Brgy. San Miguel in Bauan, Batangas. These properties were acquired from PNOC Dockyard and Engineering Corporation which was the predecessor company of PNOC RC, as follows:

Location	Tax Declaration	Area (in sq. m)	Carrying Value
San Miguel, Bauan, Batangas*	05-0032-00027	2,340	3,478,040
San Miguel, Bauan, Batangas*	05-0032-00119	5,302	7,880,584
San Miguel, Bauan, Batangas*	05-0032-00118	4,360	6,480,450
San Miguel, Bauan, Batangas*	05-0032-00117	5,175	7,691,819
San Miguel, Bauan, Batangas*	05-0032-00079	3,635	5,402,853
San Miguel, Bauan, Batangas*	T-76365	84,180	125,120,254
San Miguel, Bauan, Batangas	05-0032-00042	899	1,348,500
Bolo, Bauan, Batangas	05-0011-01159	14,935	29,123,250
Bolo, Bauan, Batangas	05-0011-01161	2,322	4,527,900
Bolo, Bauan, Batangas	05-0011-01160	16,215	31,619,250
Bolo, Bauan, Batangas	T-80536	25,851	50,409,450
Total		165,214	273,082,350

* Under litigation with LS Shipping Management Corporation.

Six of the properties in the above table are currently under litigation with LS Shipping Management Corporation which acquired the right/option of Keppel Philippines Holdings, Inc., per covering agreement, to purchase the properties owned by PNOC Marine Corporation, then to PNOC Dockyard and Engineering Corporation, which was later renamed to PNOC Renewables Corporation. Details of the case are presented in Note 35.

Investment Property – Buildings consists of staff houses, guesthouse, clubhouse, maintenance quarter and guardhouse located on the same land properties.

10. PROPERTY, PLANT AND EQUIPMENT

As at December 31, 2024

	Leased Assets	Infrastructure Assets	Transportation Equipment	Furniture, Fixture & Books	Machinery & Equipment	Construction in Progress	Total
Carrying Amount, January 1, 2024	14,155,256	98,744,711	1,236,468	107,277	222,055	12,930,326	127,396,093
Additions/ Capitalization	0	496,196	0	0	0	0	496,196
Total	14,155,256	99,240,907	1,236,468	107,277	222,055	12,930,326	127,892,289
Disposal	0	(439,895)	0	(7,915)	(4,470)	0	(452,280)
Adjustments		(105,581)	139,211	0	0	(1,241,065)	(1,207,435)
Depreciation (As per Statement of Financial Performance)	(3,330,648)	(13,317,037)	(238,205)	0	(44,333)	0	(16,930,223)
Carrying Amount, December 31, 2024 (As per Statement of Financial Position)	10,824,608	85,378,394	1,137,474	99,362	173,252	11,689,261	109,302,351

	Leased Assets	Infrastructure Assets	Transportation Equipment	Furniture, Fixture & Books	Machinery & Equipment	Construction in Progress	Total
Gross Cost (Asset Account Balance per Statement of Financial Position)	25,628,804	159,732,250	2,826,885	5,645,336	4,948,714	11,689,261	210,471,250
Accumulated Depreciation	(14,804,196)	(74,353,856)	(1,689,411)	(5,545,974)	(4,775,462)	0	(101,168,899)
Carrying Amount, December 31, 2024 (As per Statement of Financial Position)	10,824,608	85,378,394	1,137,474	99,362	173,252	11,689,261	109,302,351

As at December 31, 2023

	Leased Assets	Infrastructure Assets	Transportation Equipment	Furniture, Fixture & Books	Machinery & Equipment	Construction in Progress	Total
Carrying Amount, January 1, 2023	0	108,246,818	76,379	107,277	100,529	0	108,531,003
Additions/ Capitalization	17,485,904	1,228,777	1,160,089	0	139,998	12,930,326	32,945,094
Total	17,485,904	109,475,595	1,236,468	107,277	240,527	12,930,326	141,476,097
Disposal	0	(1,000,307)	0	0	0	0	(1,000,307)
Adjustments		(177,118)		0	0	0	(177,118)
Depreciation (As per Statement of Financial Performance)	(3,330,648)	(9,553,459)	0	0	(18,472)	0	(12,902,579)
Carrying Amount, December 31, 2023 (As per Statement of Financial Position)	14,155,256	98,744,711	1,236,468	107,277	222,055	12,930,326	127,396,093

Gross Cost (Asset Account Balance per Statement of Financial Position)	25,628,803	160,171,183	2,687,974	5,803,635	5,038,094	12,930,326	212,260,015
Accumulated Depreciation	(11,473,547)	(61,426,472)	(1,451,506)	(5,696,358)	(4,816,039)	0	(84,863,922)
Carrying Amount, December 31, 2023 (As per Statement of Financial Position)	14,155,256	98,744,711	1,236,468	107,277	222,055	12,930,326	127,396,093

In 2023, as a result of application of PFRS 16, PNOC RC capitalized Leased Assets amounting to P17.485 million.

Infrastructure Assets amounting to P2,653,210 located in PNPA Silang Cavite already ended its contract cooperation period last August 2022. PNOC RC will turn over the assets to PNPA, as stipulated in the contract, upon collection of final billings.

Also, under *Infrastructure Assets* is the Rizal Hydro Power Plant Facility located in Rizal, Nueva Ecija, with accumulated depreciation of P11,567,809, representing PNOC RC's 50 percent share. For the year 2024, the related depreciation expense, reported under Direct Cost, amounted to P1,362,545.

Construction in Progress pertains to ongoing construction of solar rooftop extension projects in LGU Naga and DOST, respectively.

11. OTHER ASSETS

Current and Non-Current Assets

Particulars	2024			2023		
	Current	Non-Current	Total	Current	Non-Current	Total
Advances	0	0	0	25,002	0	25,002
Prepayments	38,830,330	0	38,830,330	37,727,087	0	37,727,087
Deposits	1,077,488	0	1,077,488	1,077,488	0	1,077,488
Restricted Fund	0	2,443,627	2,443,627	0	3,289,189	3,289,189
Total	39,907,818	2,443,627	42,351,445	38,829,577	3,289,189	42,118,766

Prepayments consists of the following accounts:

Particulars	2024	2023
Withholding tax at Source	3,699,517	3,229,285
Input Tax	33,771,371	32,097,620
Deferred Input Tax	1,214,978	2,302,606
Creditable Input VAT	46,888	0
Other Prepayments	97,576	97,576
Total	38,830,330	37,727,087

The *Restricted Fund* pertains to Escrow Account – DBP set aside for the Rizal Hydroelectric Power Plant operation.

12. FINANCIAL LIABILITIES

Particulars	2024	2023
Accounts Payable	771,448	439,279
Lease Payable	11,637,910	14,720,623
Due to Officers and Employees	644,102	408,761
Total	13,053,460	15,568,663

As a result of application of PFRS 16, PNOC RC recognized P14.720 million finance lease liability for 2023.

13. INTER-AGENCY PAYABLES

Particulars	2024	2023
Due to BIR	1,049,123	1,246,657
Due to Pag-IBIG	9,250	11,350
Due to PhilHealth	54,790	70,719
Due to NGAs	9,878,407	17,915,311
Due to Parent Corporation	6,399,191	4,854,333
Due to SSS	56,333	119,954
Total	17,447,094	24,218,324

Relative to the MOA between PNOC RC and DOE, funds were downloaded in October 2023 for Electric Vehicle Charging Stations (EVCS) resulting in recognition of Due to NGA's.

14. TRUST LIABILITIES

Particulars	2024	2023
Guaranty/Security Deposits Payable	9,299,381	9,700,389
Total	9,299,381	9,700,389

Guaranty/Security Deposits Payable pertains to retention on ongoing Solar Rooftop Projects and Hydropower Projects.

15. DEFERRED CREDITS/UNEARNED INCOME

Particulars	2024	2023
Deferred Tax Credits	731,910	798,855
Total	731,910	798,855

Deferred Tax Credits consist of deferred output value-added tax and deferred finance lease revenue.

16. DEFERRED TAX LIABILITIES

Particulars	2024	2023
Appraisal Increment in Investment Property	15,835,989	15,835,989
Total	15,835,989	15,835,989

Deferred Tax Liability arose from taxable temporary difference due to variation in carrying amounts in 2010 between the appraised assets and its tax base resulting in the unrealized gain on appraisal of the real property.

17. OTHER PAYABLES

Particulars	2024	2023
	Current	Current
Other Payables	21,017,297	30,530,828
Total	21,017,297	30,530,828

This account pertains to accruals of expenses involving maintenance and other operating expenses for goods and services acquired from various suppliers. The decrease is due to the settlement mainly of prior year's obligations.

18. EQUITY

a. Retained Earnings

Particulars	2024	2023
Unappropriated	277,481,053	323,165,512
Total	277,481,053	323,165,512

b. Share Capital

PNOC RC's shares of stocks are 100 percent owned by PNOC, details are as follows:

Particulars	2024	2023
Authorized Shares	500,000	500,000

Particulars	2024	2023
Par Value per Share	1,000	1,000
Issued and Outstanding Shares	374,972	374,972

19. SERVICE AND BUSINESS INCOME

Particulars	2024	2023
Service Income		
Other Service Income	834,143	0
Total Service Income	834,143	0
Business Income		
Power Supply System Fees	14,537,303	15,770,557
Interest Income	4,587,961	3,361,743
Total Business Income	19,125,264	19,132,300
Total	19,959,407	19,132,300

Service Income refers to service fees earned by PNOC RC by entering into service contract agreement with various customers for renewable energy projects. In 2024, the Corporation earned P834,143 for the Operations and Maintenance of Solar Rooftop at the House of Representatives.

Power Supply System Fees were derived from the sale of power generated from solar photovoltaic rooftop projects, hydropower projects and revenue on energy saved from energy efficient lighting projects.

Interest Income pertains to interest earned from long-term and short-term investments.

20. OTHER NON-OPERATING INCOME

Particulars	2024	2023
Miscellaneous Income	1,432,443	5,799,020
Total	1,432,443	5,799,020

Miscellaneous Income was derived from technical fees on feasibility studies, sale of public bidding documents, proceeds from disposed unserviceable assets and signature bonus for the joint venture in Agno River Integrated System (ARIS) hydropower project.

21. PERSONNEL SERVICES

21.1 Salaries and Wages

Particulars	2024	2023
Salaries and Wages-Regular	15,538,841	13,505,777
Salaries and Wages-Casual/Contractual	1,722,314	1,361,701
Total	17,261,155	14,867,478

Increase in *Salaries and Wages* for CY 2024 is attributable to personnel previously assigned and charged to the project was reinstated to regular salaries and wages account upon completion of the project in 2023.

21.2 Other Compensation

Particulars	2024	2023
Other Compensation	4,543,985	2,733,986
Year-End Bonus	1,863,485	2,161,197
Directors and Committee Members' Fee	1,339,268	1,608,696
Honoraria	21,500	0
Representation Allowance	854,405	910,378
Personnel Economic Relief Allowance	515,727	647,318
Transportation Allowance	851,426	924,500
Clothing/Uniform Allowance	147,500	156,500
Productivity Enhancement Incentive	90,000	140,000
Cash Gift	29,250	4,500
Overtime and Night Pay	29,994	131,050
Total	10,286,540	9,418,125

Increase in *Other Compensation* is due to the set-up of separation pay for personnel whose positions were abolished this CY 2024.

21.3 Personnel Benefit Contribution

Particulars	2024	2023
SSS Contributions	720,848	1,084,663
PhilHealth Contributions	439,225	447,461
Pag-IBIG Contributions	47,600	39,600
Employees Compensation Premiums	8,060	17,140
Total	1,215,733	1,588,864

21.4 Other Personnel Benefit

Particulars	2024	2023
Terminal Leave Benefits	2,311,261	2,675,221
Total	2,311,261	2,675,221

Terminal Leave Benefits account pertains to the money value of accumulated leave credits of employees.

22. MAINTENANCE AND OTHER OPERATING EXPENSES

22.1 Taxes, Insurance Premium and Other Fees

Particulars	2024	2023
Taxes, Duties and Licenses	2,744,268	3,124,859
Insurance Expenses	1,403,967	1,343,472
Total	4,148,235	4,468,331

22.2 General Services

Particulars	2024	2023
Security Services	1,230,811	1,028,088
Janitorial Services	675,538	709,037
Other General Services	1,291,196	1,160,106
Total	3,197,545	2,897,231

22.3 Professional Services

Particulars	2024	2023
Auditing Services	1,482,832	1,326,672
Consultancy Services	0	1,241,500
Legal Services	20,605	20,450
Other Professional Services	1,053	19,196
Total	1,504,490	2,607,818

In CY 2024, PNOC RC did not enter into a consultancy agreement resulting in the decrease in professional services expenses.

22.4 Supplies and Materials Expenses

Particulars	2024	2023
Fuel, Oil and Lubricants Expenses	195,263	368,010
Semi-Expendable Machinery and Equipment	0	220,197
Office Supplies Expenses	229,538	334,193
Medical/Medicine Supplies	0	61,657

Other Supplies and Materials Expenses	49,100	151,542
Total	473,901	1,135,599

Semi-Expendable Machinery and Equipment are purchases of non-capitalizable assets or assets with cost of no more than P50,000 each.

22.5 Traveling Expenses

Particulars	2024	2023
Traveling Expenses-Local	759,538	955,415
Total	759,538	955,415

22.6 Utility Expense

Particulars	2024	2023
Electricity Expenses	523,605	784,357
Water Expenses	76,560	64,395
Total	600,165	848,752

22.7 Communications Expenses

Particulars	2024	2023
Telephone Expenses	438,439	518,404
Internet Subscription Expenses	301,519	291,336
Total	739,958	809,740

22.8 Repairs and Maintenance

Particulars	2024	2023
Repairs and Maintenance- Transportation Equipment	222,926	284,721
Repairs and Maintenance- Semi-Expendable Machinery and Equipment	686,613	472,521
Total	909,539	757,242

22.9 Training Expenses

Particulars	2024	2023
Training Expenses	384,520	319,273
Total	384,520	319,273

22.10 Confidential, Intelligence and Extraordinary Expenses

Particulars	2024	2023
Extraordinary and Miscellaneous Expenses	370,573	127,020
Total	370,573	127,020

22.11 Other Maintenance and Operating Expenses

Particulars	2024	2023
Rent/Lease Expenses	544,410	534,310
Subscription Expenses	368,250	282,880
Representation Expenses	115,554	136,994
Printing and Publication Expenses	0	8,712
Transportation and Delivery Expenses	8,248	11,922
Other Maintenance and Operating Expenses	733,462	663,947
Total	1,769,924	1,638,765

23. FINANCIAL EXPENSES

Particulars	2024	2023
Bank Charges	0	6,000
Interest Expenses	634,418	774,783
Other Financial Charges	14,623	9,453
Total	649,041	790,236

24. DIRECT COST

Particulars	2024	2023
Cost of Sales	14,810,478	11,852,519
Total	14,810,478	11,852,519

These are costs recognized by PNOC RC which are directly related to the operations of the hydro, solar rooftop and energy efficiency projects of PNOC RC including depreciation, insurance and other directly attributable costs.

The increase is attributable to accelerated depreciation of assets, particularly solar rooftop inverters due to rapid technological changes and advancements.

25. NON-CASH EXPENSES

25.1 Depreciation

Particulars	2024	2023
Depreciation – Transportation Equipment	44,333	0
Depreciation – Machinery and Equipment	238,205	18,472
Depreciation – Leased Assets	3,330,648	3,330,648
Total	3,613,186	3,349,120

25.2 Impairment loss

Particulars	2024	2023
Impairment Loss –Other Receivables	0	112,500
Total	0	112,500

This account is used to recognize the loss incurred due to impairment of other receivables which the Management has finally determined to be worthless/uncollectible.

25.3 Losses

Particulars	2024	2023
Other Losses	444,364	1,000,307
Total	444,364	1,000,307

Other Losses account pertains to loss incurred by the Corporation for the replacement of an old asset for the Solar rooftop project located at the DENR, COA, UP Melchor Hall, PCA PICC and DOST.

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

Particulars	2024	2023
Loss after Tax	(44,132,440)	(37,497,691)
Non-cash Income/Expense		
Depreciation	16,930,233	12,902,579
Impairment Loss	444,364	1,112,807
Income Tax Expense	74,144	209,455
Increase in Current Assets*	(1,177,810)	
Decrease in Current Assets*	0	64,162,138
Decrease in Current Liabilities*	(18,127,337)	(27,916,658)
Net Cash Flow from Operating Activities	(45,988,846)	12,972,630

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

27. RELATED PARTY TRANSACTIONS

27.1 Key Management Personnel

The key management personnel of PNOC RC are the President and Chief Executive Officer (CEO), the Members of the Board of Directors, and the Members of the Senior Management Group. The governing body consists of Members appointed by the President of the Philippines. The Senior Management Group consists of the President and CEO, Executive Vice President and Vice President for Corporate Services.

27.2 Key Management Personnel Compensation

The aggregate remuneration of the Senior Management Group is presented in the following table:

Particulars	Aggregate Remuneration
Salaries and Wages	2,422,132
Other Compensation	1,057,587
Personnel Benefit Contributions	53,800
Total Other Personnel Benefits	3,533,519

The Chairman of the Board which has supervision over PNOC RC is not remunerated by the Corporation.

27.3 Remuneration and Compensation Provided to Close Family Members of Key Management Personnel

There are no close family members of key management personnel employed with the Corporation during this period.

28. INCOME TAX

The reconciliation of income tax expense computed at the statutory tax rate to the income tax expense as shown in the statements of comprehensive income is as follows:

	2024			2023		
	Special	Regular	Total	Exempt	Regular	Total
Revenues	0	14,537,303	14,537,303	1,795,727	13,974,830	15,770,557
Cost of Revenue	(1,713,766)	(13,096,712)	(14,810,478)	(2,551,425)	(9,301,094)	(11,852,519)
Gross Income (Loss)	(1,713,766)	1,440,591	(273,175)	(755,698)	4,673,736	3,918,038
Taxable Other Income	0	2,266,586	2,266,586	0	5,799,020	5,799,020
Gross Taxable Income	(1,713,766)	3,707,177	1,993,411	(755,698)	10,472,756	9,717,058
Non-Taxable Other Income						
Gain on Sale of Investment Property	0	0	0	0	0	0
Interest Income	0	4,587,961	4,587,961	0	3,361,743	3,361,743
Dividend Income	0	0	0	0	0	0
Total Non-Taxable Income	0	4,587,961	4,587,961	0	3,361,743	3,361,743
Total Gross Income	(1,713,766)	8,295,138	6,581,372	(755,698)	13,834,499	13,078,801
Deductions	(1,393,442)	(49,246,226)	(50,639,668)	(1,878,994)	(48,488,043)	(50,367,037)
Non-Deductible Expenses						
Impairment Loss-Other Receivable	0	0	0	0	112,500	112,500
Net Loss Before Income Tax	(3,107,208)	(40,951,088)	(44,058,296)	(2,634,692)	(34,541,044)	(37,175,736)
Regular Corporate Income Tax	0	0	0	0	0	0
Minimum Corporate Income Tax	0	74,144	74,144	0	209,455	209,455
Income Tax Expense Reported in the Statement of Comprehensive Loss	0	74,144	74,144	0	209,455	209,455

29. NET OPERATING LOSS CARRY-OVER

On September 30, 2020, the Bureau of Internal Revenue (BIR) issued Revenue Regulations (RR) No. 25-2020 implementing Section 4 of Bayanihan 2 which states that the Net Operating Loss Carry-Over (NOLCO) incurred for the taxable years 2020 and 2021 can be carried over as deduction from gross income for the next five consecutive years immediately following the year of such loss.

For the purpose of determining the Corporation's income tax obligation, which can be allowed as deduction from gross income for three consecutive years immediately following the year, below is the schedule of net loss to be carried over:

Year Incurred	Year of Application	Amount	Applied	Expired	Unapplied
2020	2021-2025	37,908,577	0	0	37,908,577
2021	2022-2026	40,628,601	0	0	40,628,601
2022	2023-2025	27,552,716	0	0	27,552,716
2023	2024-2026	37,175,736	0	0	37,175,736
2024	2025-2027	44,058,296	0	0	44,058,296

MCIT, on the other hand, which is computed as two percent of gross taxable income and which can also be carried over and credited against regular income tax for the next three immediately succeeding taxable year, is broken down as follows:

Year Incurred	Year of Application	Amount	Applied	Expired	Unapplied
2020	2021-2023	145,039	0	145,039	0
2021	2022-2024	51,817	0	51,817	0
2022	2023-2025	217,194	0	0	217,194
2023	2024-2026	209,455	0	0	209,455
2024	2025-2027	74,144	0	0	74,144

30. AGREEMENT WITH NATIONAL IRRIGATION ADMINISTRATION PAMPANGA RIVER IRRIGATION SYSTEM (NIA PRIS) HYDROELECTRIC POWER PROJECT

PNOC RC and National Development Company (NDC) signed a MOA on July 1, 2014 to establish and enter into a partnership for the development, commercialization, operation and maintenance of the PRIS Project. PNOC RC and NDC contributed P45 million each, or a total of P90 million through an Escrow Agreement with the Development Bank of the Philippines–Trust Services Group for the administration of the project fund. (See Note 2.B).

31. COMPLIANCE WITH REPUBLIC ACT NO. 7656

PNOC RC did not declare dividends for 2024 because of the net loss incurred for the year amounting to P44,132,440.

32. INFORMATION REQUIRED UNDER REVENUE REGULATIONS (RR) NO. 15-2010 OF THE BIR

On November 25, 2010, BIR issued 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 of 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 regulations, companies are required to provide, in addition to the disclosures mandated under PFRS, and such other standards and/or conventions as may be adopted, in the notes to the financial statements, information on taxes, duties and license fees paid or accrued during the taxable year.

A. Compliance with Tax Laws

i. Output VAT

Output VAT declared for the fiscal year ended December 31, 2024 and the revenues upon which the same was based consist of:

	Gross Revenue	Output VAT
Sale of Services Subject to 12% VAT	17,300,843	2,076,101
Zero Rated Sales	17,290	0
Total	17,318,133	2,076,101

ii. Input VAT

The amounts of Input Taxes claimed are broken down as follows:

Beginning of the Year	32,092,554
Current Year's Domestic Purchases for Goods and Services	3,030,318
Claims for Tax Credit/Refund and Other Adjustments	(1,342,765)
Balance at the end of the year	33,780,107

iii. Withholding Taxes

The withholding taxes paid for the year ended December 31, 2024 are as follows:

Particulars	Amount
Tax on Compensation and Benefits	2,901,058
Creditable Withholding VAT	733,336
Creditable Withholding Taxes	241,794
Total Withholding Taxes for the Year	3,876,188

iv. Tax Assessments

There is no tax assessment for the years 2024 and 2023.

B. The PNOC RC's taxes and licenses in 2024 shown as part of expenses in the statements of comprehensive income are as follows:

Particulars	Amount
Real Property Taxes	1,720,618
Business Permit	306,535
Motor Vehicle Registration	11,079
BIR Annual Registration	500
Total	2,038,732

33. SUPPLEMENTARY INFORMATION REQUIRED UNDER THE REVISED SECURITIES REGULATION CODE (SRC) RULE 68

The Schedule of Financial Soundness Indicators is presented as follows:

Ratio	2024	2023
Current Ratio	2.84	2.01
Solvency Ratio	(0.38)	(0.26)
Debt-to-Equity Ratio	0.11	0.12
Asset-to-Equity Ratio	1.12	1.14
Return on Equity	(0.07)	(0.05)
Return on Assets	(0.06)	(0.05)
Net Profit Margin	(0.02)	0.25
Cash Ratio	2.05	1.41

34. COMPLIANCE WITH SOCIAL SECURITY SYSTEM (SSS), HOME DEVELOPMENT MUTUAL FUND (HDMF) or Pag-IBIG and PHILIPPINE HEALTH INSURANCE CORPORATION (PhilHealth) PREMIUM/DEDUCTIONS AND REMITTANCES

Premiums due to SSS, HDMF and PhilHealth for CY 2024 were deducted from the salaries of PNOC personnel in the amount of P841,687 and remitted within the prescribed period. The premiums deducted in December 2024 in the amount of P59,626 were remitted in January 2025 with details as follows:

Agency	Premiums Collected and Remitted in 2024 (January to November 2024)	Premiums Collected in December 2024 and Remitted in January 2025	Total
SSS	355,838	23,783	379,621
Pag-IBIG	51,700	3,600	55,300
PhilHealth	434,149	32,243	466,392
Total	841,687	59,626	901,313

35. STATUS OF LEGAL CASE

Philippine National Oil Company and PNOC Dockyard & Engineering Corporation vs. Keppel Philippines Holdings, Inc.

G.R. No. 202050, Supreme Court.

On August 6, 1976, Keppel Philippines Holdings, Inc. (Keppel) entered into a 25-year lease agreement with Luzon Stevedoring Corporation (Lusteveco) for an 11-hectare property in Bauan, Batangas. The agreement included an option to purchase the leased property, contingent upon Keppel becoming eligible to own land in the Philippines.

In 1979, the Philippine National Oil Company (PNOC) acquired the property from Lusteveco, with both the lease agreement and option to purchase duly annotated on the property title.

Over the years, ownership of the property had been transferred from Lusteveco to PNOC Marine Corporation, then to PNOC Dockyard and Engineering Corporation, which was later renamed PNOC Renewables Corporation.

By 2000, Keppel restructured its ownership, making it eligible to own land under Philippine law. It then exercised its option to purchase, but PNOC refused, arguing that the option was void due to the lack of separate consideration and the agreement circumvented constitutional restrictions on foreign land ownership.

PNOC filed an opposition, but on January 12, 2006, the Regional Trial Court (RTC) ruled in favor of Keppel. PNOC appealed the decision. On July 25, 2016, the Supreme Court upheld the RTC ruling and remanded the case to the RTC to determine whether Keppel's equity ownership met the 60 percent Filipino ownership requirement.

On March 13, 2018, the Honorable Judge of RTC of Batangas, Branch 84, ordered both PNOC RC and Keppel to submit their respective memorandum for the consideration of the court within thirty days (30) days reckoned on that same date. The primary issue at hand, that the court shall resolve, is the determination of whether or not Keppel meets the required Filipino equity ownership and proportion in accordance with the Court's ruling in Gamboa vs. Teves to allow the same to acquire full title to the land.

On September 24, 2018, RTC Branch 84, Batangas City denied Keppel's Motion for issuance of Writ of Execution ruling that the latter failed to meet the required Filipino equity ownership and directed the Clerk of Court to release and returned the consigned amount.

On June 2, 2021, Keppel and LS Shipping Management Corporation (LS Shipping) executed a Deed of Absolute Sale, through which Keppel sold to LS Shipping all its rights over the parcels of land in Bauan, Batangas.

On August 24, 2021, PNOC received a letter from the Office of the Solicitor General dated August 23, 2021 invoking its role as People's Tribune and informed PNOC that it will withdraw as Counsel for the PNOC and PDEC. PNOC then requested the Office of the Government Counsel (OGCC) to handle the case.

On March 10, 2022, RTC Branch 8, issued a Resolution granting LS Shipping a Motion to Substitute and a Motion for New Trial. The new trial ensued, but the case was referred to the Philippine Mediation Center for possible amicable settlement. During the mediation, counsel for LS Shipping requested for the termination of the Mediation Conference stating that LS Shipping is only willing to settle the amount of P4.090 million, the agreed consideration in the August 6, 1976 Lease Agreement. The mediation was then terminated by the Mediator and the case was referred back to the regular court.

On October 25, 2023, the Court of Appeals granted the Petition for Certiorari filed by the OGCC on behalf of the petitioners questioning the lower court's resolution granting the motion for the new trial and substitution of parties filed by LS Shipping. In the decision, the CA nullified the resolutions dated March 10, 2022 (grant of the Motion to Substitute) and March 11, 2022 (grant of Motion for New Trial).

The Former Fourteenth Division of the Court of Appeals promulgated an Amended Decision dated July 18, 2024. The respondent LS Shipping Management Corporation's Motion for Reconsideration (Re: Decision dated October 23, 2023) and respondent Keppel Philippines Holdings, Inc.'s Manifestation and Motion for Reconsideration (re: Decision dated October 25, 2023) were granted. The Decision dated October 25, 2023, was vacated and set aside. The instant Petition for Certiorari was dismissed.

The OGCC filed a Petition for Review on Certiorari on September 20, 2024, with the Supreme Court.

PART II

AUDIT OBSERVATIONS AND RECOMMENDATIONS

AUDIT OBSERVATIONS AND RECOMMENDATIONS

A. Financial Issue

1. The existing conditions indicating impairment of the Rizal Hydropower Plant (RHPP) under Infrastructure Asset – Property, Plant and Equipment (PPE) account, with carrying amount of P22.482 million as at December 31, 2024 were not considered and recognized in the books in 2024, contrary to paragraph 9 of PAS 36, hence, proper valuation of the PPE account and the necessary adjustment to the account balance as at year-end were not determined.

1.1 Paragraph 9 of PAS 36 requires entities to assess at the end of each reporting period whether there is any indication that an asset may be impaired. If any such indication exists, the entity shall estimate the recoverable amount of the asset. The impairment loss as defined in PAS 36 refers to the amount by which the carrying amount of an asset or a cash generating unit exceeds its recoverable amount.

1.2 Paragraph 12 thereof states that in assessing whether there is any indication that an asset may be impaired, an entity shall consider, as a minimum, the following indications, among others:

External sources of information

(a) there are observable indications that the asset's value has declined during the period significantly more than would be expected as a result of the passage of time or normal use.

Internal sources of information

(e) evidence is available of obsolescence or physical damage of an asset.

*(f) significant changes with an adverse effect on the entity have taken place during the period, or are expected to take place in the near future, in the extent to which, or manner in which, an asset is used or is expected to be used. **These changes include the asset becoming idle, plans to discontinue or restructure the operation to which an asset belongs, plans to dispose of an asset before the previously expected date, and reassessing the useful life of an asset as finite rather than indefinite.** (emphasis ours)*

- 1.3 PNOC RC secured service contract for the development and commercialization of RHPP. To pursue the same including its construction of facilities, PNOC RC who is in-charge of the project, partnered with National Development Company (NDC), investment arm of the government, through a Memorandum of Agreement requiring P45.000 million from each agency, for a total of P90.000 million¹ as fund contribution. From said fund contribution, the total cost incurred for the construction of the facilities is P68.100 million, wherein 50 percent or P34.050 million is recorded as cost in the

¹ Placed in an Escrow Account in Development Bank of the Philippines (DBP) for the administration of total fund

books of PNOC RC under Infrastructure Asset – Property, Plant and Equipment account. On July 1, 2016, RHPP started its commercial operations.

1.4 Thereafter, the following significant events transpired:

- 2019 – The appraised values² of RHPP based on the facilities is *P79.000 million* and based on future cash flows is *P155.200 million*.
- 2020-2023 – PNOC RC and NDC determined a *number of required repairs on items for continuing operations*, in relation to latest appraised values of facilities at *P56.000 million* and future cash flows at *P43.000 million*.
- January 2024 to present – PNOC RC has *discontinued the operations* of RHPP.

1.3 Based on the foregoing conditions of impairment, i.e. the change in appraised values, number of repairs required and the discontinued operations in 2024, the RHPP property was impaired. As at December 31, 2024, the carrying amount of RHPP in the books of PNOC RC amounted to P22.482 million.

1.4 Verification disclosed that the noted indications of impairment were not considered and recognized in the books in 2024. In a meeting held by the Audit Team with PNOC RC in February 2025, Management disclosed that it did not conduct impairment testing of the RHPP in 2024. The Operations Group and Accounting Department of PNOC RC, which preferred the use of appraised value of the facility is not aware of the requirement for subsequent impairment testing after the last determination in 2023, but admitted the likelihood of continuing decrease in appraised values because of the persistent conditions indicating impairment.

1.5 During the exit conference, PNOC RC acknowledged that it has no policy on impairment testing. The concerned personnel from Budget Department added that prior coordination and agreement with NDC is necessary for the creation of any policy on impairment testing since both agencies have interest in RHPP.

1.6 We deem that in the absence of a specific written policy on the matter, the impairment of non-financial assets as disclosed in Note 4.10 provides the requirement on the conduct of impairment testing at the end of each reporting period, to determine the estimated recoverable amount and recognize impairment loss, if any. Note 4.10(b) states:

PNOC RC 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 RC 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.

² Appraised value of RHPP, at 100 percent thus subject to equal sharing by PNOC RC and NDC, is either based on i) facilities of the power plant or ii) the present value of future cash flows

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. Xxx.

- 1.7 Considering the existing conditions indicating impairment of the RHPP property, the estimated recoverable amount from the said property should have been determined in order to determine the adjustment that should be recognized as at December 31, 2024.
 - 1.8 The failure to consider the existing indications of impairment relative to the valuation of the RHPP property as at December 31, 2024 prevented the determination of the proper valuation of the said property recorded under Infrastructure Asset – Property, Plant and Equipment account, and the appropriate adjustments to the affected accounts in the financial statements.
 - 1.9 **We recommended and PNOC RC Management agreed to require the Accounting Department to:**
 - a) **Assess the RHPP property at the end of each reporting period to determine whether adjustment is necessary considering the existence of indications of impairment; and**
 - b) **Create a policy in coordination with NDC for the conduct of impairment testing to ensure that the proper valuation of the RHPP property is recognized at the end of each reporting date.**
-

B. Non-Financial Issue

2. **PNOC RC revived its intention to dispose the RHPP in 2024 after five years from initial approval in 2019 due to sustained losses, identified items for repairs and low water supply which has been existing since 2018, thereby depleting the equity of PNOC RC in the investment project, and reducing the appraised value from P79 million and present value of future cash flows of P155 million to P56 million and P43 million, respectively, as at December 31, 2024.**

- 2.1 Section 19 of the RA No. 10149 states that:

Fiduciary Duties of the Board of Directors and Officers – As fiduciaries of the State, members of the Board of Directors and the Officers of the GOCCs have the legal obligation and duty to always act in the best interest of the GOCC, with utmost good faith in all its dealings with the properties and monies of the GOCC.

- 2.2 In undertaking the operations of RHPP located in Nueva Ecija, PNOC RC and NDC are aware of its reliance on water supply for power generation secondary only to the purpose of farm irrigation. In 2019, PNOC RC initially aimed for the disposal of RHPP because of low water supply since 2018. At that time, the appraised value was established at P79 million and present value of future cash flows at P155 million. In 2021, the disposal was deferred due to the rehabilitation of NIA expecting an improved water supply for power generation. Later, due to the absence of

improvement on water supply after rehabilitation in 2022, the appraised value of the property and present value of future cash flows have decreased to P56 million and P43 million, respectively, in 2023.

- 2.3 The financial performance and financial position of RHPP from 2016 until its discontinued operations in 2024 up to the present, resulted in losses and decreasing amount of equity in Escrow Account deposited by PNOC RC and NDC with DBP, as follows:

a. Financial Performance

	Income	Expenses	Net Income (Loss)	PNON RC's 50% share
2016	2,331,831.00	5,309,981.00	(2,978,150.00)	(1,489,075.00)
2017	9,261,720.00	8,696,708.00	565,012.00	282,506.00
2018	5,697,650.00	7,397,656.00	(1,700,006.00)	(850,003.00)
2019	6,499,279.00	8,322,263.00	(1,822,984.00)	(911,492.00)
2020	4,017,260.00	7,949,714.00	(3,932,454.00)	(1,966,227.00)
2021	4,162,519.00	7,338,872.00	(3,176,353.00)	(1,588,176.50)
2022	464,140.00	5,570,426.00	(5,106,286.00)	(2,553,143.00)
2023	3,966,257.00	7,595,739.00	(3,629,482.00)	(1,814,741.00)
2024	111,874.00	4,340,250.00	(4,228,376.00)	(2,114,188.00)
Total	36,512,530.00	62,521,609.00	(26,009,079.00)	(13,004,540.00)

b. Financial Position

Year	Asset	Liabilities	Equity
2016	88,468,439.00	12,260,251.00	76,208,188.00
2017	87,543,154.00	10,769,955.00	76,773,199.00
2018	86,719,532.00	11,646,340.00	75,073,192.00
2019	78,041,279.00	4,791,071.00	73,250,208.00
2020	75,374,175.00	6,040,878.00	69,333,297.00
2021	70,823,753.00	4,666,808.00	66,156,945.00
2022	65,917,182.00	4,866,524.00	61,050,658.00
2023	62,577,218.00	5,156,042.00	57,421,176.00
2024	58,758,969.00	5,566,169.00	53,192,800.00

The remaining 50 percent of P53.193 million or P26.597 million represents the share of PNOC RC from the total equity.

- 2.4 In July 2024, PNOC RC revived its plan to dispose the RHPP. In February 2025, NDC, aware of the planned disposal by PNOC RC, proposed options such as the unsolicited proposal from private parties and the rehabilitate-operate-transfer contractual arrangement in coordination with PSALM.
- 2.5 PNOC RC took five years from 2019 to 2024 before it revived its planned disposal of RHPP. Based on the justifications of Management presented to the Board of

Directors in July 2024, the bases are the same as those in 2019, particularly the low water supply.

- 2.6 During the exit conference, the Operations Group attributed the unfinalized disposition on RHPP to the change in leadership within NDC with latest perspectives different from the approved disposal.
 - 2.7 The conditions that have persisted since 2016 and 2018 have contributed to the depleting equity of PNOC RC in RHPP, from P45 million to P26.597 million and to the lowering of appraised value of the property from P79 million and present value of future cash flows of P155 million to P56 million and P43 million, respectively, as at December 31, 2024.
 - 2.8 **We recommended and PNOC RC Management agreed to act swiftly in collaboration with NDC to determine the best course of action considering the present condition of RHPP.**
3. **The GAD Plan and Budget (GPB) for CY 2024 was not revised in accordance with the comments and recommendations of the Philippine Commission on Women (PCW) to comply with Section 1.2.5.1 of the PCW MC No. 2023-02, and PNOC RC did not create a Responsibility Cost Center or its equivalent to account, monitor and report GAD expenses and other GAD-related financial transactions contrary to COA Circular No. 2021-008 dated September 6, 2021, hence, the outlined GAD programs, activities and projects may not be adequate to address gender issues and concerns, and the monitoring and accounting of GAD funds were not efficiently undertaken.**

3.1 Section 1.2.5.1 of PCW MC No. 2023-02 dated September 11, 2023 states that:

The Preparation and Online Submission of Fiscal Year (FY) 2024 GPB provides the following conditions for PCW to endorse the GPB: (1) the minimum five per cent GPB requirement has been met, and (2) the entries in the GPB are compliant with the comment and/or recommendation of PCW following the provision of the Magna Carta of Women (MCW) and relevant guidelines of GPB.

- 3.2 Section 1.0 of COA Circular No. 2021-008 requires all government agencies to create/assign a Responsibility Center (RC) for their GAD Focal Point System (GFPS) to facilitate generation of all reports pertaining to GAD related expenses and other GAD related financial transactions, and to monitor and properly account for the GAD funds. Government entities using manual accounting system and impractical to establish separate RC for GAD shall maintain a Subsidiary Ledger (SL) for GAD for each account and may assign SL code.
- 3.3 In the previous year's audit, the Audit Team raised among others to PNOC RC, facing abolition, that the GPB for CY 2023 was not revised in accordance with the comments of PCW. During the exit conference, the Human Resource Department said that the CY 2024 was also unendorsed due to non-compliance with the five per cent required budget for which the Audit Team recommended for the GAD Focal Person to formally discuss with the PCW the current concerns/issues of PNOC RC, reasons for non-compliance with its comments and suggestions, and seek guidance on the matter. Per AAPSI, on March 13, 2024, PNOC RC GAD Focal Person went to the PCW office to

- seek guidance and discuss the issues of PNOC RC regarding its non-compliance to the required five percent budget. It was also informed by the GAD Focal Person that PCW suggested that PNOC RC implement the Harmonized Gender and Development Guidelines (HGDG) in various Solar Rooftop Projects. Likewise, it was mentioned that the related activities on GAD are being recognized in its books of accounts.
- 3.4 Audit revealed that the GPB for CY 2024 was not revised to comply with PCW recommendation on the required budget. In response to our request for documents on GAD showing compliance with related rules and regulations, PNOC RC submitted in January 2025 proof of their submission of GAD Agenda for 2024-2026 only.
- 3.5 Also, no Responsibility Cost Center or its equivalent was created as the related transactions were all recorded under Major Events and Convention Expenses account containing other expenses such as payments for lease of venue, catering services, shuttle services and year-end celebration.
- 3.6 Inquiry by the Audit Team with concerned personnel revealed that they were still not able to comply with the recommendations of the PCW because of the retrenchment of some PNOC RC employees in CYs 2024 and 2025 pursuant to Governance Commission for GOCCs (GCG) Memorandum Order (MO) No. 2024-15 abolishing 21 positions in PNOC RC to reduce its personnel expenses, operate with limited workforce, and focus on existing projects with no additional project or capital expenditures. It was gathered that the PNOC RC is still having discussion with the PCW on the possible courses of action, which may be adopted considering the present situation of PNOC RC. Similar to the response in previous years, Management asserts the issue on budget constraints to meet the required five percent budget allocation for GAD programs, projects and activities.
- 3.7 During the exit conference, the concerned personnel claimed that the implementation of HGDG is applicable to new project which is lacking in PNOC RC due to the prohibition in GCG MO No. 2024-15, However, he expressed willingness to comply with the reportorial requirements including the submission of GAD Agenda, GPB for CY 2026 as they did not submit any document on GPB for CY 2025, GAD Accomplishment Reports and other related reports.
- 3.8 As a rejoinder, the principles of HGDG are equally valuable for existing projects. Incorporating these guidelines not only enhances the effectiveness of existing projects but also ensures that gender concerns are addressed. It is essential to view the HGDG as continuous commitment to achieve GAD concerns of any agency. Also, it should be emphasized that the allocation of GAD budget of at least 5% of the Corporate Operating Budget is on the premise that GAD mainstreaming is adopted and implemented on PNOC RC's projects, programs and activities.
- 3.9 In effect, the GAD programs activities and projects outlined in the GPB for CY 2024 may not be adequate to address the gender issues and concerns of PNOC RC, and the accounting and monitoring of GAD funds were not efficiently undertaken.
- 3.10 **We recommended that PNOC RC Management require:**

- a) **GAD Focal Point System (GFPS) to implement the HGDG for the attribution of various Solar Rooftop Projects;**
- b) **GFPS to prepare the GPB for CY 2026 and submit the same to PCW for endorsement, pending review of GAD Agenda for CY 2024-2026; and**
- c) **Accounting Department to create separate RC Code or SL for GAD Expenses and Other GAD-related financial transactions in compliance with COA Circular No. 2021-008.**

B. Compliance with Tax Laws

Taxes withheld and due to the BIR for CY 2024 were recorded and remitted within the prescribed period.

C. Compliance with Rules on the Government Mandatory Deductions

For CY 2024, PNOC RC has complied with Republic Act (RA) Nos. 8282 and 9679 on the collection and remittance of contributions/loan amortization to the Social Security System and the Home Development Mutual Fund or Pag-IBIG Fund, respectively. Likewise, payment for the national health insurance premium contribution to the Philippine Health Insurance Corporation is in accordance with RA No. 7875 as amended by RA No. 9241.

D. Insurance of Property

— PNOC RC has also been compliant with RA No. 656 on insuring its properties with the Government Service Insurance System.

E. Compliance with the Revised Securities Regulation Code (SRC) Rule 68

PNOC RC complied with SRC Rule 68 on the requirements of the Securities and Exchange Commission.

F. Status of Audit Suspensions, Disallowances and Charges

There were no balances of Audit Suspensions, Disallowances and Charges as at December 31, 2024.

PART III

STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

The two audit recommendations embodied in the previous year's Annual Audit Report, were all implemented. Details are shown in the following table:

Reference	Audit		Status/ Actions Taken
	Observation	Recommendations	
2023 AAR Observation No. 1, pages 45-46	The balance of Due to Parent Corporation under Inter-Agency Payables account amounting to P4.854 million as at December 31, 2023 did not reconcile with the balance of Due from Subsidiaries account in PNOC books amounting to P9.066 million or a difference of P4.212 million, and the absence of documents did not permit the application of audit procedures to determine appropriate adjustments to the account, hence, the existence and accuracy of the account balance is doubtful, contrary to paragraphs 4.26 and 4.27 of the Conceptual Framework for Financial Reporting.	Require the Accounting Department to analyze the transactions, gather supporting documents and reconcile the variance of P4.212 million between the book balance and confirmed balance of PNOC, by the end of 2024, and thereafter take up the appropriate adjustments, if any.	Implemented
2023 AAR Observation No. 2, pages 46-47	The GAD Plan and Budget (GPB) for CY 2023 was not revised in accordance with the comments and recommendations of the Philippine Commission on Women (PCW) to comply with Section 1.2.5.1 of PCW Memorandum Circular (MC) No. 2022-03 dated August 31, 2022, hence, the GAD programs, activities and projects outlined therein may not be adequate to address the gender issues and concerns of PNOC RC.	Require the GAD Focal Person to formally discuss with the PCW the current issues and financial condition of PNOC RC, the reasons for non-compliance with its comments and recommendations, and seek guidance on the matter.	Implemented