



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

CORPORATE GOVERNMENT AUDIT SECTOR
CLUSTER 4 - INDUSTRIAL AND AREA DEVELOPMENT

June 15, 2026

THE BOARD OF DIRECTORS
National Development Company
Makati City

CORPORATE SUPPORT GROUP

Received by: CZANNIS D. BILHANG

Date: June 13, 2026

Time: 5:05 PM

Gentlemen:

Pursuant to Section 2, Article IX-D of the Philippine Constitution and Section 43 of Presidential Decree (PD) No. 1445, otherwise known as the Government Auditing Code of the Philippines, we transmit herewith our report on the results of the audit of the accounts and transactions of National Development Company (NDC) for the years ended December 31, 2025, and 2024.

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

The Auditor rendered an unqualified opinion on the fairness of the presentation of the NDC's financial statements.

The following are the observations and recommendations that need immediate action:

1. The balance of the Property and Equipment (PE) account with a carrying amount of P182.931 million could not be ascertained due to: a) a variance of P15.804 million; and b) the inclusion of missing PE costing P32.531 million, contrary to Philippine Accounting Standard (PAS) 1.

We reiterated our prior year's recommendations that Management:

- a. Direct the Accounting Unit and Administrative Unit to reconcile the accounting and property records, and to identify and resolve all noted variances;
- b. Require the timely preparation and submission of complete and accurate property and accounting reports, including the Report on Physical Count of Property, Plant and Equipment, and supporting schedules, to ensure consistency, accuracy, and reliability of records;
- c. Direct the investigation into the whereabouts of the missing Property and Equipment items; and

- d. Henceforth, comply with the disposition procedures for the non-existing/missing Property and Equipment items pursuant to the relevant provisions of COA Circular No. 2020-006 dated January 31, 2020.
2. The completeness and existence of Lands Not Used in Operations, Receivable from the Department of Agrarian Reform, and the related allowance for impairment accounts, including disclosures, could not be ascertained due to: a) inconsistencies in NDC's records; and b) absence of itemized lands covered by the Comprehensive Agrarian Reform Program, contrary to PAS 1.

We recommended that Management:

- a. Provide and maintain an itemized receivable account for lands covered by the Comprehensive Agrarian Reform Program;
 - b. Reconcile the records of the Accounting Unit and the Asset Management Group, and determine the effect of any variances noted in the financial statements;
 - c. Assess the adequacy of the allowance for impairment based on complete and reconciled receivables from the Department of Agrarian Reform, and prepare necessary adjusting entries, if warranted; and
 - d. Ensure that appropriate disclosures are made in the Notes to Financial Statements to fully reflect the status, valuation basis, and uncertainties, if any, affecting the related accounts.
3. Several investment properties remained idle, vacant, or occupied by illegal occupants, depriving NDC of potential income while incurring directly attributable expenses totaling P30.832 million in CY 2025, contrary to Section 2(b) of Republic Act No. 10149¹, resulting in the underutilization of NDC's land assets.

We reiterated our prior year's recommendations that Management:

- a. Determine whether Brgy. Biaan, Mariveles, Bataan Property is within the Ancestral Domain/Lands or belonging to Indigenous Cultural Communities/Indigenous Peoples;
- b. Determine the status of the Municipal Urban Development and Housing Board-Local Inter-Agency Committee's verification and validation of NDC's title over the Los Baños, Laguna property;
- c. Coordinate with the heir and/or his/her legal counsel for the lease negotiation on the affected portion of Sta. Rosa, Laguna Property;
- d. Provide a status on actions taken by Management about properties with illegal settlers/occupants;

¹ An Act to Promote Financial Viability and Fiscal Discipline in Government-Owned or -Controlled Corporations and to Strengthen the Role of the State in its Governance Management to Make Them More Responsive to the Needs of Public Interest and for Other Purposes.

Further, we recommended that Management:

- e. Sustain marketing and advertising efforts for all vacant assets to draw in potential tenants or buyers. Additionally, evaluate alternative strategies to ensure NDC maximizes the utility and financial return of these properties;
 - f. Provide a detailed status on the following properties with pending cases in court or before investigative authorities: Sucat, Muntinlupa; San Francisco del Monte, Quezon City; San Dionisio, Parañaque City; and Sta. Mesa Manila Properties; and
 - g. Assess compliance with the requirements of the Department of Budget and Management-Department of Finance-National Economic and Development Authority issued Joint Memorandum Circular No. 2020-1 and undertake necessary actions to address identified gaps.
4. Seven investment properties of NDC with an aggregate area of 19,146 square meters amounting to P245.096 million, remained unregistered despite the lapse of several decades, exposing government assets to legal risks and/or possible loss of the property.

We reiterated our prior year's recommendations that Management:

- a. Continuously exert utmost effort to expedite the titling of lands under NDC's name; and
 - b. Apprise the Audit Team of updates in the titling of each untitled investment property. Provide relevant supporting documents.
5. The non-performance of a final inventory and inspection, coupled with reliance on an outdated Statement of Work Accomplished for the partially completed NDC Industrial Estate Project in Dasmarinas, Cavite, after the contract termination, affects the determination of the project's actual physical and financial condition.

We recommended that Management:

- a. Conduct an inventory and inspection of the completed, partially completed, and remaining works of the NDC Industrial Estate Project to establish its actual physical and financial condition following the termination of the Contracts;
 - b. Prepare an updated and validated report of the remaining works and corresponding project costs based on the actual condition of the Project site and completed works; and
 - c. Implement appropriate measures to preserve and safeguard the completed infrastructures and other project components from further deterioration pending the continuation or completion of the Project.
6. Investments in four subsidiaries were adversely affected by long-standing shareholder negotiations or uncertainty over future actions, all of which are not in accordance with the policy objectives under Section 2(a) and (b) of Republic Act (RA) No. 10149.

We reiterated our prior year's recommendations that Management:

On GY Real Estate, Inc. (GYREI)

- a. Develop a concrete plan to maximize the utilization of the subject property, to improve the financial condition of GYREI for the best interest of the stakeholders and the government;
- b. Seek/manifest with the NDC Board of Directors (BOD) the immediate and concrete resolution of the share acquisition issue between Goodyear Philippines, Inc. (GPI) and NDC, and/or the appropriate course of action in addressing GPI's intent to divest its shareholding;

On Pinagkaisa Realty Corporation (PRC)

- c. Provide a clear plan to acquire the 40 per cent share of GE Lighting Philippines, Inc. (GELP) in PRC, and outline a comprehensive strategy to sustain PRC's operation;
- d. Seek policy direction from the NDC BOD on the optimal utilization of the property and the appropriate method of financing PRC's operation, given its current financial condition and GELP's resolve to divest interest;
- e. Upon determination of Board direction, expedite the implementation of the approved course of action to arrest PRC's deteriorating financial condition;

NDC - Philippine Infrastructure Corporation (NPIC)

- f. Establish a definitive and time-bound course of action on whether to dissolve or reactivate NPIC, supported by a comprehensive feasibility study or strategic analysis clearly outlining the economic, legal, and governance implications of each option;
- g. Present the said study to the NDC BOD for policy direction and resolution;
- h. Implement the approved course of action without further delay, preventing continuous stagnation of NPIC's assets and resources, and ensuring that NDC's investment is managed judiciously and efficiently; and
- i. Furnish the Audit Team with copies of the study, Board Resolutions, and official communications with the Governance Commission for GOCCs and other oversight bodies for monitoring purposes.

Further, we recommended that Management:

First Cavite Industrial Estate, Inc. (FCIEI)

- j. Proactively seek clarification on the Office of the President of the Republic of the Philippines' position, in view of the Office of the Deputy Executive Secretary for General Administration letter dated June 18, 2025, and furnish the Audit Team with Management's actions, as well as updates and developments arising from coordination with other concerned government agencies;

Copy furnished:

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

- k. Facilitate negotiation with the Philippine Economic Zone Authority to resolve FCIEI's liabilities; and
 - l. Exert utmost effort to collect amounts due from the persons liable for COA disallowances. Submit documentary proof thereof.
7. The value of NDC's investment amounting to P45 million in the Rizal Hydropower Project has significantly declined to P24.514 million due to continuous losses since the start of its commercial operations in calendar year 2016.

We reiterated our prior year's recommendations that Management:

- a. Reaffirm its courses of action or strategic direction to address its investment's declining value; and
- b. Coordinate with the Philippine National Oil Company and National Irrigation Administration, as appropriate, to communicate and align on the Project's direction and plans, to achieve the most advantageous outcome for all parties, and ultimately, for the government.

The audit observations, together with the recommended courses of action, were discussed with the concerned Management officials and personnel during the exit conference conducted on May 25, 2026, and are presented in detail in Part II of the report.

In a letter of even date, we requested the Acting General Manager of NDC to take appropriate action on the recommendations contained in Part II of this report and to inform this Office of the actions taken thereon by submitting the Agency Action Plan and Status of Implementation (AAPSI) within 60 days from the date of receipt.

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

Very truly yours,

COMMISSION ON AUDIT

By:


EMMA V. MOISES
Director IV
Cluster Director



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

ANNUAL AUDIT REPORT

on the

NATIONAL DEVELOPMENT COMPANY

For the Years Ended December 31, 2025 and 2024

EXECUTIVE SUMMARY

INTRODUCTION

The National Development Company (NDC) was established as a semi-private corporation on March 10, 1919, through Legislative Act No. 2849, as amended by Legislative Act No. 2873. On November 13, 1936, it became a public corporation through Commonwealth Act No. 182, as amended by Commonwealth Act No. 311, dated June 9, 1938. Pursuant to Presidential Decree No. 1648, NDC was reorganized on October 25, 1979, to be the government's investment arm under the Department of Trade and Industry.

The NDC's mandate is to invest in pioneering and development-oriented projects where private investors are unwilling (because of the high risks or uncertainties involved) or unable to venture into (because of the large investment requirement), but are necessary for the country's development.

On March 10, 2003, Executive Order No. 184 was approved by the President of the Philippines, directing the reorganization and streamlining of the NDC by refocusing its operations on serving as the government's investment arm. In fulfilling this role, NDC shall:

- adopt a new philosophy and strategy by sourcing and investing funds in a portfolio of socially relevant and commercially driven projects, the returns from which shall balance out the generation of income streams and ensure sustainable financial returns to uphold the government's shareholder value;
- adopt a more aggressive divestment policy and clearer exit mechanism on its equity investments, which could be best handled by the private sector; and
- act as a holding corporation to manage its subsidiaries where government investments are placed, ensure that their growth potentials are maximized to enhance the government's shareholder value, and adopt control mechanisms to effectively monitor the performance of the subsidiaries.

The NDC is governed, and its activities are directed, controlled, and managed by a Board of Directors composed of nine members and a Chairman.

As of December 31, 2025, NDC has 38 permanent employees and 41 contractual employees. Contractual employees comprise 14 individual and 27 institutional contracts of service.

FINANCIAL HIGHLIGHTS

Comparative Financial Position

	2025	2024 (As restated)	Increase (Decrease)
Assets	36,917,908,938	37,132,527,591	(214,618,653)
Liabilities	8,425,232,377	8,401,838,191	23,394,186
Equity	28,492,676,561	28,730,689,400	(238,012,839)

Comparative Results of Operations

	2025	2024 (As restated)	Increase (Decrease)
Income	471,763,368	2,269,436,408	(1,797,673,040)
Expenses	290,502,118	262,797,924	27,704,194
Income before income tax	181,261,250	2,006,638,484	(1,825,377,234)
Income tax expense	10,482,039	368,329,672	(357,847,633)
Net Income	170,779,211	1,638,308,812	(1,467,529,601)

SCOPE OF AUDIT

Our audit covered the examination, on a test basis, of the accounts and transactions of NDC for the period January 1 to December 31, 2025, in accordance with International Standards of Supreme Audit Institutions (ISSAIs) to enable us to express an opinion on the fairness of presentation of the financial statements for the years ended December 31, 2025, and 2024. Also, we conducted our audits to assess compliance with pertinent laws, rules, and regulations, as well as adherence to prescribed policies and procedures.

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS

We rendered an unqualified opinion on the fairness of the presentation of NDC's financial statements for the years 2025 and 2024.

SIGNIFICANT OBSERVATIONS AND RECOMMENDATIONS

1. The balance of the Property and Equipment (PE) account with a carrying amount of P182.931 million could not be ascertained due to: a) a variance of P15.804 million; and b) the inclusion of missing PE costing P32.531 million, contrary to the Philippine Accounting Standards (PAS) 1.

We reiterated our prior year's recommendations that Management:

- a. Direct the Accounting Unit and Administrative Unit to reconcile the accounting and property records, and to identify and resolve all noted variances;
- b. Require the timely preparation and submission of complete and accurate property and accounting reports, including the Report on Physical Count of Property, Plant and Equipment, and supporting schedules, to ensure consistency, accuracy, and reliability of records;
- c. Direct the investigation into the whereabouts of the missing Property and Equipment items; and
- d. Henceforth, comply with the disposition procedures for the non-existing/missing Property and Equipment items pursuant to the relevant provisions of COA Circular No. 2020-006 dated January 31, 2020.

2. The completeness and existence of Lands Not Used in Operations, Receivable from the Department of Agrarian Reform, and the related allowance for impairment accounts, including disclosures, could not be ascertained due to: a) inconsistencies in NDC's records; and b) absence of itemized lands covered by the Comprehensive Agrarian Reform Program, contrary to PAS 1.

We recommended that Management:

- a. Provide and maintain an itemized receivable account for lands covered by the Comprehensive Agrarian Reform Program;
 - b. Reconcile the records of the Accounting Unit and the Asset Management Group, and determine the effect of any variances noted in the financial statements;
 - c. Assess the adequacy of the allowance for impairment based on complete and reconciled receivables from the Department of Agrarian Reform, and prepare necessary adjusting entries, if warranted; and
 - d. Ensure that appropriate disclosures are made in the Notes to Financial Statements to fully reflect the status, valuation basis, and uncertainties, if any, affecting the related accounts.
3. Several investment properties remained idle, vacant, or occupied by illegal occupants, depriving NDC of potential income while incurring directly attributable expenses totaling P30.832 million in CY 2025, contrary to Section 2(b) of Republic Act No. 10149¹, resulting in the underutilization of NDC land assets.

We reiterated our prior year's recommendations that Management:

- a. Determine whether Brgy. Biaan, Mariveles, Bataan Property is within the Ancestral Domain/Lands or belonging to Indigenous Cultural Communities/Indigenous Peoples;
- b. Determine the status of the Municipal Urban Development and Housing Board-Local Inter-Agency Committee's verification and validation of NDC's title over the Los Baños, Laguna property;
- c. Coordinate with the heir and/or his/her legal counsel for the lease negotiation on the affected portion of Sta. Rosa, Laguna Property;
- d. Provide a status on actions taken by Management about properties with illegal settlers/occupants;

Further, we recommended that Management:

- e. Sustain marketing and advertising efforts for all vacant assets to draw in potential tenants or buyers. Additionally, evaluate alternative strategies to ensure NDC

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maximizes the utility and financial return of these properties;

- f. Provide a detailed status on the following properties with pending cases in court or before investigative authorities: Sucat, Muntinlupa; San Francisco del Monte, Quezon City; San Dionisio, Parañaque City; and Sta. Mesa Manila Properties; and
 - g. Assess compliance with the requirements of the Department of Budget and Management-Department of Finance-National Economic and Development Authority issued Joint Memorandum Circular No. 2020-1 and undertake necessary actions to address identified gaps.
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 - b. Apprise the Audit Team of updates in the titling of each untitled investment property. Provide relevant supporting documents.
5. The non-performance of a final inventory and inspection, coupled with reliance on an outdated Statement of Work Accomplished for the partially completed NDC Industrial Estate Project in Dasmariñas, Cavite, after the contract termination, affects the determination of the project's actual physical and financial condition.

We recommended that Management:

- a. Conduct an inventory and inspection of the completed, partially completed, and remaining works of the NDC Industrial Estate Project to establish its actual physical and financial condition following the termination of the Contracts;
 - b. Prepare an updated and validated report of the remaining works and corresponding project costs based on the actual condition of the Project site and completed works; and
 - c. Implement appropriate measures to preserve and safeguard the completed infrastructures and other project components from further deterioration pending the continuation or completion of the Project.
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- a. Develop a concrete plan to maximize the utilization of the subject property, to improve the financial condition of GYREI for the best interest of the stakeholders and the government;
- b. Seek/manifest with the NDC Board of Directors (BOD) the immediate and concrete resolution of the share acquisition issue between Goodyear Philippines, Inc. (GPI) and NDC, and/or the appropriate course of action in addressing GPI's intent to divest its shareholding;

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- c. Provide a clear plan to acquire the 40 per cent share of GE Lighting Philippines, Inc. (GELP) in PRC, and outline a comprehensive strategy to sustain PRC's operation;
- d. Seek policy direction from the NDC BOD on the optimal utilization of the property and the appropriate method of financing PRC's operation, given its current financial condition and GELP's resolve to divest interest;
- e. Upon determination of Board direction, expedite the implementation of the approved course of action to arrest PRC's deteriorating financial condition;

NDC-Philippine Infrastructure Corporation (NPIC)

- f. Establish a definitive and time-bound course of action on whether to dissolve or reactivate NPIC, supported by a comprehensive feasibility study or strategic analysis clearly outlining the economic, legal, and governance implications of each option;
- g. Present the said study to the NDC BOD for policy direction and resolution;
- h. Implement the approved course of action without further delay, preventing continuous stagnation of NPIC's assets and resources, and ensuring that NDC's investment is managed judiciously and efficiently; and
- i. Furnish the Audit Team with copies of the study, Board Resolutions, and official communications with the Governance Commission for GOCCs and other oversight bodies for monitoring purposes.

Further, we recommended that Management:

First Cavite Industrial Estate, Inc. (FCIEI)

- j. Proactively seek clarification on the Office of the President of the Republic of the Philippines' position, in view of the Office of the Deputy Executive Secretary for General Administration letter dated June 18, 2025, and furnish the Audit Team with Management's actions, as well as updates and developments arising from coordination with other concerned government agencies;

- k. Facilitate negotiation with the Philippine Economic Zone Authority to resolve FCIEI's liabilities; and
 - l. Exert utmost effort to collect amounts due from the persons liable for COA disallowances. Submit documentary proof thereof.
7. The value of NDC's investment amounting to P45 million in the Rizal Hydropower Project has significantly declined to P24.514 million due to continuous losses since the start of its commercial operations in calendar year 2016.

We reiterated our prior year's recommendations that Management:

- a. Reaffirm its courses of action or strategic direction to address its investment's declining value; and
- b. Coordinate with the Philippine National Oil Company and National Irrigation Administration, as appropriate, to communicate and align on the Project's direction and plans, to achieve the most advantageous outcome for all parties, and ultimately, for the government.

SUMMARY OF SUSPENSIONS, DISALLOWANCES, AND CHARGES AS OF YEAR-END

As of December 31, 2025, the total audit suspensions, disallowances, and charges issued in the audit of various NDC transactions amounted to P22.098 million, details of which are included in Part II of this report.

STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

Of the 80 audit recommendations embodied in the prior year's Annual Audit Report, 46 were fully implemented/reconsidered, and 34 were not implemented, thus reiterated in Part II of this Report. 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
CORPORATE GOVERNMENT AUDIT SECTOR
CLUSTER 4 – INDUSTRIAL AND AREA DEVELOPMENT
Commonwealth Avenue, Quezon City

INDEPENDENT AUDITOR'S REPORT

THE BOARD OF DIRECTORS
National Development Company
Makati City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of National Development Company (NDC), which comprise the statements of financial position as at December 31, 2025, and 2024, and the statements of comprehensive income, statements of changes in equity, and statements of cash flows for the years then ended, and notes to financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of NDC as at December 31, 2025, and 2024, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for 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 the NDC in accordance with the Revised Code of Conduct and Ethical Standards for Commission on Audit Officials and Employees (Code of Ethics), as well as the ethical requirements relevant to our audits of the financial statements in the Philippines. 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 38 to the financial statements, which discloses that NDC is a party to several ongoing legal cases and petitions pending before the appellate and lower courts and certain administrative bodies. These cases involve civil actions for the collection of sums of money, reconveyance of property or title, payment of just compensation, specific performance, and refund of withheld taxes. Because the outcome of these cases cannot currently be determined, no claims for assets or provisions for potential liabilities have been recognized in the financial statements. Our opinion is not modified with respect to this matter.

Responsibilities of Management and Those Charged with Governance of the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 NDC'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 NDC or to cease operations or has no realistic alternative but to do so.

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

Auditor's Responsibility for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of NDC'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 NDC'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 NDC to cease to continue as a going concern.

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations No. 15-2010 in Note 40 to the financial statements is presented for the purpose of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management and has been subjected to auditing procedures applied in our audits of the basic financial statements. 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



Atty. DENNIS CRC DE LEON
OIC - Supervising Auditor

May 25, 2026



REPUBLIC OF THE PHILIPPINES
COMMISSION ON AUDIT
CORPORATE GOVERNMENT AUDIT SECTOR
CLUSTER 4 – INDUSTRIAL AND AREA DEVELOPMENT
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INDEPENDENT AUDITOR'S REPORT

THE BOARD OF DIRECTORS
National Development Company
Makati City

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of National Development Company (NDC), which comprise the statements of financial position as at December 31, 2025, and 2024, and the statements of comprehensive income, statements of changes in equity, and statements of cash flows for the years then ended, and notes to financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of NDC as at December 31, 2025, and 2024, and its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRS).

Basis for 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 the NDC in accordance with the Revised Code of Conduct and Ethical Standards for Commission on Audit Officials and Employees (Code of Ethics), as well as the ethical requirements relevant to our audits of the financial statements in the Philippines. 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 38 to the financial statements, which discloses that NDC is a party to several ongoing legal cases and petitions pending before the appellate and lower courts and certain administrative bodies. These cases involve civil actions for the collection of sums of money, reconveyance of property or title, payment of just compensation, specific performance, and refund of withheld taxes. Because the outcome of these cases cannot currently be determined, no claims for assets or provisions for potential liabilities have been recognized in the financial statements. Our opinion is not modified with respect to this matter.

Responsibilities of Management and Those Charged with Governance of the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 NDC'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 NDC or to cease operations or has no realistic alternative but to do so.

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

Auditor's Responsibility for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.
- Obtain an understanding of internal control relevant to the audit to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of NDC'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 NDC'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 NDC to cease to continue as a going concern.

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information required under Revenue Regulations No. 15-2010 in Note 40 to the financial statements is presented for the purpose of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management and has been subjected to auditing procedures applied in our audits of the basic financial statements. 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


Atty. DENNIS CRC DE LEON
OIC - Supervising Auditor

May 25, 2026

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

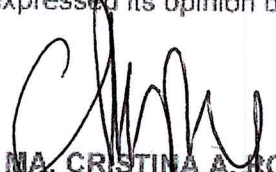
The Management of National Development Company (NDC) is responsible for the preparation and fair presentation of the financial statements, including the schedules attached therein, for the years ended December 31, 2025 and 2024, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing NDC'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 NDC or to cease operations, or has no realistic alternative to do so.

The Board of Directors is responsible for overseeing NDC'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 stakeholders and other users.

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



SEC. MA. CRISTINA A. ROQUE
NDC Chairperson of the Board



SATURNINO H. MEJIA
General Manager



JOYCE ANNE N. ALIMON
Assistant General Manager - Finance and Subsidiaries Group

May 25, 2026

NATIONAL DEVELOPMENT COMPANY
STATEMENTS OF FINANCIAL POSITION
December 31, 2025 and 2024
(In Philippine Peso)

	Note	2025	2024 (As restated)	January 1, 2024 (As restated)
ASSETS				
Current Assets				
Cash and cash equivalents	6	871,607,583	982,533,498	215,581,117
Other investments	7	853,397,251	421,382,295	1,017,866,401
Receivables-net	8	210,160,942	637,712,391	242,335,814
Inventories	9	1,686,731	1,510,839	1,671,740
Other current assets	10	611,401,536	770,765,146	687,854,590
Total Current Assets		2,548,254,043	2,813,904,169	2,165,309,662
Non-Current Assets				
Financial assets	11	1,348,431,835	1,325,020,085	1,354,658,550
Investments in associates/affiliates	12	255,570,228	223,663,718	227,769,313
Investments in subsidiaries	13	402,315,129	402,315,129	402,315,129
Other investments	14	277,446,890	277,446,890	196,446,890
Receivables-net	8	104,215,447	111,657,408	65,611,059
Investment property	15	31,768,643,664	31,760,405,192	30,685,833,670
Property and equipment-net	16	182,931,293	190,296,411	188,287,663
Intangible assets-net	17	1,249,119	12	12
Other non-current assets	18	28,851,290	27,818,577	28,854,755
Total Non-Current Assets		34,369,654,895	34,318,623,422	33,149,777,041
TOTAL ASSETS		36,917,908,938	37,132,527,591	35,315,086,703
LIABILITIES AND EQUITY				
Current Liabilities				
Financial liabilities	19	648,306,853	629,028,154	640,929,993
Inter-agency payables	20	32,008,146	20,705,975	23,645,190
Trust liabilities	21	85,307,751	107,482,499	11,696,380
Deferred credits/unearned income	22	5,897,020	19,072,253	25,918,915
Provisions	23	387,755,036	363,645,064	348,117,851
Other payables	24	14,854,821	7,184,057	2,335,631
Total Current Liabilities		1,174,129,627	1,147,118,002	1,052,643,960
Non-Current Liabilities				
Deferred tax liability	32	7,199,060,192	7,205,106,728	6,986,164,835
Trust liabilities	21	52,042,558	49,613,461	43,006,081
Total Non-Current Liabilities		7,251,102,750	7,254,720,189	7,029,170,916
Equity	33	28,492,676,561	28,730,689,400	27,233,271,827
TOTAL LIABILITIES AND EQUITY		36,917,908,938	37,132,527,591	35,315,086,703

The notes on pages 9 to 71 form part of these financial statements.

NATIONAL DEVELOPMENT COMPANY
STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended December 31, 2025 and 2024
(In Philippine Peso)

	Note	2025	2024 (As restated)
INCOME			
Business income	25	450,237,227	412,211,698
Gains	26	16,470,477	1,850,319,771
Other non-operating income	27	5,055,664	6,904,939
		471,763,368	2,269,436,408
EXPENSES			
Personnel services	28	80,240,999	62,280,914
Maintenance and other operating expenses	29	165,587,870	161,594,095
Financial expenses	30	20,752,555	15,138,171
Non-cash expenses	31	23,920,694	23,784,744
		290,502,118	262,797,924
INCOME BEFORE INCOME TAX		181,261,250	2,006,638,484
INCOME TAX EXPENSE			
Current tax	32	16,528,575	149,387,779
Deferred tax	32	(6,046,536)	218,941,893
NET INCOME		170,779,211	1,638,308,812
Other comprehensive income	11	20,362,325	15,400,080
TOTAL COMPREHENSIVE INCOME		191,141,536	1,653,708,892

The notes on pages 9 to 71 form part of these financial statements.

NATIONAL DEVELOPMENT COMPANY
STATEMENTS OF CHANGES IN EQUITY
For the Years Ended December 31, 2025 and 2024
(In Philippine Peso)

	Note	Share Capital (Note 33)	Share in Revaluation Increments of Associates	Accumulated Other Comprehensive Income	Retained Earnings (Note 34)	Total
Balances, December 31, 2023		8,602,803,483	28,883,100	67,864,570	19,055,143,992	27,754,695,145
Correction of prior years' errors	35	0	0	0	(521,423,318)	(521,423,318)
Balances, January 1, 2024		8,602,803,483	28,883,100	67,864,570	18,533,720,674	27,233,271,827
Changes in Equity for 2024						
Net income for the year		0	0	0	1,638,308,812	1,638,308,812
Dividends	37	0	0	0	(156,291,319)	(156,291,319)
Other comprehensive income for the year						
Unrealized gain on financial assets at FVOCI	11	0	0	15,400,080	0	15,400,080
Balances, December 31, 2024, as restated		8,602,803,483	28,883,100	83,264,650	20,015,738,167	28,730,689,400
Changes in Equity for 2025						
Net income for the year		0	0	0	170,779,211	170,779,211
Dividends	37	0	0	0	(429,154,375)	(429,154,375)
Other comprehensive income for the year						
Unrealized gain on financial assets at FVOCI	11	0	0	20,362,325	0	20,362,325
Balances, December 31, 2025		8,602,803,483	28,883,100	103,626,975	19,757,363,003	28,492,676,561

The notes on pages 9 to 71 form part of these financial statements.

NATIONAL DEVELOPMENT COMPANY
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2025 and 2024
(In Philippine Pesos)

	Note	2025	2024
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash Inflows			
Collection of rentals		220,687,345	240,509,043
Collection of interest		18,080,791	19,639,849
Dividends received		17,853,049	11,764,403
Collection of receivables		11,364,405	8,167,779
Miscellaneous collections		3,111,039	1,745,235
Total Cash Inflows		271,096,629	281,826,309
Cash Outflows			
Payment to suppliers and service providers		551,734,491	210,613,643
Payment of taxes and licenses		63,084,848	243,002,419
Payment of salaries and benefits to officers and employees		63,371,939	48,588,403
Total Cash Outflows		678,191,278	502,204,465
Net cash used in operating activities		(407,094,649)	(220,378,156)
CASH FLOWS FROM INVESTING ACTIVITIES			
Cash Inflows			
Proceeds/placements on investments		720,348,229	795,391,504
Collection of loans		3,371,355	860,972
Proceeds from disposal of assets		170	379,073,235
Total Cash Inflows		723,719,754	1,175,325,711
Cash Outflow			
Equity Investment		0	81,000,000
Loan released		0	45,700,000
Total Cash Outflow		0	126,700,000
Net cash provided by investing activities		723,719,754	1,048,625,711
CASH FLOWS FROM FINANCING ACTIVITIES			
Cash Inflow			
Inter-Agency Transfer of Funds	10	0	95,000,000
Total Cash Inflow		0	95,000,000
Cash Outflow			
Payment of dividends	37	429,154,375	156,291,319
Total Cash Outflow		429,154,375	156,291,319
Net cash used in financing activities		(429,154,375)	(61,291,319)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		1,603,355	(3,855)
NET INCREASE IN CASH AND CASH EQUIVALENTS		(110,925,915)	766,952,381
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		982,533,498	215,581,117
CASH AND CASH EQUIVALENTS AT END OF YEAR	6	871,607,583	982,533,498

The notes on pages 9 to 71 form part of these financial statements.

NATIONAL DEVELOPMENT COMPANY NOTES TO FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The National Development Company (NDC) was established as a semi-private corporation on March 10, 1919, through Legislative Act (LA) No. 2849, as amended by LA No. 2873. It was authorized to engage in commercial, industrial, and other enterprises essential to the country's economic development.

On November 13, 1936, it became a public corporation through Commonwealth Act (CA) No. 182, as amended by CA No. 311, dated June 9, 1938, to implement the economic policies of the National Government and play an active role in the development of natural resources.

Presidential Decree No. 1648, issued on October 25, 1979, revised the NDC Charter and reorganized the NDC to be the government's investment arm under the Department of Trade and Industry (DTI). The NDC's mandate is to invest in pioneering and development-oriented projects where private investors are unwilling (because of the high risks or uncertainties involved) or unable to venture into (because of the large investment requirement), but are necessary for the country's development.

On March 10, 2003, Executive Order (EO) No. 184 was issued, directing the reorganization and streamlining of the NDC by refocusing its operations as the government's investment arm. In fulfilling this role, NDC shall:

- adopt a new philosophy and strategy by sourcing and investing funds in a portfolio of socially relevant and commercially driven projects, the returns from which shall balance out the generation of income streams and ensure sustainable financial returns to uphold the government's shareholder value;
- adopt a more aggressive divestment policy and a more precise exit mechanism on its equity investments, which could be best handled by the private sector; and
- act as a holding corporation to manage its subsidiaries where government investments are placed, ensure that their growth potentials are maximized to enhance the government's shareholder value, and adopt control mechanisms to effectively monitor the performance of the subsidiaries.

Further, the NDC was also directed to review its operations, following a set of performance-measuring criteria, to attain its missions, plans, and goals in accordance with the refocused functions.

The Department of Budget and Management approved the new NDC structure on May 29, 2003, along with the required staffing pattern and qualification standards for all positions. The corresponding Implementing Rules and Regulations of EO No. 184 were promulgated and approved by the DTI Secretary on August 28, 2003, under DTI Department Order No. 70. With the implementation of EO No. 184, new employees were hired to implement the mandate of NDC as the government's investment arm.

The NDC's principal office is located in the NDC Building, No. 116 Tordesillas St., Salcedo Village, Makati City.

The accompanying financial statements as of December 31, 2025, and 2024 were approved and authorized for issue by the Management on May 25, 2026.

2. FINANCIAL REPORTING FRAMEWORK AND BASIS OF PREPARATION AND PRESENTATION

Statement of Compliance

The financial statements of the NDC were prepared in accordance with Philippine Financial Reporting Standards (PFRS), which include all applicable PFRS, Philippine Accounting Standards (PAS), and interpretations issued by the International Financial Reporting Interpretations Committee, Philippine Interpretations Committee, and Standing Interpretations Committee as approved by the Financial Reporting Standards Council and Board of Accountancy and adopted by the Securities and Exchange Commission.

Basis of Preparation

Unless otherwise indicated, the NDC's financial statements were prepared using the historical cost basis. Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or liability, the NDC considers the characteristics that market participants would take into account when pricing the asset or liability at the measurement date.

For financial reporting purposes, fair value measurements are categorized into Level 1, 2, or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which is described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Functional and Presentation Currency

These financial statements are presented in Philippine Peso, the currency of the primary economic environment in which the NDC operates. All values represent absolute amounts except when otherwise indicated.

3. NEW AND REVISED ACCOUNTING STANDARDS

Adoption of New and Amended PFRS

a. Effective in 2025, that are not relevant to the NDC

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of the following new and amended PFRS, which the NDC adopted effective for annual periods beginning on or after January 1, 2025:

- Amendments to PAS 21, Lack of Exchangeability – The amendments apply when one currency cannot be exchanged into another. This may occur, for example, because of government-imposed controls on capital imports and exports, or because of a limit on the volume of foreign-currency transactions that can be undertaken at the official exchange rate. The amendments clarify when a currency is considered exchangeable for another currency, and how an entity estimates a spot rate for currencies that are not exchangeable. The amendments introduce new disclosures to help financial statement users assess the impact of using an estimated exchange rate.

b. New and amended PFRS issued but not yet effective

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

Effective for annual periods beginning on or after January 1, 2026:

- Amendments to PFRS 9 and PFRS 7, *Amendments to the Classification and Measurement of Financial Instruments* - Clarifies that financial assets and financial liabilities are recognized and derecognized at the settlement date, except for regular way purchases or sales of financial assets and financial liabilities meeting conditions for a new exception. The new exception permits companies to elect to derecognize certain financial liabilities settled via electronic payment systems earlier than the settlement date.

They also provide guidelines to assess contractual cash flow characteristics of financial assets, which apply to all contingent cash flows, including those arising from environmental, social, and governance (ESG)-linked features.

Additionally, these amendments introduce new disclosure requirements and update others.

Effective for annual periods beginning on or after January 1, 2027:

- Amendments to PFRS 17, Insurance Contracts – The main changes resulting from Amendments to PFRS 17 are:
 - Deferral of the date of initial application of PFRS 17 by two years to annual periods beginning on or after January 1, 2025, and change the fixed expiry date for the temporary exemption in PFRS 4 Insurance Contracts from applying PFRS 9 Financial Instruments, so that entities would be required to apply PFRS 9 for annual periods beginning on or after January 1, 2027.
 - Additional scope exclusion for credit card contracts and similar contracts that provide insurance coverage, as well as an optional scope exclusion for loan contracts that transfer significant insurance risk.
 - Recognition of insurance acquisition cash flows relating to expected contract renewals, including transition provisions and guidance for insurance acquisition cash flows recognized in a business acquired in a business combination.
 - Clarification of the application of PFRS 17 in interim financial statements, allowing an accounting policy choice at a reporting entity level.
 - Clarification of the application of contractual service margin attributable to investment-return service and investment-related service, and changes to the corresponding disclosure requirements.
 - Extension of the risk mitigation option to include reinsurance contracts held and non-financial derivatives.
 - Amendments to require an entity that initially recognizes losses on onerous insurance contracts issued to also recognize a gain on reinsurance contracts held.
 - Simplified presentation of insurance contracts in the statement of financial position so that entities would present insurance contract assets and liabilities in the statement of financial position determined using portfolios of insurance contracts rather than groups of insurance contracts.
 - Additional transition relief for business combinations and additional transition relief for the date of application of the risk mitigation option and the use of the fair value transition approach.
 - Several small amendments regarding minor application issues.
- PFRS 18 replaces PAS 1, *Presentation and Disclosure in Financial Statements* - The changes, which primarily affect the income statement, include the requirement to classify income and expenses into three new categories – operating, investing, and financing – and present subtotals for operating profit or loss and profit or loss before financing and income taxes.

Further, operating expenses are presented directly on the face of the income statement – classified by nature (e.g., employee compensation), function (e.g., cost of sales), or using a mixed presentation. Expenses presented by function require more detailed disclosures about their nature.

Deferred effectivity

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

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

4. SIGNIFICANT ACCOUNTING POLICIES

The financial statements were prepared using the measurement bases specified by PFRS for each type of asset, liability, income, and expense.

Financial Assets

Initial Recognition

Financial assets are recognized in the NDC's financial statements when the NDC becomes a party to the contractual provisions of the instrument. Financial assets are recognized initially at fair value. Transaction costs are included in the initial measurement of the NDC's financial assets, except for investments classified at fair value through profit or loss (FVTPL).

Classification and Subsequent Measurement

Financial assets are classified into the following specified categories: financial assets at FVTPL, financial assets at fair value through other comprehensive income (FVOCI), and at amortized cost. The classification is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

Financial Assets at FVTPL

The NDC classifies financial assets at FVTPL when the asset is held for trading or designated at initial recognition as at FVTPL.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- on initial recognition, it is a part of an identified portfolio of financial instruments that the NDC manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and is not effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a group of financial assets or financial liabilities or both, which is managed, and its performance is evaluated on a fair value basis in accordance with the NDC's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and it is permitted that the entire combined contract be designated as at FVTPL.

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on the measurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item in the statement of comprehensive income.

As of the reporting date, the NDC does not have any financial assets classified as FVTPL.

Financial Assets at Amortized Cost

A financial asset is measured at amortized cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold financial assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

After initial measurement, the financial assets are subsequently measured at amortized cost using the effective interest method, less any allowance for impairment. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral to the effective interest rate. Gains and losses are recognized in profit or loss when financial assets are reclassified to FVTPL, impaired, or derecognized, and through amortization.

Cash and cash equivalents, short-term investments, and receivables fall under this category.

Financial Assets at FVOCI

For debt instruments that meet the contractual cash flow characteristic and are not designated at FVTPL under the fair value option, the financial assets shall be measured at FVOCI if both of the following conditions are met:

- it is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For equity instruments, the NDC may irrevocably designate the financial asset to be measured at FVOCI in case the above conditions are not met.

Financial assets at FVOCI are initially measured at fair value plus transaction costs. After initial recognition, interest income (calculated using the effective interest rate method), foreign currency gains or losses, and impairment losses of debt instruments measured at FVOCI are recognized directly in profit or loss. When the financial asset is derecognized, the cumulative gains or losses previously recognized in OCI are reclassified from equity to profit or loss as a reclassification adjustment.

Dividends from equity instruments held at FVOCI are recognized in profit or loss when the right to receive payment is established unless the dividend clearly represents a recovery of part of the investment's cost. Foreign currency gains or losses and unrealized gains or losses from equity instruments are recognized in OCI and presented in the equity section of the statements of financial position.

These fair value changes are recognized in equity and are not reclassified to profit or loss in subsequent periods.

Financial assets at FVOCI-equity instruments are disclosed in Note 11.

Impairment of financial assets- starting January 1, 2022:

The NDC applies an "expected credit loss" (ECL) model to its financial assets measured at amortized cost and to debt investments at FVOCI, but not to investments in equity instruments.

Loss allowances are measured on either of the following bases:

- *12-month ECLs.* These are ECLs that result from possible default events within the 12 months after the reporting date; and
- *Lifetime ECLs.* These are ECLs that result from all possible default events over the expected life of a financial instrument.

The NDC measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured as 12-month ECLs:

- Debt securities that are determined to have low credit risk at the reporting date; and
- Other debt securities and bank balances for which credit risk (i.e., the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

The NDC has elected to measure loss allowances for receivables at the amount of lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the NDC considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on the NDC's historical experience, as well as informed credit assessment, including current conditions and forecasts of future economic conditions.

The NDC assumes that a financial asset's credit risk has increased significantly if it is more than two years past due.

The NDC considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the NDC in full without recourse by the NDC to actions such as realizing security (if any is held); or
- The financial asset is more than two years past due.

The maximum contractual period over which the NDC is exposed to credit risk is considered when estimating ECLs.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e., the difference between the cash flows due to the entity under the contract and the cash flows the NDC expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the NDC assesses whether financial assets carried at amortized cost and debt securities at FVOCI are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Impairment of financial assets- before January 1, 2022:

Impairment loss is provided when there is objective evidence that the NDC will not be able to collect all amounts due to it in accordance with the original terms of the receivables or when the investment can no longer be recovered.

Derecognition of financial assets

The NDC derecognizes financial assets when the contractual rights to the cash flow from the asset expire or when it transfers the financial asset and substantially all the risk and rewards of ownership of the asset to another party. If the NDC neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the NDC recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the NDC retains substantially all the risk and rewards of ownership of a transferred financial asset, the NDC continues to recognize the financial asset and also recognizes collateralized borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable, and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity, is recognized in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g., when the NDC retains an option to repurchase part of a transferred asset), the NDC allocates the previous carrying amount of the financial asset between the part it continues to recognize under continuing involvement and the part it no longer recognizes based on the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognized and the sum of the consideration received for the part no longer recognized and any cumulative gain or loss allocated to it that had been recognized in other comprehensive income is recognized in profit or loss. A cumulative gain or loss that had been recognized in other comprehensive income is allocated between the part that continues to be recognized and the part that is no longer recognized based on the relative fair values of those parts.

Financial Liabilities and Equity Instruments

Classification as Debt or Equity

Debt and equity instruments issued by the NDC are classified as either financial liabilities or equity in accordance with the substance of the contractual arrangements and the definitions of financial liabilities and equity instruments.

Financial Liabilities

Initial recognition

Financial liabilities are recognized in the NDC's financial statements when the NDC becomes a party to the contractual provisions of the instrument. Financial liabilities are initially recognized at fair value. Transaction costs are included in the initial measurement of the NDC's financial liabilities except for debt instruments classified at FVTPL. In a regular way purchase or sale, financial liabilities are recognized and derecognized, as applicable, using settlement date accounting.

Classification and Subsequent Measurement

Financial liabilities are classified as either financial liabilities at FVTPL or other financial liabilities.

Financial liabilities at FVTPL

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

A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition, it is part of a portfolio of identified financial instruments that the Company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of financial assets or financial liabilities or both, which is managed, and its performance is evaluated on a fair value basis in accordance with the NDC's documented risk management or investment strategy, and information about the NDC is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and Philippine Accounting Standards 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognized in profit or loss. The net gain or loss recognized in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the statement of comprehensive income. Fair value is determined in the manner described in the notes.

Other financial liabilities

Other financial liabilities (including borrowings) are subsequently measured at amortized cost using the effective interest method.

The effective interest method is a method of calculating the amortized cost of a financial liability and allocating interest expense over the relevant period. The effective interest

rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Accounts payable and accrued expenses, inter-agency payables, and loans payable are classified as other financial liabilities.

Offsetting financial instruments

Financial assets and liabilities are offset, and the net amount is reported in the statements of financial position when there is a legally enforceable right to offset the recognized amounts, and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously.

A right to offset must be available today rather than being contingent on a future event and must be exercisable by any of the counterparties, both in the normal course of business and in the event of default, insolvency, or bankruptcy.

Derecognition of financial liabilities

The NDC derecognizes financial liabilities when, and only when, the NDC's obligations are discharged, canceled, or expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the NDC are recognized at the proceeds received, net of direct issue costs.

Retained earnings

Retained earnings represent accumulated profit and/or loss attributable to equity holders of the NDC after deducting dividends declared. Retained earnings may also include the effect of changes in accounting policy and prior period adjustments.

Investment in Subsidiary

A subsidiary is an entity over which NDC exercises control over the financial and operating policy decisions of the investee.

An investment in a subsidiary is accounted for using the cost method from the date on which the investee becomes a subsidiary. Under the cost method, the investment in a subsidiary is initially measured at cost and presented in the statement of financial position at cost less any accumulated impairment in value.

Investment in a subsidiary is derecognized upon disposal. Any difference between the carrying amount of the investment in a subsidiary and the net proceeds from the disposal is recognized immediately in profit or loss.

Investment in Joint Venture (JV)

A JV is a contractual arrangement whereby the group and other parties undertake an economic activity that is subject to joint control.

Where a group of companies undertakes its activities under JV arrangements directly, the group's share of jointly-controlled assets and any liabilities incurred jointly with other venturers are recognized in the financial statements of the venturers and classified according to their nature.

Liabilities and expenses incurred directly with respect to interests in jointly controlled assets are accounted for on an accrual basis. Income from the sale or use of the group's share of the output of jointly-controlled assets and its share of JV expenses is recognized when it is probable that the economic benefits associated with the transactions will flow to/from the group and their amount can be measured reliably.

Investment in Associate/Affiliate

An associate is an entity over which NDC has significant influence, and that is neither a subsidiary nor an interest in a JV. Significant influence is the power to participate in the investee's financial and operating policy decisions, but is not control or joint control over those policies.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. Any excess of the cost of acquisition over the NDC's share of the fair values of the identifiable net assets of the associate at the date of acquisition is recognized as implied goodwill, which is included within the carrying amount of the investments and is assessed for impairment as part of that investment. Any deficiency of the cost of acquisition below the NDC's share of the fair values of the identifiable net assets of the associate at the date of acquisition, i.e., discount on acquisition, is immediately recognized in profit or loss in the period of acquisition.

The results of operations and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held-for-sale, which is measured at the lower of carrying amount and fair value less cost to sell. Under the equity method, investments in associates or JVs are carried in the statements of financial position at cost and adjusted thereafter to recognize the NDC's share of the profit or loss and other comprehensive income of the associate or JV. When the NDC's share of losses of an associate exceeds the NDC's interest in that associate, the NDC discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the NDC has incurred legal or constructive obligations or made payments on behalf of the associate or JV.

The NDC's accounting policy for impairment of financial assets is applied to determine whether it is necessary to recognize any impairment loss with respect to its investment in an associate. When necessary, the entire carrying amount of the investment, including goodwill, is tested for impairment in accordance with the NDC's accounting policy on impairment of tangible and intangible assets as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, any impairment loss recognized forms part of the carrying amount of

the investment. Any reversal of that impairment loss is recognized to the extent that the recoverable amount of the investment subsequently increases.

The NDC discontinues the use of the equity method from the date the investment ceases to be an associate or when the investment is classified as held for sale. When the NDC retains an interest in the former associate and the retained interest is a financial asset, the NDC measures the retained interest at fair value at that date, and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the associate at the date the equity method was discontinued and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of gain or loss on the disposal of the associate.

In addition, the NDC accounts for all amounts previously recognized in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the NDC reclassifies the gain or loss from equity to profit or loss (as reclassification adjustment) when the equity method is discontinued.

Investment Property

Investment property is measured initially at cost, including transaction costs. Subsequent to initial recognition, investment property is stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in the fair values of investment property are included in the income statement in the period in which they arise.

Investment property is derecognized when either it has been disposed of or when the investment property is permanently withdrawn from use, and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in the income statement in the period of derecognition.

Transfers to or from investment property are made only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of the change. If owner-occupied property becomes an investment property, the NDC accounts for the property in accordance with the policy stated under property, plant, and equipment up to the date of change.

Property and Equipment

Property and equipment are initially measured at cost. The cost of an item of property and equipment comprises:

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

- any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management; and
- the initial estimate of the future costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an entity incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

Property and equipment are stated in the financial statements at cost less accumulated depreciation, amortization, and any impairment in value.

Expenditures incurred after the property and equipment have been put into operation, such as repairs, maintenance, and overhaul costs, are normally recognized in profit or loss in the year the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment. The cost of replacing a component of an item of property and equipment is recognized if it is probable that the future economic benefits embodied within the component will flow to the NDC, and its cost can be measured reliably. The carrying amount of the replaced component is derecognized.

When parts of an item of property and equipment have different useful lives, these are accounted for as separate items (principal components) of property and equipment.

Depreciation and amortization are calculated on a straight-line basis over the estimated useful lives of the property and equipment.

Intangible Asset

An intangible asset is an identifiable non-monetary asset without physical substance. This is initially measured at cost and is subsequently measured at cost less accumulated amortization and any accumulated impairment loss. This is amortized over the estimated useful life using the straight-line method. If there is an indication that there has been a significant change in amortization rate, useful life, or residual value of an intangible asset, the amortization is revised prospectively to reflect the new expectations.

The NDC's intangible assets consist primarily of computer software and other identifiable non-monetary assets without physical substance, which are expected to provide future economic benefits or service potential.

An asset meets the identifiability criterion in the definition of an intangible asset when:

- a. It is separable, meaning the asset is capable of being separated from the entity and sold, transferred, licensed, rented, or exchanged, either individually or together with a related contract, asset, or liability.
- b. It arises from contractual or other legal rights, regardless of whether these rights are transferable or separable from the entity or from other rights and obligations.

Impairment of Non-financial Assets

At each reporting date, non-financial assets are reviewed to determine whether there is any indication that those assets have suffered an impairment loss. If there is an indication of possible impairment, the recoverable amount of any affected asset (or group of related assets) is estimated and compared with its carrying amount. If the estimated recoverable amount is lower, the carrying amount is reduced to its estimated recoverable amount, and an impairment loss is recognized immediately in profit and loss.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but not in excess of the amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

Derecognition of Non-financial assets

Non-financial assets are derecognized when they are disposed of or when no future economic benefits are expected from them. Any difference between the carrying value of the asset derecognized and the net proceeds from derecognition is recognized in profit or loss.

Related Parties

Related party relationships exist when one party has the ability to control, directly or indirectly through one or more intermediaries, the other party, or to exercise significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities that are under common control with the reporting enterprise or between and/or among the reporting enterprise and its key management personnel, directors, or shareholders. In considering each possible related-party relationship, attention is directed to the substance of the relationship, not merely its legal form.

Revenue Recognition

Revenue is recognized to the extent that it is probable that economic benefits will flow to the NDC and that the revenue can be measured reliably. Revenue is measured at the fair value of the consideration received or receivable, which represents the amount of services provided in the normal course of business.

Dividend Income

Dividend income is recognized when the NDC's rights to receive payment have been established, provided that the economic benefits will probably flow to the NDC and the amount of income can be measured reliably.

Interest Income

Interest income is accrued on a time proportion basis by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly

discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Lease Income

Lease income from cancellable lease agreements is recognized when earned in the statement of comprehensive income.

Expense Recognition

Expenses are recognized in profit or loss when a decrease in future economic benefit related to a decrease in an asset or an increase in liability has arisen that can be measured reliably. Expenses are recognized in profit or loss based on a direct association between the costs incurred and the earning of specific items of income, based on systematic and rational allocation procedures when economic benefits are expected to arise over several accounting periods and the association with income can only be broadly or indirectly determined; or immediately when an expenditure produces no future economic benefits or when, and to the extent that, future economic benefits do not qualify, or cease to qualify, for recognition in the statements of financial position as an asset.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership of the leased asset to the lessee.

All other leases are classified as operating leases. Rental payments under operating leases are recognized in profit or loss on a straight-line basis over the term of the relevant lease.

The NDC as Lessor

The Contract of Lease entered into by the NDC does not transfer substantially all the risks and benefits of ownership of the asset. The NDC is engaged in a lease with a termination clause, which states that, in case the Contract of Lease is terminated by the Lessor at any time before its expiration, the Lessor shall refund the amount representing the unearned portion of the rental to the Lessee. On the other hand, if the Contract of Lease is terminated by the Lessee at any time before its expiration, the amount representing the unearned portion of the rental will be deemed forfeited in favor of the Lessor. The rent income from the Contract of Lease is recognized in the statement of comprehensive income.

The NDC determines whether an arrangement is or contains a lease based on its substance. It assesses whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets, or whether the arrangement conveys a right to use the asset.

Employee Benefits

Short-term Benefits

Short-term benefits include salaries, bonuses, compensated absences, and other forms of employee benefits that are expected to be settled within one year from the reporting date. Short-term employee benefits are recognized as expenses in the period the related services are provided.

Terminal leave benefits

Terminal leave benefits are computed based on the actual leave credits earned by employees as of the reporting date. The amount reported as a liability in the statement of financial position is based on the employee's salary grade as of the reporting dates.

Provident fund

Pursuant to Executive Order No. 641, the NDC has established a Provident Fund, a defined contribution plan consisting of contributions made by its officers and employees and the NDC. The Fund is administered by its Board of Trustees.

Income Tax

The income tax expense represents the sum of the current tax and deferred tax expenses.

Current Tax

The current tax expense is the amount of tax due, which is computed based on the taxable profit for the year. Taxable profit differs from net profit as reported in the statements of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years, and it further excludes items that are never taxable or deductible.

Deferred Tax

Deferred tax is recognized on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognized for all taxable temporary differences. Deferred tax assets are generally recognized for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilized. Such deferred tax assets and liabilities are not recognized if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled, or the asset realized, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the NDC expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and Deferred Tax for the Year

Current and deferred taxes are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred taxes are also recognized in other comprehensive income or directly in equity, respectively.

Borrowing Costs

Borrowing costs are interest and other costs that the NDC incurs in connection with the borrowing of funds. Borrowing costs that are directly attributable to the acquisition, construction, or production of qualifying assets are added to the cost of the assets until such time as the assets are substantially ready for their intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalization.

All other borrowing costs are recognized in profit or loss in the period in which they are incurred.

Provisions and Contingencies

Provisions are recognized when the NDC 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 will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. Where the NDC expects some or all of a provision to be reimbursed, for example, under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in profit or loss, net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

Contingent liabilities are not recognized in the financial statements. These are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the financial statements but are disclosed in the notes to the financial statements when an inflow of economic benefits is probable.

Foreign Currency Transactions

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

- a. Foreign currency monetary items are translated using the closing rate;
- b. Nonmonetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction; and
- c. Nonmonetary items measured at fair value in a foreign currency are translated using the exchange rates at the date the fair value is determined.

Exchange differences arising (a) on the settlement of monetary items or (b) on translating monetary items at rates different from those at which they are translated on initial recognition during the period or in previous financial statements are recognized in surplus or deficit in the period in which they arise.

Changes in Accounting Policies and Estimates

The effects of changes in accounting policies are recognized retrospectively. The effects of changes in accounting policy were applied prospectively if retrospective application is impracticable.

The effects of changes in accounting estimates are recognized prospectively by including them in profit or loss.

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

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

The increase in the capitalization threshold from P15,000 to P50,000 for Property and Equipment shall be considered a change in accounting policy and shall be applied retrospectively, in accordance with COA Circular No. 2022-004 dated May 31, 2022.

Events after the Reporting Date

Subsequent events that provide additional information about conditions existing at period end (adjusting events) are recognized in the financial statements. Subsequent events that provide additional information about conditions existing after the period ends (non-adjusting events) are disclosed in the notes to the financial statements.

5. JUDGMENTS AND ESTIMATES

The preparation of the financial statements in accordance with Philippine Financial Reporting Standards requires the NDC to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Future events may occur, which will cause the assumptions used in arriving at the estimates to change. The effects of changes in estimates will be reflected in the financial statements as they become reasonably determinable.

In calendar year (CY) 2017, Management made a significant judgment regarding the financial position of Philippine Pharma Procurement Inc. (PPPI), which is 40 per cent owned by NDC. PPPI incurred continuous operating losses and has experienced negative cash flows from its operations. Management assessed these financial indicators to determine whether PPPI will be able to continue its rental payment obligations under existing lease agreements. Management determined that PPPI is presently unable to settle its lease liabilities. This judgment has a significant impact on the presentation and disclosure of rental receivables.

Estimated allowance for impairment of receivables

The NDC maintains an allowance for impairment losses at a level considered adequate to provide for potential uncollectible receivables. This amount is evaluated based on factors that affect the collectability of the accounts. These factors include the age of the receivables, the length of the NDC's relationship with the customer, the customer's payment behavior, and known market factors. The amount and timing of recorded expenses for any period would differ if the NDC made different judgments or utilized different estimates.

At the end of 2025 and 2024, the NDC recognized the allowance for impairment of receivables in the amounts of P2.917 million and P1.260 million, respectively.

Estimating useful lives of property and equipment

The NDC estimates the useful lives of its property and equipment based on the period over which these assets are expected to be available for use. The estimated useful lives of these assets and residual values are reviewed and adjusted, if appropriate, only if there is a significant change in the asset or how it is used.

The following estimated useful lives are used in depreciating the property and equipment:

Type of Asset	Estimated useful life in years
Land improvements	40
Building and building improvements	2 to 20
Furniture and equipment	3 to 10

6. CASH AND CASH EQUIVALENTS

This account consists of:

	2025	2024
Cash with collecting/disbursing officer	72,720	46,806
Cash in banks	46,534,863	11,180,555
Cash equivalents	825,000,000	971,306,137
	871,607,583	982,533,498

Cash in banks earns interest at the prevailing bank deposit rates. Interest earned on Cash in banks amounted to P10,069 and P10,457 in CYs 2025 and 2024, respectively.

Cash equivalents pertain to investments in time deposits in the Land Bank of the Philippines (LBP) and the Development Bank of the Philippines (DBP) with interest rates ranging from 5.20 to 5.97 per cent and with maturity dates of three months or less.

7. OTHER INVESTMENTS

This account consists of money market placements in LBP and DBP in the total amount of P853.397 million and P421.382 million in CYs 2025 and 2024, respectively. Interest earned on these investments amounted to P60.148 million and P59.286 million in CYs 2025 and 2024, respectively.

8. RECEIVABLES-NET

This account consists of:

	2025	2024 (As restated)
Current		
Interest receivables	54,621,614	62,263,588
Rental receivables	50,016,742	57,897,823
Loans receivables	10,500,000	13,500,000
Due from officers and employees	46,948	246,287
Due from National Government (NG)	0	424,471,202
Other receivables	348,344,062	338,425,100
	463,529,366	896,804,000
Allowance for impairment losses	(253,368,424)	(259,091,609)
	210,160,942	637,712,391

	2025	2024 (As restated)
Non-Current		
Loan receivables	1,147,288,322	1,147,288,322
Interest receivables	6,938,606	6,938,606
Due from subsidiaries/associates/affiliates	1,143,744,206	1,143,744,206
Due from officers and employees	7,724,695	7,828,139
Due from NG	3,252,878	3,252,878
	2,308,948,707	2,309,052,151
Allowance for impairment losses	(2,204,733,260)	(2,197,394,743)
	104,215,447	111,657,408

Significant disclosures on Current Receivable accounts are discussed hereunder:

The *interest receivables* account pertains to interests from various investments and income-generating activities that were already earned as of the reporting date but not yet actually received.

The *rental receivables* account consists of collectibles from leases of real properties covered by lease agreements between the NDC and lessees. The rental receivable from PPPI, amounting to P9.204 million, represents the outstanding balance for the leased offices located on the ground, 2nd, and 12th Floors of the NDC building. PPPI has been incurring significant losses and has not been able to pay its monthly rentals and assessment fees to NDC. Consequently, in 2017, NDC ceased accruing rental income due to PPPI's inability to pay, arising from persistent negative cash flows and net losses.

Of the total rental receivables for CYs 2025 and 2024, P32.253 million have been identified as past due and have been provided with a 100 per cent allowance for impairment. No dormant rental receivables have been written off during the year; however, Management is continuously gathering the necessary documentation to support the request for the write-off of these accounts.

The *loan receivables* account includes the loan from GY Real Estate, Inc., 60 per cent owned by NDC, which was due on June 15, 2024.

The account *due from officers and employees* pertains to loans granted by the NDC to its officers and employees.

Due from NG pertains to receivables from the Toll Regulatory Board (TRB) for the sale of a 13,279.97 square meters parcel of land located at Pandacan, Manila. The amount was collected in full in April 2025.

Other receivables account includes management fees, guarantee fees, commitment fees, trade receivables, and other receivables. It also includes receivables from the Department of Agrarian Reform arising from the sale of land pursuant to the Comprehensive Agrarian Reform Program implemented in 1988.

Meanwhile, significant disclosures on Non-Current Receivable accounts are presented below:

The *loan receivables* account includes a restructured loan to the Philippines Mining Development Corporation (PMDC) with terms of up to 10 years starting July 30, 2013. PMDC requested a re-computation of its outstanding restructured loan and filed an arbitration case in November 2019. The Office of the Government Corporate Counsel (OGCC) noted the comment filed by NDC in September 2020. On October 22, 2021, the OGCC conducted a Case Management Conference. During the said conference, OGCC required the counsels of the parties to secure authority from their respective Board of Directors to represent the parties in the arbitration and to negotiate the possible settlement of the case. On November 5, 2021, NDC received the settlement proposal of PMDC. On November 8, 2021, NDC submitted the Secretary's Certificate showing the authority granted to its counsels to represent NDC in the arbitration. On November 22, 2021, NDC submitted its proposed settlement to PMDC. The OGCC scheduled the Preliminary Conference in April 2022. On July 6, 2022, NDC filed a memorandum relative to the complaint for arbitration filed by PMDC against NDC, alleging that the P25 million advances made by NDC were for additional equity and not a loan. As of December 31, 2023, the committee of the Arbitration Panel has not yet issued a resolution regarding the case.

Further, the loans receivable from PPPI amounting to P291.795 million represent the outstanding principal and accrued interest, exclusive of penalties from the loan that was restructured on June 30, 2013, between NDC and PPPI. The loan is payable every quarter for a period of eight years and bears an interest rate of seven per cent per annum. Since CY 2014, PPPI has been unable to make any installment payments or pay the accrued interest on its restructured loan. In CY 2015, considering PPPI's unfavorable financial condition and in accordance with the Manual of Regulations for Non-Bank Financial Institutions, NDC suspended the recognition of interest income from PPPI loans in the NDC's books of accounts. In CY 2017, a 100 per cent allowance for impairment was provided for the outstanding principal and interest balance of PPPI.

Furthermore, the loan receivables account includes a P40 million payment to Davao Thermo Biotech Corporation under the Investment Agreement, with the option for NDC to convert the same into equity through the issuance of Subordinated Convertible Zero-Coupon Debt Notes by the former. NDC also released P5.700 million, with Convertible Notes as the investment instrument, to Humble Sustainability Inc. as additional capital to expand the latter's business.

Due from subsidiaries/associates/affiliates consists of advances made to the NDC's various subsidiaries and affiliates. This also pertains to the various advances to the Philippine National Construction Corporation (PNCC), totaling P214 million between CYs 1990 to 1999 for foreign and peso accounts for which it issued promissory notes and interest and penalties thereon of P989 million as of December 31, 2009. The collection of the various advances made by NDC was the subject of an arbitration case before the OGCC Arbitral Tribunal:

- The arbitration case filed by NDC was consolidated by the Department of Justice (DOJ) with the arbitration case filed by the Privatization and Management Office against PNCC.

- The DOJ, in its Consolidated Decision dated February 18, 2014, granted NDC's Petition against PNCC; the dispositive portion was as follows:

However, the Petition filed by NDC against PNCC is GRANTED. As prayed for, respondent PNCC is ordered: (1) to pay petitioner NDC the principal amount of the Promissory Notes, plus accrued interests and penalties as provided for in the said Notes; and (2) to reimburse the petitioner the amount of mortgage loan, including interest thereon.

- On March 13, 2014, PNCC filed a Motion for Reconsideration on the Consolidated Decision of the DOJ.
- On January 22, 2015, the DOJ denied PNCC's Motion for Reconsideration (MR).
- On June 26, 2015, the PNCC filed a Notice of Appeal with the Office of the President (OP) of the Republic of the Philippines.
- On May 19, 2022, the OP dismissed the appeal filed by PNCC. An MR and Supplemental MR were filed by PNCC on July 21, 2022, and February 16, 2023, respectively.
- NDC is still awaiting the resolution of the OP on the appeal.

Due from NG represents the amount due from the Republic of the Philippines, representing expenses accompanying the NDC's transferred accounts to the NG. These accounts, consisting of loans, equity investments, advances, acquired assets, and other assets and liabilities, were identified and approved for transfer to the NG pursuant to Administrative Order No. 64 dated March 31, 1987.

Non-current receivables include accounts that were classified as dormant, which have no financial activity for several years. Dormant accounts include loans, interest, and advances to subsidiaries that are either non-operational, dissolved, or in inactive status. The receivables from former officers and employees consist of housing and car loan accounts that have remained unpaid for over 10 years. These long-outstanding accounts have been referred to the legal department for appropriate action.

NDC continues to monitor such accounts and is in the process of completing all necessary documentation and procedures in accordance with the COA Circular for the proper write-off and disposition of these accounts. Impairment has been recognized on these balances based on the aging or years of inactivity, and Management's assessment that the full amount is no longer recoverable.

A reconciliation of the allowance for impairment losses at the beginning and end of CYs 2025 and 2024 are shown as follows:

	2025	2024
Beginning balance	2,456,486,352	2,457,510,247
Impairment loss during the year		
Rental Receivables	(1,301,178)	(1,947,848)
Others	2,916,510	923,953
	2,458,101,684	2,456,486,352

9. INVENTORIES

This account consists of the following:

	2025	2024
Inventory held for consumption:		
Carrying amount, January 1	1,510,839	1,671,740
Additions/acquisitions during the year	1,047,537	1,106,093
Expensed during the year	(871,645)	(1,266,994)
Carrying amount, December 31	1,686,731	1,510,839

Inventory held for consumption pertains to office supplies, accountable forms, and fuel, oil, and lubricants that were deployed for utilization or consumption in the ordinary course of operation.

10. OTHER CURRENT ASSETS

This account consists of:

	2025	2024
Restricted fund (held-in-trust)	568,834,323	737,547,316
Prepayments	41,680,674	32,735,784
Advances	886,539	482,046
	611,401,536	770,765,146

The *restricted fund (held-in-trust)* includes the fund for the hydropower project with the Philippine National Oil Company Renewables Corporation (PNOC RC), amounting to P45 million. On July 1, 2014, PNOC RC and NDC entered into a Memorandum of Agreement for the development, commercialization, operation, and maintenance of the Pampanga River Irrigation System Main Canal Hydroelectric Power Project (Rizal Hydropower Project) for energy commercialization. On September 4, 2014, the

Department of Energy confirmed the declaration of commerciality and approved the conversion of the Rizal Hydropower Service Contract from pre-development to development/commercial stage. This commenced the development and utilization of the Rizal Hydropower plant facility, which has a capacity of one megawatt. The plant started commercial operation on July 1, 2016. Cash and cash equivalents from Rizal Hydro Power amounted to P4.335 million as of December 31, 2025. NDC recognized a 50 per cent share amounting to P2.167 million, which is funds reserved for the operation of the project.

Further, it includes the inter-agency fund transfer from the Department of Trade and Industry to NDC, amounting to P95 million for the Philippine Innovation Hub – Marikina Enterprise Scale Up Hub or MESH Project, for the establishment of an innovation center to support the digital transformation of Micro, Small, and Medium Enterprises. As of December 31, 2025, P23.410 million has been utilized. The remaining balance of P71.590 million is subject to utilization in accordance with the project implementation schedule.

Furthermore, it includes cash earmarked for the Startup Venture Fund, amounting to P481,407 and P13.182 million from the NDC provident fund.

Funds previously earmarked for the Waste-to-Fuel project, amounting to P150 million, were reverted to NDC funds due to the board's decision for the proponents to raise capital in excess of NDC's investment. The proponent is still in the process of raising the said capital.

Interest earned on these investments amounted to P40.171 million and P22.095 million in CYs 2025 and 2024, respectively.

The *prepayments* account includes amounts advanced for property insurance, contractors for various projects, input tax, and creditable withholding tax.

Advances account pertains to unliquidated cash advances granted to officers and employees for official travel, various special events, and operating expense payments.

11. FINANCIAL ASSETS

This account consists mainly of investments in bonds and other securities, as summarized below:

	2025	2024
Financial assets at amortized cost	1,175,175,535	1,172,126,110
Financial assets at fair value through other comprehensive income	173,256,300	152,893,975
	1,348,431,835	1,325,020,085

Financial assets at amortized cost

This account consists of long-term investments in retail treasury bonds purchased by NDC from the Land Bank of the Philippines, with an interest rate ranging from 1.38 per cent to 4.62 per cent.

Interest earned on these investments amounted to P89.520 million and P65.495 million in CYs 2025 and 2024, respectively.

Financial assets at fair value through other comprehensive income

This account consists of investments in the following:

	2025	2024
Manila Golf and Country Club	135,000,000	120,000,000
Philippine Long Distance Telephone Company	16,193,975	15,993,895
Makati Sports Club	1,500,000	1,200,000
Philippine Columbian Association	200,000	300,000
	152,893,975	137,493,895
Market adjustment	20,362,325	15,400,080
	173,256,300	152,893,975

12. INVESTMENTS IN ASSOCIATES/AFFILIATES

This account consists of the following investments in associates of which the NDC has significant influence, and that is neither a subsidiary nor an interest in a joint venture.

		% of Ownership	2025	2024 (As restated)
Cost				
Refractories Corporation of the Phils.	RCP	33.00	193,620,979	193,620,979
San Carlos Bio-Energy, Inc.	SCBI	03.86	172,900,000	172,900,000
Manila Exposition Complex, Inc.	MECI	36.36	120,000,000	120,000,000
Philippine Dockyard Corporation	PDC	35.00	101,650,000	101,650,000
Triad Asia, Ltd.	TAL	50.00	65,435,000	65,435,000
Alabang-Sto. Tomas Development, Inc.	ASDI	49.00	58,432,010	58,432,010
Philippine Mining Development Corp.	PMDC	20.00	25,000,000	25,000,000
Phividec Industrial Estate	PIE	23.95	17,000,000	17,000,000
Philippine Pharma Procurement, Inc.	PPPI	40.00	15,000,000	15,000,000
Metro Hospital Waste Conversion	MHWC	40.00	12,000,000	12,000,000
First International Document Masters, Inc.	FIDMI	40.00	4,000,000	4,000,000
UP-NDC Basilan Plantations, Inc.	UNBPI	40.00	2,400,000	2,400,000
Interbank Venture Capital Corporation	IVCC	20.00	1,000,000	1,000,000
Philbancor Venture Capital Corporation	PBVCC	20.00	1,000,000	1,000,000
Veterans Venture Capital Corporation	VVCC	20.00	1,000,000	1,000,000
LIDE Management Corporation	LMC	20.00	20,000	20,000
San Jose Oil Company	SJOC	20.00	1,716	1,716
			790,459,705	790,459,705

	% of Ownership	2025	2024 (As restated)
Accumulated equity in net earnings (losses)			
Balance at the beginning of the year		(239,184,666)	(235,079,071)
Share in net loss for the year.		35,965,152	(428,851)
Dividends received		(4,058,642)	(3,676,744)
Balance at the end of the year		(207,278,156)	(239,184,666)
Share in the revaluation increment of an associate		28,883,100	28,883,100
Share in prior period adjustment of associates		(152,007,705)	(152,007,705)
		460,056,944	428,150,434
Allowance for impairment losses		(204,486,716)	(204,486,716)
		255,570,228	223,663,718

RCP is a minority-owned affiliate of NDC at 33 per cent (4.328 million shares, equivalent to P108.223 million in equity). On September 2, 2009, RCP filed for corporate rehabilitation before the Regional Trial Court (RTC) Branch 159 in Pasig City. The Court approved the rehabilitation on May 7, 2010. As part of the rehabilitation, RCP's total debt as of March 31, 2010, was converted into common shares. As a result, NDC's shareholdings in RCP were diluted from 33 per cent to 11 per cent. The RCP is undergoing court litigation on its corporate rehabilitation plan. A court hearing was held on February 26, 2016, at the Pasig RTC. The Court has not yet issued an order on the issues of the case.

13. INVESTMENTS IN SUBSIDIARIES

This account consists of the following investments in subsidiaries over which the NDC exercises control over the investee's financial and operating policy decisions.

		% of Ownership	2025	2024
Common Shares				
Operational				
Philippine International Trading Corp.	PITC	99.50	199,000,000	199,000,000
Batangas Land Company, Inc.	BLCI	60.00	55,659,300	55,659,300
GY Real Estate, Inc.	GYREI	60.00	13,084,200	13,084,200
First Cavite Industrial Estate, Inc.	FCIEI	100.00	8,845,038	8,845,038
Kamayan Realty Corporation	KRC	60.00	7,447,000	7,447,000
Pinagkaisa Realty Corporation	PRC	60.00	2,508,629	2,508,629
Non-operational				
First Centennial Clark Corporation	FCCC	60.00	400,000,000	400,000,000
Manila Gas Corporation	MGC	91.70	74,616,000	74,616,000
NDC-Philippine Infrastructure Corp.	NPIC	100.00	80,000,000	80,000,000
For dissolution				
Luzon Stevedoring Corporation	LSC	100.00	330,987,000	330,987,000

		% of Ownership	2025	2024
Preferred Shares				
Non-operational				
First Centennial Clark Corporation	FCCC	60.00	500,000,000	500,000,000
			1,672,147,167	1,672,147,167
Allowance for impairment losses			(1,269,832,038)	(1,269,832,038)
			402,315,129	402,315,129

The LSC had ceased operations in 1999. The records and books of accounts were not turned over to NDC.

The FCCC had ceased operations way back in CY 2007, when Clark Development Corporation (CDC), a subsidiary of the Bases Conversion and Development Authority, terminated with finality the Lease Agreement dated October 30, 1997, between CDC and FCCC for the failure of FCCC to pay the rental fees. Before such termination, FCCC and CDC entered into a Management Agreement whereby CDC operated the FCCC leasehold area. However, the CDC simultaneously canceled the said Memorandum of Agreement and the Lease Agreement. Both NDC and FCCC requested that the CDC reconsider such termination, but to no avail. As a consequence of the CDC's cancellation of leasehold rights, the CDC took over and appropriated the structures and buildings of FCCC erected on the leased area.

The dividend income earned by the NDC from its investment in subsidiaries amounted to P2.405 million and P2.393 million in CYs 2025 and 2024, respectively.

14. OTHER INVESTMENTS

This account consists of investment in equity instruments as shown below:

		% of Ownership	2025	2024
Common Shares				
Operational				
Asean Bintulu Fertilizer Sdn. Bhd.	ABFSB	9.50	158,895,989	158,895,989
Manila HealthTek, Inc.	MHTI	9.33	70,000,000	70,000,000
Science Park of the Philippines, Inc.	SPPI	4.59	24,951,957	24,951,957
Non-operational				
Paper Industries Corp. of the Phils.	PICOP	0.28	15,000,000	15,000,000
Menzi Development Corporation	MDC	5.20	10,000,000	10,000,000
For dissolution				
P.T Asean Aceh Fertilizer	PTAAF	13.00	106,605,963	106,605,963
Resort Hotels	RH	6.30	6,474,300	6,474,300
LSCO- PDCP	LPDCP	0.00	188,550	188,550
LSCO – Republic Planters Bank	LRPB	0.00	96,000	96,000
LSCO- PLDT	LPLDT	0.00	15,250	15,250

		% of Ownership	2025	2024
Pre-operating				
Asean Potash Mining Corporation	APMC	1.00	12,598,944	12,598,944
Under receivership				
National Steel Corporation	NSC	0.53	622,305,756	622,305,756
Preferred Shares				
Under receivership				
National Steel Corporation	NSC	0.53	1,196,967,152	1,196,967,152
Other Investments				
Solx Technologies, Inc.			11,000,000	11,000,000
Investments in the project (NDC Rattan)			62,406,520	62,406,520
Others			99,455,145	99,455,145
			2,396,961,526	2,396,961,526
Allowance for impairment losses			(2,119,514,636)	(2,119,514,636)
			277,446,890	277,446,890

Update on NSC

The NSC Liquidation Plan involves, among other things, the disposition of the NSC plant assets as an integral facility to allow a prospective buyer to resume operations within a short period after acquisition. Under the Plan, the NSC plant assets are to be used exclusively in settling the claims of all the NSC Secured Creditors, who are to waive their right to claim against the other assets of NSC for any deficiency in their secured credit and their unsecured credit.

Two years after NSC's liquidation, the majority of the secured creditors and the stockholders of NSC came into a general understanding and agreement as to the disposition of the NSC plant assets, the payment of the liabilities owing to the NSC secured creditors, and the business operation of the Special Purpose Vehicle (SPV), which shall eventually purchase the NSC plant assets.

On January 29, 2004, the NSC Liquidator, the NSC Secured Creditors, the NSC Shareholders, and Global Ispat Holdings Ltd. (GIHL) entered into an Initial Agreement that set out the basic terms and conditions of the sale and purchase of the NSC plant assets. The proposed sale to and purchase of the NSC plant assets by GIHL was approved by the Securities and Exchange Commission (SEC) in its Order issued on May 6, 2004.

On September 10, 2004, the Parties executed an Asset Purchase Agreement (APA) to document the detailed terms and conditions of the sale and purchase of the right, title, and interest in and to the NSC plant assets, including ownership thereof. However, at the time of signing, NDC was not able to obtain Board approval for its authorized signatory. Thus, its share in the down payment was held in escrow with the Philippine National Bank (PNB). To remedy the situation, an Accession Agreement was executed among NDC, GIHL, and Global Steel Corporation (Global Steel). As soon as the

Accession Agreement is signed by all Parties, the Corporation shall withdraw the escrow fund held by PNB and recognize the sale accordingly.

NDC, in its capacity as a Government-Owned and Controlled Corporation, secured creditor of NSC, sought the Department of Finance's approval to consider the transaction as a "true sale" and, thus, be eligible for all the incentives available under the SPV Law of 2002. The Bangko Sentral ng Pilipinas, the appropriate regulatory authority for creditor banks, considered the transaction structure on the sale of NSC plant assets to GIHL a "true sale" under the SPV Law as confirmed by the Monetary Board under Resolution No. 514 dated April 15, 2004.

NDC's primary consideration in consenting to the sale is twofold. First, the national interest was taken into account, given the government's commitment to reopen NSC as soon as possible and the mandate given to the Department of Trade and Industry to facilitate the same. Second, NDC's corporate interest was also considered, with the opportunity to partially recover its investments in NSC, which were unlikely in the first place, given the NSC's liquidation status.

On October 15, 2004, the Parties executed the Omnibus Agreement, which set the terms and conditions governing the deferred payment of the balance of the agreed price in the remaining sum of P12.250 billion, spread over eight years. However, Global Steel has not paid the real property taxes on the Iligan Plant since the NSC plant assets were turned over to it in CY 2005. Global Steel has interposed due to the following reasons: the alleged over-assessment by the City, the pendency of its application for tax incentive under a city ordinance, and the alleged misapplication by the City of its previous real property tax payments to other NSC properties. By 2006, therefore, Global Steel began defaulting on its installment payments and/or obligation to provide the standby letters of credit as required under the APA and the Omnibus Agreement.

Global Steel filed an action with the RTC of Makati City on October 2, 2008, praying for an injunctive relief specifically to prohibit the NSC Secured Creditors from declaring an event of default in case it fails to pay the maturing installments. The trial court denied its prayer for injunctive relief.

Global Steel then filed for arbitration with the Singapore International Arbitration Center on October 13, 2008. Using the arbitration proceedings as the legal excuse, Global Steel sought provisional relief from the Singapore High Court, where it prayed that the NSC Secured Creditors be restrained from declaring Global Steel to be in default under the Agreement and from declaring due and payable the balance of the purchase price and all other amounts payable under the Agreement. Global Steel claimed that the Liquidator and the Secured Creditors failed to deliver title to the NSC plant assets free and clear from all liens since the real property tax lien of the City of Iligan had not been discharged. Thus, Global Steel allegedly could not obtain title to the NSC plant assets and seek additional financing.

At this point, NDC did not become a signatory to the Implementing Agreements (Omnibus Agreement, the APA, and Purchase Price Sharing Agreements) for the sale of NSC assets. While NDC has signed the Accession Agreement, a document that makes a creditor accede to and adhere to the Implementing Agreements, the same was not perfected due to Global Steel's failure to sign, given their filing for arbitration.

On May 9, 2012, the Arbitral Tribunal issued the Partial Award (the "Award") in favor of Global Steel and against NSC Liquidator Danilo L. Concepcion and the Secured Creditors. The Award specifically held Danilo L. Concepcion and the Secured Creditors solidarily liable to Global Steel. In sum, the Award ordered Danilo L. Concepcion and the Secured Creditors to pay Global Steel the amount of USD 80 million by way of damages and to transfer all NSC plant assets free from all liens to Global Steel, and for the Secured Creditors to pay Global Steel the amount of USD 1.043 billion with respect to the Lost Land Claim. The majority of the Secured Creditors of Global Steel then filed an application to set aside the Award with the Singapore High Court on July 9, 2012.

The High Court of Singapore issued a Decision dated July 31, 2014 ("High Court Decision") that set aside the arbitral Award in its entirety. In addition, the High Court granted the Secured Creditors' claims for the payment of their legal costs for the court proceedings, which shall be subject to further submissions.

Global Steel appealed the High Court's Decision to the Singapore Court of Appeals on all points. The Singapore Court of Appeals allowed and dismissed Global Steel's appeals in part. The practical effect of the decision is that certain parts of the Award remain to be set aside. However, the Court of Appeals reinstated the Tribunal's findings in the Award that the Liquidator and the Secured Creditors breached the APA by failing to transfer a clean title to the NSC plant assets to Global Steel.

On August 23 and 30, 2016, the City Treasurer of Iligan City caused the publication of a Notice of Real Property Tax Delinquency in the Gold Star Daily, covering all real properties declared in the name of NSC in Iligan City pertaining to the period beginning on the 4th quarter of 1999, ending on the 2nd quarter of 2016. The Liquidator wrote the City Treasurer a letter to remind them that any attempt to levy on the subject properties will be in contravention of the Stay Order issued by the SEC on November 30, 2006. SEC affirmed the continuing validity of the said Stay Order in its letter to the Office of the City Treasurer of Iligan City, dated January 5, 2016. Notwithstanding the writ of execution issued by Branch 57 of the RTC of Makati, the City of Iligan, through the City Treasurer, proceeded with the tax sale on October 19, 2016. No bid was submitted. Pursuant to the Local Government Code, there being no bidder, the City Treasurer shall purchase the property for the local government.

While the petition for Ex-Parte motion for annotation on the titles of NSC assets regarding the omnibus order nullifying the auction sale was granted on October 19, 2016, the secured creditors are implementing the other legal remedies to secure the NSC properties, which were taken over by the City of Iligan.

On August 6, 2020, NDC received a forwarded letter from BDO Trust stating Platinum Paramount Pacific Group of Companies Inc.'s intent to acquire the NSC. On November 10, 2020, BDO Trust informed NDC and other stakeholders that a building is about to be constructed at the lower portion of the former NSC Administrative Building 1 and NSC Gym at the Hilltop, which will serve as housing for the New People's Army surrenderees.

On July 15, 2021, GJL Real Estate GMBH, a foreign company in Germany, and its Philippine partner, Platinum Paramount Pacific Group of Companies, Inc., submitted their letter of intent to acquire NSC, including all its assets.

The receiver of the entire property has been in constant communication with the NDC to discuss various strategies to address the long-standing issues surrounding the NSC and its creditors. One such idea is for the NDC to consider exercising its expropriation powers on the property sold to Global Steel Corporation. In order to make this possible, the law dictates that a sum of money should be deposited with the court in the amount equivalent to the assessed value of the property being considered.

The dividend income earned by the NDC from its stock investments amounted to P11.390 million and P5.695 million for CYs 2025 and 2024, respectively.

15. INVESTMENT PROPERTY

The NDC's investment property account consists of 52 real properties with an aggregate area of 9,653,795.79 square meters (sq. m.), three buildings, two residential houses, and one condominium unit located in various cities and municipalities across the country. These properties include land and buildings that are held to earn rentals under operating leases, capital appreciation, and project development. Reconciliation between the carrying amounts of investment property at the beginning and end of the period is shown below:

	Land	Building	Total
Restated ending balance, December 31, 2023	30,342,688,510	343,145,160	30,685,833,670
Add:			
Net gain from changes in fair value	1,735,901,262	50,462,620	1,786,363,882
Cost recognized in the carrying value	0	6,298,020	6,298,020
Sale of portion of Pandacan Property	(718,090,380)	0	(718,090,380)
Restated ending balance, December 31, 2024	31,360,499,392	399,905,800	31,760,405,192
Add:			
Cost recognized in the carrying value	0	8,238,472	8,238,472
Ending balance, December 31, 2025	31,360,499,392	408,144,272	31,768,643,664

The NDC uses the Fair Value Model for its investment properties. Cal-Fil Appraisal and Management, Inc., Value Metrics, Inc., and Toppers Performer Appraisal, Inc., appraised the fair market value of investment properties as of December 31, 2024. No appraisal was made during the year. Details are presented below:

Investment Properties with a lease

Location of the Property	2025	2024 (As restated)
Land		
Philphos Assets-LIDE	7,671,155,268	7,671,155,268
Isabel, Leyte	1,832,547,700	1,832,547,700
M Fortich/Libona, Bukidnon	1,473,053,620	1,473,053,620
Pandacan, Manila	1,435,764,541	1,435,764,541
Lapu-Lapu City, Cebu	1,407,728,000	1,407,728,000

Location of the Property	2025	2024 (As restated)
Tordesillas St., Salcedo Village, Makati City	1,096,188,000	1,096,188,000
Sen. Gil Puyat, Makati City	1,083,180,000	1,083,180,000
Barangka, Mandaluyong City	826,599,000	826,599,000
P. Tamo & Dela Rosa Sts., Makati City	481,911,000	481,911,000
Kamagong & Sampaloc Sts., Makati City	290,512,800	290,512,800
Bugo Dist., Cagayan De Oro City	244,293,000	244,293,000
Bagong Ilog, Pasig City	223,633,600	223,633,600
Lacson & Rizal Sts. Bacolod City	101,312,000	101,312,000
Aguinaldo & Luna St., Iligan City	38,863,000	38,863,000
San Roque, Tarlac	33,610,500	33,610,500
	18,240,352,029	18,240,352,029
Buildings and Condominium		
Industry & Investment Building	213,819,472	205,581,000
NDC Building	149,266,000	149,266,000
Manila Luxury Condominium	17,490,000	17,490,000
Leyte Port Complex	26,035,000	26,035,000
	406,610,472	398,372,000
	18,646,962,501	18,638,724,029

Investment Properties without a lease

Location of the Property	2025	2024 (As restated)
Land		
Macapagal Blvd., Pasay City	5,899,455,000	5,899,455,000
Sucat, Muntinlupa	2,778,272,400	2,778,272,400
Toril, Davao City	1,272,935,000	1,272,935,000
Dasmarinas, Cavite	1,255,184,000	1,255,184,000
San Juan St. Bacolod City	492,248,000	492,248,000
San Andres & E. Quirino Ave. Manila	297,599,128	297,599,128
Sta. Mesa, Manila*	210,492,320	210,492,320
Diliman, Quezon City	201,777,075	201,777,075
San Dionisio, Parañaque	99,392,000	99,392,000
Bo. Langihan, Butuan City	83,688,000	83,688,000
Meycauayan, Bulacan	71,665,000	71,665,000
Hermosa, Bataan	67,500,000	67,500,000
Sta. Fe, Bantayan, Cebu	60,916,000	60,916,000
Bo. San Juan & Sto. Nino Pampanga	60,430,000	60,430,000
Sambag, Cebu	37,620,000	37,620,000
San Francisco Del Monte, Quezon City	34,800,000	34,800,000
Mariveles, Bataan	27,106,000	27,106,000
Baliwasan, Zamboanga City	25,874,000	25,874,000
Los Baños, Laguna	25,771,000	25,771,000
Dao, Tagbilaran, Bohol	23,449,000	23,449,000
San Fernando, Pampanga	20,682,000	20,682,000

Location of the Property	2025	2024 (As restated)
Poblacion, Parang, Cotabato	13,974,800	13,974,800
Puerto, Cagayan de Oro City	13,073,000	13,073,000
Sta. Rosa, Laguna	8,904,000	8,904,000
Suyong, Echague, Isabela	8,652,000	8,652,000
Bongabon, Nueva Ecija	5,819,000	5,819,000
Bonot, Legazpi City	3,760,000	3,760,000
Cagayan de Oro City	3,077,000	3,077,000
Tanay, Rizal	2,960,640	2,960,640
Calatagan, Batangas	2,828,000	2,828,000
Bo. Bia-an, Mariveles, Bataan	2,400,000	2,400,000
San Roque, Antipolo City	2,106,000	2,106,000
San Isidro, Antipolo City	2,026,000	2,026,000
San Jose, Antipolo City	1,400,000	1,400,000
Talakag, Bukidnon	990,000	990,000
Pueblocillo Village, Dasmarinas Cavite	745,000	745,000
Porac, Pampanga	576,000	576,000
	13,120,147,363	13,120,147,363
Residential houses		
San Roque, Antipolo City	1,276,800	1,276,800
Pueblocillo Village, Dasmarinas Cavite	257,000	257,000
	1,533,800	1,533,800
	13,121,681,163	13,121,681,163
	31,768,643,664	31,760,405,192

* No lease contract was executed between NDC and the occupant. The property is the subject of a pending case, which hinders the contract negotiation between the parties. Accordingly, the occupant regularly remits rental payments to NDC but records them under Trust Liabilities and Miscellaneous Long-term Liabilities.

Meanwhile, the lease income earned and the operating expenses, which consist of real property taxes, security services, and repairs and maintenance of the properties, incurred by the NDC arising from these investment properties, are presented below:

	2025	2024
<i>Investment Properties with a lease</i>		
Lease income	243,785,837	255,614,584
Operating expenses	33,898,900	25,338,726
<i>Investment Properties without a lease</i>		
Operating expenses	30,832,245	36,027,538

Bukidnon and Cagayan de Oro Properties

NDC owns several parcels of land in the Municipalities of Manolo Fortich and Libona, Province of Bukidnon, and Bugo, Cagayan de Oro City, with an aggregate area of 9,524,958 sq. m., evidenced by various Transfer Certificates of Title (TCTs) and Tax Declarations. Additionally, NDC has the right of use on a parcel of land with an area of 302,037 sq. m. These properties with a total aggregate area of 9,826,995 sq. m. were leased out by NDC to Del Monte Philippines, Inc. (DMPI). The Lease Contract has a term of 25 years, effective on March 1, 2007, and set to expire on March 1, 2032.

NDC acquired these properties through irrevocable donations of American-owned private agricultural lands, which were transferred to the National Government under the Laurel-Langley Agreement and subsequently donated to NDC under various Presidential Decrees issued by former President Ferdinand E. Marcos in 1975.

The distribution of properties currently leased to DMPI is as follows:

Classification	Total Area (in sq. m.)	Distribution of Leased Properties (in sq. m.)		
		Libona, Bukidnon	Manolo Fortich, Bukidnon	Bugo, Cagayan de Oro City
Commercial/residential	3,475,260	463,345	2,691,787	320,128
Pasture land	4,007,328	3,126,279	881,049	
Roads/open spaces	1,682,586	1,149,190	533,396	
Schools/churches/cemeteries	661,821	227,116	434,705	
TOTAL	9,826,995	4,965,930	4,540,937	320,128

Out of the total Pasture land in Libona, Bukidnon, 3,089,714 sq. m. are covered only by a Forest Land Grazing Lease Agreement (FLGLA) with the Department of Environment and Natural Resources (DENR). The FLGLA expired in December 2011, and NDC's application to renew it for another 25 years remains pending with CENRO Bukidnon (see Note 17).

Further, of the total land area in Bugo, Cagayan de Oro City, only 13,719 sq. m. is titled, appraised, and recorded in the NDC's books of accounts. Meanwhile, the legal nature, extent of use, and valuation of the remaining 306,409 sq. m. have yet to be established, as detailed below (see Note 17):

- 136,359 sq. m. – Covered by an expired Foreshore Lease Agreement, but remains part of the area leased out to Del Monte Philippines, Inc. (DMPI); and
- 170,050 sq. m. – The exact legal nature, extent of use, and valuation remain completely undetermined, but are also utilized as part of the area leased to DMPI.

Pandacan, Manila Property

NDC's property located at Tomas Claudio St., Pandacan, Manila, with an area of 50,137.95 sq. m. and covered by Transfer Certificate of Title (TCT) No. 121218, was affected by the Right-of-Way (ROW) requirement of the Metro Manila Skyway Stage 3 (MMSS3) Project. On June 19, 2024, the NDC and TRB executed a Memorandum of

Agreement (MOA) and the corresponding Deeds¹ of Absolute Sale (DOAS) for the 13,297.97 sq. m. affected areas of the ROW. On the same date, the NDC received the first payment representing 50 per cent of the consideration of the affected areas. Meanwhile, the remaining 50 per cent shall be paid upon the annotation of the DOAS on the TCT, which was recorded in TCT No. 121218 by the Registry of Deeds Manila on November 20, 2024. Hence, the final payment of the compensation price shall be paid accordingly by TRB.

Under the same MOA, NDC and TRB have five years within which the parties are to negotiate the acquisition of the remaining 36,839.98 sq. m. portion of the Pandacan property. Accordingly, TRB needs to undertake the necessary actions for the negotiation, as follows: a) Revision of the approved parcellary plans; b) Approval of the inclusion of the cost of acquisition of the entire NDC property in the Project cost; and c) Secure the necessary approvals for the acquisition and payment of the just compensation for the subject remaining portion.

The second and final payment amounting to P424.471 million, inclusive of value-added tax, was remitted to NDC on April 30, 2025.

Of the remaining portion of Pandacan Property, 13,839.40 sq. m was leased for the period commencing on October 23, 2023, until October 22, 2028.

Bantayan, Cebu Property

The NDC's Sta. Fe, Bantayan, Cebu property is a 5,297 sq. m. untitled parcel of land, covered by Tax Declaration in the name of NDC.

The property is covered by Proclamation No. 2151, Series of 1981, which declares Bantayan Island as part of the wilderness area. As such, the land has been withdrawn from entry, sale, settlement, or any other form of disposition or exploitation. The conversion of the land into A&D requires congressional action. In 2019, a House Bill was passed to reclassify the island; however, it still requires approval from the Senate.

Untitled Properties

Moreover, the following investment properties are yet to be titled in NDC's name due to the complexity of the titling process for each property:

No.	Property/Location	Land Use	Area (in sq. m.)
1	Langihan District, Butuan City	Residential/Agricultural	24,974
2	Meycauayan, Bulacan	Residential/Commercial	5,231
3	Brgy. Puerto, Cagayan de Oro City	Residential	3,352
4	San Dioniso, Parañaque City*	Residential	1,426
5	Calatagan, Batangas*	Residential/Agricultural	1,131
6	San Francisco del Monte, Quezon City*	Residential	623
7	Talakag, Bukidnon*	Residential	450

*International Corporate Bank (ICB) Assigned Assets

¹ Two DOAS' were executed for the sale of 11,109.49 sq. m and 2,188.48 sq. m.

Among the properties, the San Dionisio, Parañaque Property has a pending case of unlawful detainer filed by the International Corporate Bank Inc. against Marita M. Alegre et. al. This case was ordered archived by the Metropolitan Trial Court of Parañaque Branch 78 on December 11, 1992. In CY 2015, when the NDC Legal Department went to the court to secure copies of the case records for possible revival of the case, they were informed that the records of the case were no longer available because they were destroyed/damaged due to water exposure.

Upon verification of the status of the property, the NDC Asset Management Group discovered that it remained registered under the name of Asia Pacific Finance Corporation (APCOR), as indicated in the certified true copy obtained from the Registry of Deeds. However, records from the Tax Mapping Division of the Assessor's Office of Parañaque revealed that the area where the APCOR property is located is registered under the name of Love Jean B. Tee, who possesses a consolidated title. Further, the records indicate that the property was transferred to Ms. Tee by the Alegres.

Nonetheless, Management is exerting utmost effort to expedite the titling of the subject properties. Management has commenced the registration of the pertinent instruments with the Registry of Deeds, evidencing NDC's ownership and rights over the assigned assets from the ICB.

Properties with Illegal Occupants

Likewise, several investment properties are occupied by illegal occupants when acquired by NDC through a Deed of Assignment/Donation:

No.	Property	Land Use	Area (in sq. m)
1	Bo. San Pedro, Hermosa, Bataan*	Agricultural/ Residential	54,892
2	Bongabon, Nueva Ecija*	Agricultural/ Residential	8,952
3	Los Baños, Laguna	Residential	8,901
4	Campo Islam, Zamboanga City	Commercial/ Industrial	6,594
5	Puerto, Cagayan de Oro	Residential	3,352
6	San Felipe, San Fernando, Pampanga*	Residential	877
7	San Francisco Del Monte, Quezon City*	Residential/Commercial	623
8	Sambag District, Cebu City*	Residential/Commercial	613
9	Fernandino Subdivision, San Nicolas, San Fernando, Pampanga*	Residential	600
10	Aurea Subdivision, San Nicolas, San Fernando, Pampanga*	Residential	340

*ICB Assigned Assets

The Legal Department shall evaluate the matter and undertake the appropriate legal actions necessary to address the unauthorized occupancy, enforce NDC's property rights, and pursue any potential compensation claims, if warranted.

Among the investment properties without lease, 191,773 sq. m. of Dasmariñas, Cavite Property is being developed as an Industrial Estate. Also, Sucat, Muntinlupa Property is under a Joint Venture with a private entity. Meanwhile, some properties are currently idle/vacant and are marketed for lease. Management remains steadfast in its

commitment to optimize the value and utilization of the properties. Thus, Management continues to promote and advertise the properties for lease and utilizes the online real estate platforms as a new avenue to attract prospective lessees. On the other hand, Management has identified properties for disposition, which, based on evaluation, shall contribute to the NDC's income maximization and overall strategic goals.

16. PROPERTY AND EQUIPMENT-NET

This account consists of the following:

	Land and Improvements	Buildings & Building Improvements	Furniture & Equipment	Rizal Hydro- power Plant	Total
December 31, 2025					
Cost					
At January 1, 2025	609,958,883	148,603,720	687,353,188	32,822,133	1,478,737,924
Additions	0	0	411,998	0	411,998
Adjustments	512,275	(512,275)	0	0	0
At December 31, 2025	610,471,158	148,091,445	687,765,186	32,822,133	1,479,149,922
Accumulated depreciation					
At January 1, 2025	609,704,161	5,704,129	659,466,580	13,566,643	1,288,441,513
Depreciation for the year	280,905	62,215	7,433,996	0	7,777,116
At December 31, 2025	609,985,066	5,766,344	666,900,576	13,566,643	1,296,218,629
Net carrying amount, December 31, 2025	486,092	142,325,101	20,864,610	19,255,490	182,931,293
December 31, 2024					
Cost	609,958,883	148,603,720	687,353,188	32,822,133	1,478,737,924
Accumulated Depreciation/ Adjustment	609,704,161	5,704,129	659,466,580	13,566,643	1,288,441,513
Net carrying amount, December 31, 2024, as restated	254,722	142,899,591	27,886,608	19,255,490	190,296,411

Included in the Improvement and Equipment accounts are the properties at the Leyte Port Complex at Isabel, Leyte, which are being leased to PHILPHOS, and a 50 per cent share of NDC to the Rizal Hydro Power Plant Facility located at Rizal, Nueva Ecija.

Furniture and Equipment accounts include office equipment, sports equipment, transportation equipment, Information and Technology equipment, and furniture and fixtures used in the operations. These assets are carried at cost less accumulated depreciation.

17. INTANGIBLE ASSETS-NET

This account consists of:

	2025	2024 (As restated)
Computer software	1,880,277	631,170
Land rights	9	9
	1,880,286	631,179
Allowance for impairment losses	(631,167)	(631,167)
	1,249,119	12

The account comprises computer software, recognized at acquisition cost plus any expenses directly incurred to bring it to its intended use, and the NDC's rights over various land assets.

These land rights are measured at a nominal value of One Peso (P1.00) per parcel. This nominal valuation is used because the peculiar legal, regulatory, or tenorial circumstances surrounding each property affect reliable accounting recognition and measurement of its value as of the reporting date.

Details of these properties are as follows:

Bukidnon Property

NDC has 3,126,279 sq. m. of pasture land in Libona, Bukidnon. A total area of 3,089,714 sq. m. is covered only by a Forest Land Grazing Lease Agreement (FLGLA) with the Department of Environment and Natural Resources (DENR).

The FLGLA forms part of a broader 9,826,995 sq. m. tract leased to Del Monte Philippines, Inc. (DMPI) until March 1, 2032. However, the FLGLA expired in December 2011, and NDC's application to renew it for another 25 years remains pending with the Community Environment and Natural Resources Office (CENRO) in Bukidnon.

Although NDC has substantially complied with the documentary requirements for renewal, the application remains pending due to the delayed issuance of a Certificate of Non-Overlap (CNO) by the National Commission on Indigenous Peoples (NCIP), arising from ancestral domain claims asserted by indigenous peoples.

The area covered by the FLGLA was petitioned by the local tribe as part of its ancestral domain claim. The NDC Team that attended a briefing conducted by NCIP Region X on the matter was informed about the survey process for the claimed area. NDC has not received any official documentation regarding the results of the survey conducted in relation thereto or any formal action by the NCIP on its pending request for the issuance of a CNO.

Cagayan de Oro Property

Located in Bugo, Cagayan de Oro City, this property spans a total area of 320,128 sq. m. Currently, only 13,719 sq. m. is titled, appraised, and recorded in NDC's books of accounts. The remaining 306,409 sq. m. is carried at a nominal value of P1.00 per parcel due to unestablished property rights, despite currently being leased out to DMPI.

The property is divided into the following parcels, which form part of the land leased out to DMPI:

Parcel	Area (sq. m.)	Status / Land Classification
A	115,657	Covered by Foreshore Lease Agreement (FLA) No. X-5-B with DENR-CENRO. The 25-year lease expired on December 11, 2020. A 12-year renewal (aligned with the DMPI lease expiry in December 2032) is ongoing.
B	18,282	Covered by an expired FLA; currently undergoing renewal.
C	2,420	Covered by an expired FLA; currently undergoing renewal.
D	159,149	An underwater parcel in Macajalar Bay (comprising Lots 1 and 2 of Survey Plan SWO-10-00093). No foreshore lease application has been filed.
E	4,372	Originally 11,407 sq. m. under TCT No. T-23752, plus a 4,372 sq. m. natural accretion. Ownership was adjudicated to Philippine Packing Corporation (PPC) via a 1965 Court of First Instance decision.
F	4,729	Land sold and conveyed to PPC under a 1949 Deed of Definite Sale executed by a private individual.
G	1,800	Designated as a "Deepwell Pumpsite" in technical descriptions prepared by NDC's Geodetic Engineer.

Leyte, Property

The NDC holds rights to an 85,255-square-meter parcel in Isabel, Leyte. NDC originally took possession of the property pursuant to Letter of Instructions No. 962 (Series of 1979) to establish the Leyte Industrial Development Estate. While NDC is registered as the listed survey claimant in the records of the DENR and holds a corresponding local tax declaration, it does not possess legal ownership of the land.

Efforts to secure a formal title have been stalled by land classification constraints. In 2009, Management initiated a relocation survey to facilitate land registration, but a subsequent DENR Regional Office 8 investigation revealed that the entire lot is classified as timberland and forestland. Consequently, the property cannot be declared Alienable and Disposable land, making it legally ineligible for titling unless Congressional

approval is obtained. Management is currently evaluating further studies to explore this legislative path.

These tenurial limitations directly impact the asset's financial recognition. Because NDC only maintains usage rights and lacks any verifiable acquisition cost, appraised value, or reliable framework to measure its fair market value, the asset cannot be fully quantified. Therefore, pending an appropriate valuation basis, the property's rights are recognized in NDC's books of accounts at a nominal value of one peso (P1.00) solely for monitoring and custodial purposes.

The nominal value assigned for the above parcels of land does not represent the actual fair value, market value, or realizable value of the right and was adopted solely for accounting recognition purposes in accordance with applicable government accounting policies.

The NDC shall continue to assess existing rights to determine the appropriate accounting treatment and ensure compliance with the accounting standards. Likewise, the NDC plans to establish and formulate policies to serve as a framework for the identification, measurement, recognition, and recording of such arrangements.

18. OTHER NON-CURRENT ASSETS

This account consists of:

	2025	2024
Other non-current assets		
Lands not used in operation	9,794,105	9,794,105
Prepayments	2,374,634	2,374,634
Deposits	1,361,883	329,170
Others	982,971,125	982,971,125
Allowance for impairment loss	(968,478,762)	(968,478,762)
	28,022,985	26,990,272
Deferred charges		
Coal Operating Contract	42,000,000	42,000,000
Allowance for impairment loss	(42,000,000)	(42,000,000)
Miscellaneous	828,305	828,305
	828,305	828,305
	28,851,290	27,818,577

Lands not used in operation pertain to the properties located at San Jose del Monte and San Idelfonso, Bulacan, and Camarines Sur, which were covered by the Comprehensive Agrarian Reform Program (CARP) of the Department of Agrarian Reform (DAR). The Land Bank of the Philippines (LBP) has not yet paid for the value of these lands, and NDC is still in the process of completing the necessary documents as required by the DAR. It also

includes property located in Guadalupe, Cebu City, which is currently designated as a “road right-of-way” for residents of the community.

The *prepayments* account pertains to advances made to contractors for various goods and services procured.

The *deposit* account consists mainly of long-term refundable deposits made to various companies for the supply of communication, water, electricity, and other similar deposits.

Others account principally include assets acquired from the former ICB amounting to P962.110 million through a Deed of Assignment dated September 16, 1983. ICB sold these assets to NDC as a means of rehabilitating the former pursuant to a MOA executed by and among NDC, the then Central Bank of the Philippines, the Development Bank of the Philippines, and ICB.

Deferred charges - Coal Operating Contract pertains to the project for the exploration, development, exploitation, production, and utilization of the country's coal resources pursuant to the Coal Development Program under Presidential Decree No. 972 - Coal Development Act of 1976. NDC acquired the rights, titles, and interests of the coal operating project from Vulcan Industrial and Mining Corporation. The project, however, did not commence commercial operations, and the account had been outstanding since calendar year (CY) 1980. The amount of the project, which was provided with a full allowance for non-recovery, is among the accounts requested for write-off from the Commission on Audit (COA). Under COA Decision No. 2015-297, dated November 24, 2015, COA denied NDC's request to write off the account in the amount of P42 million.

19. FINANCIAL LIABILITIES

This account consists of:

	2025	2024 (As restated)
Interest payable	456,620,150	456,620,150
Loan payables	140,000,000	140,000,000
Accounts payable	51,686,703	32,408,004
	648,306,853	629,028,154

Interest payable pertains to the interest on advances from the Bureau of the Treasury.

Loan payables consist of guarantee fees amounting to P140 million for the 2nd tranche bond flotation of NDC Agri-Agra bonds.

Accounts payable consists of various expenditures, such as consultancy, general services, utilities, and other project-related transactions, that have already been incurred but remain unpaid as of the statement of financial position date.

20. INTER-AGENCY PAYABLES

This account consists of:

	2025	2024
Due to Bureau of Internal Revenue (BIR)	16,355,317	5,364,563
Due to Treasurer of the Philippines	7,806,843	6,976,073
Income tax payable	4,341,149	7,342,742
Due to Government Service Insurance System (GSIS)	3,074,169	849,980
Due to PhilHealth	366,700	127,767
Due to Pag-IBIG	63,968	44,850
	32,008,146	20,705,975

Due to BIR pertains to taxes withheld on salaries, goods, and services. The increase was due to the implementation of Executive Order No. 95 approving the Compensation and Position Classification System II and pay grades for government-owned or -controlled corporations.

Due to Treasurer of the Philippines pertains to the cost of audit rendered by COA.

Income tax payable pertains to the NDC's current tax liability based on 25 per cent regular corporate income tax.

Due to GSIS, Pag-IBIG, and PhilHealth accounts represent premiums and loan amortization deductions from employees' salaries and employer share for remittance to the concerned offices.

21. TRUST LIABILITIES

This account consists of:

	2025	2024
Current	85,307,751	107,482,499
Non-current	52,042,558	49,613,461
	137,350,309	157,095,960

The *current* account refers to an escrow account for the shareholders of a former affiliate (see Note 10), bid bonds, and performance security received from bidders and suppliers.

The account also includes the inter-agency fund transfer from the Department of Trade and Industry (DTI) to NDC amounting to P69.213 million and P95.721 million in CYs 2025 and 2024, with interest from money-market placements, for the Philippine Innovation Hub–Marikina Enterprise Scale Up Hub or MESH Project (see Note 10).

Non-current account refers to security deposits received from various lessees under long-term leases.

22. DEFERRED CREDITS/UNEARNED INCOME

This account pertains to advance rental received from various lessees amounting to P5.897 million and P19.072 million in CYs 2025 and 2024, respectively.

In relation to the leases with various tenants, the NDC receives advance rentals upon signing the lease contracts, which the lessees can apply to the last three to four months of the leases.

23. PROVISIONS

This account consists of the following:

	2025	2024 (As restated)
Settlement of legal cases	375,241,727	317,561,467
Leave benefits	12,513,309	46,083,597
	387,755,036	363,645,064

Settlement of legal cases represents money payable to Sta. Ines Melale Forest Products Corporation (Sta. Ines), et al., involving a case filed to collect a sum of money.

On April 22, 1985, Sta. Ines et al. instituted a collection suit against NDC for the payment of advances made to Galleon and the value of their equity in the Corporation.

On September 16, 2003, the Regional Trial Court (RTC) ruled in favor of Sta. Ines et al. ordered NDC to pay the total amount of P61.890 million with an interest of six per cent per annum from the date of the filing of the case in CY 1985 up to full payment, plus 10 per cent of the total amount due as attorney's fees, plus the cost of the suit.

NDC, through the Office of the Government Corporate Counsel (OGCC), appealed the case to the Court of Appeals (CA). The CA, in its Decision dated March 24, 2010, upheld the Decision of the RTC and increased the interest rate from six per cent per annum to 12 per cent per annum from the date of filing of the case until the satisfaction of the judgment award. NDC filed a Motion for Reconsideration of the said Decision. On July 21, 2010, the CA denied NDC's Motion for Reconsideration. On August 17, 2010, NDC filed a Petition for Certiorari with the Supreme Court (SC). On February 14, 2012, OGCC received an SC Resolution dated December 12, 2011, requiring NDC to file its comment to the Development Bank of the Philippines' petition. NDC, through the OGCC, filed a Motion for Extension of Time to File Comment on February 21, 2012. On March 21, 2012, OGCC filed a comment with a Motion to Consolidate the Case.

On February 1, 2017, the SC rendered a Decision affirming the March 24, 2010, Decision and the July 21, 2010, Resolution of the CA with modifications. On March 21, 2017, OGCC filed a Motion for Reconsideration. On July 26, 2017, OGCC filed its Consolidated Comment with a Motion to Refer the Case to the Court En Banc.

On July 1, 2020, OGCC forwarded a copy of Cuenca's Motion to Resolve re: Motion for reconsideration of the Decision dated February 1, 2017, and June 11, 2020.

On October 15, 2020, OGCC received the SC's order dated September 14, 2020. The Court noted the consolidated comment dated July 24, 2017, of NDC on the separate motions for partial reconsideration of respondents Cuenca, Tinio, Cuenca Investment Corporation, and Universal Holdings Corporation, and respondent Sta. Ines Melale Forest Products Corporation, with a motion to refer the case to the Honorable Court En Banc and the motion to resolve re: motion for partial reconsideration on the decision dated June 11, 2020, of respondents Rodolfo Cuenca, Manuel Tinio, Cuenca Investment Corporation, and Universal Holdings Corporation.

On June 13, 2024, the case was declared final and executory. The Court rendered judgment denying with finality the NDC's Motion for Reconsideration, and declaring NDC liable to pay Sta. Ines Melale, the advances made and the payment for the shares of stock, attorney's fees, and damages.

Leave benefits pertain to the accrual of the money value of leave credits earned by NDC employees as of December 31, 2025, and 2024, respectively.

24. OTHER PAYABLES

This account represents various unpaid personnel services, terminal leave, claims of former NDC employees who are already retired/resigned, and the provident fund established, which consists of contributions from both employees and employers. It serves as a loan facility and provider of supplementary benefits to its members, amounting to P14.855 million and P7.184 million in CYs 2025 and 2024, respectively.

25. BUSINESS INCOME

This account consists of the following:

	2025	2024 (As restated)
Lease income	243,785,838	255,614,584
Interest income	154,349,717	148,798,306
Share in profit (loss) of associates/affiliates	35,965,152	(428,851)
Dividend income	13,794,409	8,087,659
Management fees	2,342,111	140,000
	450,237,227	412,211,698

Lease income represents the revenue derived from the NDC's investment properties located in various parts of the country. NDC leases out its investment properties under an operating lease agreement with various entities and government agencies.

Lease contracts are negotiated for varying terms from one to twenty-five years with an option to renew clauses. An escalation rate ranging from six per cent to 10 per cent is imposed either yearly or at specific intervals, while in certain cases, the escalation rate is based on the actual inflation rate. Some lease contracts contain provisions stating that the lessee shall pay the real property taxes (RPT) for the leased premises.

The lease income earned by the NDC from its investment properties under operating leases amounted to P243.786 million and P255.615 million in CYs 2025 and 2024, respectively. Meanwhile, direct operating expenses consisting of RPT, security services, and repairs and maintenance of the properties incurred from these investment properties amounted to P33.899 million and P25.339 million in CYs 2025 and 2024, respectively (see Note 15).

Interest income consists mainly of interest income from bank deposits, investments in treasury bills, and loans.

Share in profit(loss) of associates/affiliates pertains to the proportionate share in the profit/loss of the investee under-investment in associates.

Dividend income pertains to dividends received from its subsidiaries and other investments.

Management fees pertain to fees charged to its subsidiaries for services such as procurement, messenger, janitorial, and information technology. It also includes fees from the management of the DTI MESH Fund for the year.

26. GAINS

This account consists of the following:

	2025	2024 (As restated)
Gain on foreign exchange	16,470,477	24,061,979
Gain from changes in the fair value of investment property	0	1,541,461,097
Gain on sale of investment property	0	284,796,695
	16,470,477	1,850,319,771

Gain on foreign exchange represents the foreign exchange differential arising from the translation of foreign currency-denominated items.

Gain from changes in fair value of investment property pertains to the net increase in the fair value of investment properties based on the appraisal conducted in CY 2024.

Gain on sale of investment property pertains to the gain arising from the disposal of the a portion of the Pandacan, Manila property in CY 2024.

27. OTHER NON-OPERATING INCOME

This account consists of the following:

	2025	2024
Reversal of impairment loss	1,301,178	2,039,299
Sale of unserviceable property	0	87,409
Miscellaneous income	3,754,486	4,778,231
	5,055,664	6,904,939

Reversal of impairment loss pertains to the reversal of allowance for impairment of various receivable accounts recovered in CYs 2025 and 2024.

The *sale of unserviceable property* pertains to income from the sale of its various unserviceable properties.

Miscellaneous income includes income from assessment charges from lessees.

28. PERSONNEL SERVICES

This account consists of the following:

	2025	2024
Salaries and wages	49,012,679	36,694,544
Other compensation	19,058,479	16,770,708
Personnel benefit contributions	6,567,707	5,045,144
Other personnel benefits	5,602,134	3,770,518
	80,240,999	62,280,914

29. MAINTENANCE AND OTHER OPERATING EXPENSES

This account consists of the following:

	2025	2024 (As restated)
Taxes and licenses	74,416,393	67,443,128
General services	47,592,037	46,817,503
Professional services	12,068,084	14,477,373

	2025	2024 (As restated)
Repairs and maintenance	7,059,262	5,491,049
Utility	4,842,488	3,817,017
Supplies and materials	3,633,525	5,176,088
Traveling	2,213,269	3,019,564
Communication services	1,871,966	1,746,325
Training and scholarship	1,241,176	1,101,617
Confidential, intelligence, and extraordinary	836,252	7,592,292
Other maintenance and operating expenses	9,813,418	4,912,139
	165,587,870	161,594,095

30. FINANCIAL EXPENSES

This account consists of the following:

	2025	2024 (As restated)
Interest expenses	20,547,787	15,044,699
Bank charges	204,768	93,472
	20,752,555	15,138,171

Interest expenses account pertains to interest charges paid for the use of borrowed money, bank, and financial charges.

Bank charges account pertains to the fee charged by banks for manager's checks and treasury bills.

31. NON-CASH EXPENSES

This account consists of the following:

	2025	2024
Loss on foreign exchange	13,227,068	13,770,812
Depreciation	7,777,116	6,639,625
Impairment loss	2,916,510	1,260,119
Share in the loss of joint venture	0	2,114,188
	23,920,694	23,784,744

Loss on foreign exchange represents the foreign exchange differential arising from the translation of foreign currency-denominated items.

Depreciation pertains to the periodic allocation of cost for the wear and tear of the NDC's property and equipment.

Impairment loss pertains to the loss in the future economic benefits of the NDC's lease receivables.

Share in the loss of joint venture pertains to the proportionate share of the Philippine National Oil Company-Renewables Corporation and NDC in the profit or loss of the Rizal Hydro Power Project.

32. INCOME TAX EXPENSE

Income tax expense for the years ended December 31 consists of:

	2025	2024 (As restated)
Current	16,528,575	149,387,779
Deferred	(6,046,536)	218,941,893
	10,482,039	368,329,672

Reconciliation between statutory tax and effective tax is as follows:

	2025	2024 (As restated)
Income tax at statutory rate	45,315,313	501,659,621
Dividend income not subject to income tax	(3,448,602)	(2,021,915)
Income subjected to final tax	(38,253,771)	(36,721,677)
Share in net income (loss) of associates	(8,991,288)	107,213
Other reconciling items	15,860,387	(94,693,570)
	10,482,039	368,329,672

Analysis of deferred tax assets and deferred tax liabilities is as follows:

	2025	2024 (As restated)
Deferred tax assets on:		
Allowance for impairment	614,525,421	614,121,588
Deferred tax liabilities on:		
Rental receivables	(12,504,185)	(14,474,456)
Interest receivables	(15,390,055)	(17,300,548)
Investment property	(7,784,880,521)	(7,784,880,521)
Unrealized foreign exchange gain	(810,852)	(2,572,791)
Net deferred tax liability	(7,199,060,192)	(7,205,106,728)

33. SHARE CAPITAL

This account represents the capital infusion of the National Government (NG) from CYs 1937 to 2002 aggregating P8.603 billion. The NDC has an authorized capital stock of P10 billion, the amount to be subscribed by the NG and to be paid up in accordance with project funding requirements.

34. RETAINED EARNINGS

The components of retained earnings are summarized below:

	2025	2024 (As restated)
Retained earnings, beginning	20,015,738,167	18,533,720,674
Unrealized gain from the revaluation of Investment property	0	1,541,461,097
Income before tax, net of unrealized gain	181,261,250	465,177,387
Income tax expense	(10,482,039)	(368,329,672)
Dividend payment	(429,154,375)	(156,291,319)
Retained earnings, ending	19,757,363,003	20,015,738,167

As of December 31, 2024, the retained earnings balance reflects a material increase primarily attributable to the recognition of unrealized gains from changes in fair value of investment properties in accordance with the fair value model under Philippine Accounting Standard (PAS) 40.

The revaluation of investment properties resulted in an unrealized gain amounting to P1.817 billion for CY 2024, which was recognized under profit or loss and subsequently accumulated in retained earnings. However, these gains are non-distributable until realized through the sale or disposal of the assets. The unrealized gain may be subject to changes in subsequent periods based on current market conditions. The total unrealized gain since CY 2016 amounts to P28.669 billion, net of all realized gains from the disposal of investment properties.

35. RESTATEMENT OF ACCOUNTS

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

CY 2023 errors discovered in 2025

	December 31, 2023 (As previously reported)	Restatements/ Adjustments	January 1, 2024 (As restated)
STATEMENT OF FINANCIAL POSITION			
Investment property	31,181,339,370	(495,505,700)	30,685,833,670
<i>Adjustment on investment property</i>		<i>(495,505,700)</i>	
Property and equipment, net	188,287,666	(3)	188,287,663
<i>Reclassification of computer software</i>		<i>(631,170)</i>	
<i>Reclassification of computer software – impairment</i>		<i>631,167</i>	
Intangible assets	0	12	12
<i>Reclassification of computer software</i>		<i>631,170</i>	
<i>Reclassification of computer software – impairment</i>		<i>(631,167)</i>	
<i>Recognition of land rights at nominal value</i>		<i>9</i>	
Restatement of total assets – net decrease		(495,505,691)	
Financial liabilities	640,854,846	75,147	640,929,993
<i>Over accrual of salaries, allowances, benefits, various maintenance and other operating expenses</i>		<i>75,147</i>	
Provision	322,275,371	25,842,480	348,117,851
<i>Under accrual of provision for interest on legal cases</i>		<i>25,842,480</i>	
Restatement of total liabilities – net increase		25,917,627	
Restatement of statement of financial position-net decrease		(521,423,318)	

CY 2024 errors discovered in 2025

	December 31, 2024 (As previously reported)	Restatements/ Adjustments	December 31, 2024 (As restated)
STATEMENT OF FINANCIAL POSITION			
Receivables, net -current <i>Under accrual of interest receivables</i>	636,099,463	1,612,928 1,612,928	637,712,391
Investment in associates/affiliates <i>Adjustment on investments related to equity share under-investment in associates</i>	258,116,323	(34,452,605) (34,452,605)	223,663,718
Investment Property <i>Adjustment on investment property</i>	32,011,008,107	(250,602,915) (250,602,915)	31,760,405,192
Property and equipment, net <i>Reclassification of computer software</i> <i>Reclassification of computer software – impairment</i>	190,296,414	(3) (631,170) 631,167	190,296,411
Intangible assets <i>Reclassification of computer software</i> <i>Reclassification of computer software – impairment</i> <i>Recognition of land rights at nominal value</i>	0	12 631,170 (631,167) 9	12
Restatement of total assets - net decrease		(283,442,583)	
Financial liabilities <i>Over and under accrual of salaries, allowances, benefits, various maintenance and other operating expenses</i>	627,418,517	1,609,637 1,609,637	629,028,154
Provision <i>Under accrual of provision for interest on legal cases</i>	326,512,591	37,132,473 37,132,473	363,645,064
Deferred tax liability <i>Adjustment on deferred tax</i>	7,190,624,474	14,482,254 14,482,254	7,205,106,728
Restatement of total liabilities – net increase		53,224,364	
Restatement of the statement of financial position – net decrease		(336,666,947)	

	December 31, 2024 (As previously reported)	Restatements/ Adjustments	December 31, 2024 (As restated)
STATEMENT OF COMPREHENSIVE INCOME			
Business income	445,051,376	(32,839,678)	412,211,698
<i>Adjustment to the share in the profit of associates/affiliates</i>		<i>(34,452,605)</i>	
<i>Adjustment to interest income on deposit substitutes/debt notes</i>		<i>1,612,927</i>	
Gains	1,605,416,986	244,902,785	1,850,319,771
<i>Adjustment on gain on revaluation of investment property</i>		<i>244,902,785</i>	
<i>Restatement of income-net increase</i>		<i>212,063,107</i>	
Maintenance and operating expenses	160,059,606	1,534,489	161,594,095
<i>Adjustments on the accrual of various maintenance and operating expenses</i>		<i>1,534,489</i>	
Financial expenses	3,848,178	11,289,993	15,138,171
<i>Adjustment of interest on legal cases</i>		<i>11,289,993</i>	
Deferred tax	204,459,639	14,482,254	218,941,893
<i>Over accrual of deferred tax for the year</i>		<i>14,482,254</i>	
<i>Restatement of expenses – net increase</i>		<i>27,306,736</i>	
Restatement of the statement of comprehensive income – net increase		184,756,371	

NDC presented three Statements of Financial Position in compliance with the requirements of PAS 1, *Presentation of Financial Statements*, to include in a complete set of financial statements a statement of financial position as at the beginning of the earliest comparative period whenever the entity retrospectively applies an accounting policy or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements.

36. RELATED PARTIES

Key Management includes the Board of Directors, all members of Management, and other NDC Officers. Key Management compensation totaled P24.968 million and P24.019 million in CYs 2025 and 2024, respectively. The breakdown of the amounts is as follows:

	2025	2024 (As restated)
Salaries and allowances	15,923,948	17,156,424
Other Benefits	11,043,805	6,862,378
	26,967,753	24,018,802

Pursuant to PAS 24, the NDC entered into transactions with its subsidiaries and associates in the ordinary course of business. These transactions include reimbursements, dividend receipts, management fees, and other operating transactions, as follows:

	2025	2024
<i>Outstanding balances</i>		
Receivable		
Subsidiaries	16,536,318	32,430,506
Associates	73,769,110	73,799,994
Payable		
Subsidiaries	16,536,318	32,430,506
Associates	73,769,110	73,799,994
	2025	2024
<i>Transactions during the year</i>		
Rental Income	16,564,230	17,555,602
Dividend Income	2,404,768	2,392,839
Interest Income	319,266	176,861
Management Fees	140,000	140,000

37. COMPLIANCE WITH REPUBLIC ACT (RA) NO. 7656

Pursuant to Republic Act No. 7656, requiring Government-Owned or -Controlled Corporations and their subsidiaries to declare dividends under certain conditions and remit the same to the NG, NDC remitted to the Bureau of the Treasury P429.154 million and P156.291 million in CYs 2025 and 2024, respectively.

38. CONTINGENCIES

In the ordinary course of business, the NDC became a party litigant to several cases/petitions filed for or against the NDC and pending before the appellate courts, the lower courts, and certain administrative bodies. These cases involve civil actions for the collection of sums of money, reconveyance of property/title, payment of just compensation, specific performance, and action for refund of taxes withheld.

Since the outcomes of the cases cannot be determined, claims for assets and provisions for any resulting liabilities have not been recognized in the financial statements.

The details of NDC pending cases as of December 31, 2025, are as follows:

Title of Case	Nature	Amount	Status
NDC vs. JAO & Company. (CA-GR CV No. 50087 Civil	Sum of money	P7.520 million plus six per cent interest per annum and liquidated damages	On May 22, 2015, NDC received the Court's September 22, 2014 Order; the

Title of Case	Nature	Amount	Status
Case No. R-81-1226 RTC-Manila, Br. 38).		of five per cent for the principal obligation and interest.	Motion for Execution filed by NDC through counsel is hereby granted. Waiting for the issuance of a writ of execution to implement the Decision of the Court dated March 20, 1995, which was affirmed in <i>toto</i> by the Court of Appeals (CA) in the Decision promulgated on July 28, 2005.
Victoria Corcelles Abunda, et al. vs. NDC, et al. (DARAB Case No. X-678-SC-2000).	Reconveyance	No amount is involved, as the issue to be resolved is ownership.	As of December 2018, no other related documents have been received. Awaits Court's Order for submission of position paper.
Liwanag L. Cruz, et al. vs. Juanito F. Galumo and Register of Deeds of South Cotabato. (Civil Case No. 12-4396, RTC-Br. 39, Polomolok, South Cotabato).	Annulment of deed of sale, reconveyance of real properties, damages with prayer for preliminary mandatory injunction	No amount is involved, as the issue to be resolved is ownership.	CA issued Resolution dated November 25, 2025. Defendants-Appellees, Juanito Galumo, et al., filed Submission and Compliance dated August 22, 2025. Intervenor-Appellee DARBCI filed Comment/Opposition dated July 31, 2025. CA issued Resolution dated July 22, 2025, re: the Court

Title of Case	Nature	Amount	Status
			DIRECTS the defendant-appellees to submit within five days from notice the following: (a) Proof of filiation of the surviving heirs and their respective addresses; and (b) Manifestation of the heirs whether to continue to engage the services of Atty. Santos as counsel. Defendant-Appellees filed Appellee's Brief dated July 11, 2025. Intervenor-Appellee DARBCI filed a Brief for the Intervenor-Appellee DARBCI dated June 27, 2025.
Primo Gelacio vs. And Luzviminda Gelacio-Bahala v. NDC-Guthrie Plantations, Inc. & NDC Civil Case Nos. 560 & 561 GR No. 138736 (CA-GR CV No. 43924).	For recovery of possession with damages and attorney's fees.	P100,000 more or less (principal only).	On November 10, 2018, the Court issued a Writ of Execution, a copy of which was received by NDC on December 11, 2018. To date, no other related documents have been received.
NDC represented by its Asst. General Manager, Esmeraldo E. Sioson vs. Department of	Reconveyance	No amount is involved, as the issue to be resolved is ownership.	Public Respondent DAR filed a Comment to the Motion for Reconsideration of

Title of Case	Nature	Amount	Status
Agrarian Reform (DAR), represented by its Provincial Agrarian Reform Officer (PARO) Pedro P. Gumbao, et al. (DARAB Case No. 10999. Reg. Case No. XI-608-SC-99).			the Petitioner filed on July 24, 2025. Supreme Court (SC) Resolution dated February 19, 2025, re: the Court further resolves to REQUIRE (1) petitioner to FURNISH respondent DAR a copy of its motion for reconsideration of the Resolution dated July 11, 2018, denying the petition and SUBMIT proof of such service within five days; and (2) respondent DAR to COMMENT on the said motion for reconsideration within 10 days.
NDC vs. DAR & LBP. (Civil Case No. 7172 RTC-Branch I, Balanga, Bataan) LBP vs. NDC. (CA-GR-SP No. 99765 15 th Division).	Determination of just compensation	P2.737 million	SC remanded the case to the Regional Trial Court (RTC) for the determination of just compensation.
Heirs of Pacabis vs. NDC. (Civil Case No. 3442-0 Br. 35, Ormoc City).	Determination of just compensation	Per Commissioner's Report, P40 per square meter (sq. m.) involving 80,000 sq. m. or approximately P3.2 million (principal only).	Plaintiffs filed a Motion to Withdraw as counsel of the Plaintiffs dated August 4, 2023. For Execution of Judgment. On March 23, 2023, the Office of the Government Corporate Counsel (OGCC) received the March 9, 2023,

Title of Case	Nature	Amount	Status
			Order. The Court found no basis to reconsider its Order dated March 12, 2021, and the Motion for Reconsideration filed by NDC is denied. The Court ordered a Writ of Execution to be issued.
NDC vs. Refund of taxes Commissioner of Internal Revenue (CIR) [Department of Justice (DOJ) Case No. 91-06].		P0.660 million.	Submitted for DOJ's resolution. OGCC has yet to receive the CIR's resolution.
NDC vs. Hon. Jim O. Sampulna, in his capacity as Regional Executive Director of the Department of Environment & Natural Resources (DENR), Region XII, Koronadal City, Sps. Valencia. CA-GR SP No. 02444 [Ildefonso Tabiling (Dec) (now Enriqueta Montaño) s. Pascual Boada, NDC represented by its GR or President and DOLE Phils.). RED CLAIM NO. 038-2003 CENRO CLAIM NO. 84 LOT NO. 13-Gss-390]	Petition for Certiorari with TRO or Preliminary Injunction	No amount is involved, as the issue to be resolved is ownership.	On January 7, 2014, OGCC received a Resolution dated November 19, 2013, directing the Division Clerk of Court to issue an Entry of Judgment in this case.
Mateo Rubio et al. vs. DOLE Phils., et al. (DARAB Case No. XII-1067-SC-2009).	For Declaration of Nullity of Transfer,	No amount is involved, as the issue to be resolved	Last pleading filed on August 20, 2009: NDC filed its answer with

Title of Case	Nature	Amount	Status
	Recovery of Possession	in this case is ownership.	Compulsory Counterclaim. As of June 11, 2012, no further court order or any related pleadings have been received.
Teodora Denila vs. NDC/DOLE, DARBCI (RTC Br. 36, Gen San City)	Cancellation of Title of Lot No. 65 (1161) PLS 247-D	- P2.541 million as back rentals - Rental from 1996 up to the present - 20 per cent Attorney's fees	The CA ordered the Appellants to file their respective briefs. Awaiting further instructions from CA.
Philippine Associated Smelting and Refining Corp. (PASAR) v. NDC Case No. R-ORM-09-00009-CV RTC-Br. .35 Ormoc City CC R-ORM-15-00078-CV	For quieting of title with prayer for temporary restraining order and/or writ of preliminary injunction	No amount involved as the issue to be resolved is ownership.	Put on hold. PASAR paid arrears. Filed Manifestation and Compliance (with the March 17, 2023 Order) on May 12, 2023 On March 16, 2023, OGCC received the February 17, 2023, copy of the Order (Constancia). The hearing set on February 17, 2023, is cancelled and reset to March 17, 2023, at 8:30 a.m. On January 9, 2023, OGCC received a copy of PASAR's December 15, 2022, Motion for Partial Reconsideration of

Title of Case	Nature	Amount	Status
NDC vs. CIR Court of Tax Appeals (CTA) Case 9633 Third Division.			the Decision dated July 1, 2022.
			On December 5, 2022, the RTC's Decision dated July 1, 2022, was received. NDC filed a Partial Motion for Reconsideration in December 2022. PASAR also moved for reconsideration of the court's decision. Awaiting the Court's resolution.
			CIR through OSG filed Comment dated November 6, 2025
			OGCC filed Compliance dated October 18, 2025
			SC issued Resolution dated August 28, 2025, re: the Court, without necessarily giving due course thereto, further resolves to REQUIRE: (1) the respondent to file a COMMENT thereon, not a motion to dismiss within 10 days; and (2) the petitioner to FULLY COMPLY with the 2019 Amended Rules of Court by submitting proper

Title of Case	Nature	Amount	Status
			verification and a valid certification on non-forum shopping with proper accomplished jurat showing that the affiant exhibited before the notary public at least on recurrent identification document issued by an official agency bearing the photograph and signature of the affiant as required within five days of notice. CTA En Banc issued Resolution dated September 25, 2024, re: petitioner's Motion for Reconsideration (of the November 13, 2023, Decision) is DENIED for lack of merit.

39. GENDER AND DEVELOPMENT (GAD)

The NDC allotted P884.054 million for the GAD program for the calendar year 2026. The NDC undertook various activities, but only P25.114 million was utilized during the year.

40. SUPPLEMENTARY INFORMATION ON TAXES

In compliance with the requirements set forth by the Bureau of Internal Revenue (BIR) Revenue Regulations No. 15-2010, hereunder is the information on taxes, duties, and license fees paid during the year:

a. Taxes and licenses (National and Local):

	2025	2024
Real estate tax	35,732,555	34,538,578
Mayor's permit	3,684,934	1,713,532
Community tax certificate	10,500	10,650
Annual registration-BIR	0	500
	39,427,989	36,263,260

b. Withholding taxes paid:

	2025	2024
Tax on compensation	6,509,862	6,721,515
Creditable withholding taxes	4,978,695	6,573,287
	11,488,557	13,294,802

PART II

OBSERVATIONS AND RECOMMENDATIONS

OBSERVATIONS AND RECOMMENDATIONS

A. FINANCIAL AUDIT

1. The balance of the Property and Equipment (PE) account with a carrying amount of P182.931 million could not be ascertained due to: a) a variance of P15.804 million; and b) the inclusion of missing PE costing P32.531 million, contrary to Philippine Accounting Standards (PAS) 1.

- 1.1 Paragraph 15 of PAS 1 provides:

Financial statements shall present fairly the financial position, financial performance and cash flows of an entity. Fair presentation requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the Conceptual Framework for Financial Reporting (Conceptual Framework). The application of PFRSs, with additional disclosure when necessary, is presumed to result in financial statements that achieve a fair presentation.

- 1.2 Additionally, Paragraph 67 of PAS 16 provides that:

The carrying amount of an item of property, plant and equipment shall be derecognized upon disposal or when no future economic benefits are expected from its use or disposal.

- a. **A variance of P15.804 million between Subsidiary Ledgers (SLs) and the Report on the Physical Count of Property, Plant and Equipment (RPCPPE)**

- 1.3 Per review of the SLs maintained by the Accounting Unit (AU) and the RPCPPE prepared by the Administrative Unit (AdU), unreconciled variances amounting to P15.804 million are summarized as follows:

Table 1 - Summary of Variances

Account Name	SLs	RPCPPE	Variance
Other Land Improvements	70,721,643	70,721,643	0
Buildings	1,160,068,949	1,160,068,949	0
Other Structures	4,518,600	4,518,600	0
Other Structures - Foreclosed Properties	922,591	922,591	0
Office Equipment	8,565,904	8,565,904	0
Information and Communication Technology (ICT) Equipment	20,137,161	19,888,590	248,571
Sports Equipment	341,606	0	341,606
Motor Vehicles	19,429,076	9,783,728	9,645,348
Furniture and Fixtures	1,112,800	1,112,800	0
Other Property, Plant and Equipment	41,252,201	35,683,498	5,568,703
Total	1,327,070,531	1,311,266,303	15,804,228

- 1.4 A review of accounting records and inventory reports revealed variances in the following:
- i. Several ICT equipment items amounting to P248,571 were recorded in the National Development Company's (NDC) books of accounts but were neither reported nor accounted for in the RPCPPE. According to the AdU personnel, these items were already unserviceable. However, a review of the submitted Inventory and Inspection Report of Unserviceable Property (IIRUP) showed that these items were not included therein.
 - ii. The variance in the Sports Equipment account amounting to P341,606 pertains to items recorded in the NDC's books of accounts but not reported in the RPCPPE. Accordingly, some of these items were included in the IIRUP for disposal.
 - iii. The P9.645 million variance in the Motor Vehicles account was due to the differences in the costing/valuation between the AU and AdU.
 - iv. The variance on the Other Property, Plant and Equipment account amounting to P5.569 million pertains to the NDC's share in the joint venture in the Rizal Hydro Power Plant project that remains unreconciled between the two records.
- 1.5 The RPCPPE summarizes the results of the physical inventory count of PE and serves as a basis for substantiating the existence and completeness of such assets. It is likewise used to reconcile balances between accounting and property records.
- 1.6 The non-reconciliation between the accounting and property records casts doubt on the existence, accuracy, and reliability of the reported PE balances, thereby affecting the faithful representation of the account.

b. The inclusion of missing PE costing P32.531 million in NDC's books of accounts

- 1.7 A review of the RPCPPE as of December 31, 2025, disclosed that PE items amounting to P32.531 million were not found during the physical inventory count. Details are presented below:

Table 2 - Summary of Missing PE items	
Account Title	Cost
Buildings ¹	24,377,103
Information and Communication Technology Equipment	6,324,364
Motor Vehicles	1,335,977
Other Property, Plant and Equipment	494,004
Total	32,531,448

- 1.8 These PE items have been missing for several years. Per inquiry with AdU personnel, the missing items noted in the RPCPPE were attributed to the lack of proper turnover during the NDC's reorganization in calendar year (CY) 2003.

¹ Buildings account consists of heavy/mobile equipment and line boat at NDC Port Complex, LIDE Isabel, Leyte.

- 1.9 The inventory count conducted by the NDC in Leyte on October 22 to 24, 2024, revealed that PE items valued at P25.713 million were missing. A LIDE Management Corporation (LMC) employee disclosed that among these missing items were unserviceable NDC vehicles in Matlang, Isabel, Leyte. These vehicles, which remained on-site after Typhoon Yolanda, were allegedly sold by the LMC without the NDC's knowledge. According to LMC, Typhoon Yolanda destroyed all documents related to property accountability. Furthermore, a follow-up inventory count conducted by the NDC on December 3 to 5, 2025, yielded no additional information regarding the previous year's findings.
- 1.10 Additionally, during the inspection in the NDC Port Complex, a Philippine Phosphate Fertilizer Corporation (PhilPhos) personnel disclosed that NDC has only three cranes instead of six, based on their contract, and that the other three cranes may be owned by PhilPhos contractors. Of the three cranes, one was found on-site, while the remaining two were reported as missing. Further discussions regarding the status of the properties in the port complex revealed that two tugboats, which were not found on-site, were being repaired by PhilPhos without NDC's knowledge.
- 1.11 The NDC Management requested the Managements of PhilPhos and LMC to provide a status report on the missing items through an email dated October 28, 2024. However, NDC Management has yet to receive the requested reports.
- 1.12 COA Circular No. 2020-006 dated January 31, 2020, provides guidelines on the disposition of non-existing/missing PE items, for the one-time cleansing of PE account balances. Under the said COA Circular, the Property Unit is directed to verify whether these assets have already been disposed of or transferred/donated to other government agencies.
- 1.13 If such is not the case, the Property Unit shall be responsible for identifying the person/s accountable for the non-existing/missing PE items. The accountable person/s shall be required to produce/present the said items. In cases where accountability could not be established despite diligent efforts, the Head of the Agency shall cause an investigation to determine the last known location of the missing PE items. If the accountable person is determined to be liable after the investigation, a demand shall be made upon the personnel; otherwise, authority to derecognize the missing PE items from the books of account may be requested from COA.
- 1.14 Based on the foregoing observations, the existence of unreconciled variances and missing PE items that remain recorded in the NDC's books of accounts indicates non-compliance with the aforementioned accounting standards. These conditions collectively cast doubt on the existence, completeness, accuracy, and valuation of PE balances, thereby affecting their faithful representation in the financial statements required under PAS 1.
- 1.15 We reiterated our prior year's recommendations that Management:**
- a. Direct the Accounting Unit and Administrative Unit to reconcile the accounting and property records, and to identify and resolve all noted variances;**

- b. **Require the timely preparation and submission of complete and accurate property and accounting reports, including the Report on Physical Count of Property, Plant and Equipment, and supporting schedules, to ensure consistency, accuracy, and reliability of records;**
 - c. **Direct the investigation into the whereabouts of the missing Property and Equipment items; and**
 - d. **Henceforth, comply with the disposition procedures for the non-existing/missing Property and Equipment items pursuant to the relevant provisions of COA Circular No. 2020-006 dated January 31, 2020.**
- 1.16 Management commented that they will instruct the AU and AdU to review the SLs and RPCPPE and implement necessary adjustments.
- 1.17 Also, the AU and AdU are currently reviewing the policies and procedures governing one-time cleansing of PE accounts, in accordance with applicable COA rules and regulations. As part of the prescribed process, NDC will investigate the whereabouts of the missing PE.
- 1.18 Management has already directed the AU, AdU, and Disposal Committee to facilitate the immediate disposition of unserviceable properties.
- 1.19 The Audit Team will monitor Management's subsequent actions.
- 2. The completeness and existence of Lands Not Used in Operations, Receivable from the Department of Agrarian Reform (DAR), and the related allowance for impairment accounts, including disclosures, could not be ascertained due to: a) inconsistencies in NDC's records; and b) absence of itemized lands covered by the Comprehensive Agrarian Reform Program (CARP), contrary to PAS 1.**
- 2.1 Paragraph 15 of PAS 1 requires that the financial statements shall present fairly the financial position, financial performance, and cash flows of an entity, including the faithful representation of the effects of transactions and other events.
- 2.2 Relative thereto, Paragraphs 2.13 and 2.18 of the Conceptual Framework for Financial Reporting provide:
- 2.13 *To be a perfectly faithful representation, a depiction would have three characteristics. It would be complete, neutral and free from error. Of course, perfection is seldom, if ever, achievable. xxx (underscoring supplied)*
- 2.18 *Faithful representation does not mean accurate in all respects. Free from error means there are no errors or omissions in the description of the phenomenon, and the process used to produce the reported information has been selected and applied with no errors in the process. xxx*

- 2.3 Meanwhile, the following provisions govern lands covered under the CARP. Section 2 of Republic Act No. 6657, dated June 10, 1988, or the Comprehensive Agrarian Reform Law of 1988, provides that “the State shall encourage and undertake the just distribution of all agricultural lands, subject to the priorities and retention limits set forth in this Act, having taken into account ecological, developmental, and equity considerations, and subject to the payment of just compensation.”
- 2.4 Section 4 thereof further provides that the CARP “shall cover, regardless of tenurial arrangement and commodity produced, all public and private agricultural lands, as provided in Proclamation No. 131 and Executive Order No. 229, including other lands of the public domain suitable for agriculture.”
- 2.5 Section 1 of Executive Order (EO) No. 360 dated June 9, 1989, provides that all government financial institutions (GFIs) and government-owned or controlled corporations (GOCCs) “are hereby enjoined to grant the Department of Agrarian Reform the right of first refusal in the sale or disposition of all lands owned by them which are suitable to agriculture.”
- 2.6 Furthermore, Section 1 of EO No. 407 dated June 14, 1990 mandates that all Government instrumentalities, including GOCCs or GFIs “**shall immediately execute Deeds of Transfer in favor of the Republic of the Philippines as represented by the Department of Agrarian Reform and surrender to the latter department all landholdings, suitable for agriculture** including all pertinent ownership documents in their custody, such as the owner's duplicate copy of the certificates of title, tax declarations and other documents necessary to effect the transfer of ownership.”

a. Inconsistencies in NDC’s records [AU and the Asset Management Group (AMG)]

- 2.7 A review of Note 18 – Other Non-Current Assets² in the Notes to Financial Statements (FS) disclosed that there are land assets that were classified as Lands Not Used in Operations. The lands with a book value of P6.614 million pertain to the **Bulacan and Camarines Sur properties** (collectively referred to herein as **subject properties**) covered by the CARP of the DAR. While the property has a book value of P3.180 million, located in Guadalupe, Cebu City, it is currently designated as “road right-of-way” for residents of the community in the area.
- 2.8 Based on the AU’s Straight Schedule, the Lands Not Used in Operations account consists of the following:

Table 3 - Lands Not Used in Operations	
Property	Amount
San Ildefonso Bulacan	6,018,566
San Jose Del Monte Bulacan	582,222
Balatan Camarines Sur	10,000
Lagonoy Camarines Sur	3,315
Guadalupe, Cebu City	3,180,000
TOTAL	9,794,103

² Note 18 of Notes to Financial Statements submitted by Management on February 13, 2026.

- 2.9 On the other hand, a review of the Schedule of NDC Lands/Acquired Assets as of September 30, 2008, showed that there are 10 properties covered by CARP, including the **San Ildefonso, Bulacan, and Camarines Sur properties**. While the **San Jose del Monte property** was classified for title consolidation. Details are shown below:

Table 4 - Status of Properties as of September 30, 2008

No.	PROPERTY	AREA (in sq. m.)	BASIS OF OWNERSHIP	REMARKS
<u>Covered by CARP</u>				
1	Babaran, Echague, Isabela	62,539	---	With an issue on the DAR valuation/Real Property Tax
2	Faire, Cagayan	2,815,167	Acquired from ERSI	Partial payment received for the first 60 hectares
3	Bo. San Pedro, Hermosa, Bataan	54,742	International Corporate Bank (ICB) Acquired Asset	With the decision from the RTC of Balance, Bataan, favorable to NDC re: Petition on increase in valuation
4	San Ildefonso, Bulacan	211,680	ICB Acquired Asset	For verification
5	Balatan, Camarines Sur	27,579	ICB Acquired Asset	For verification
6	Lagonoy, Camarines Sur	82,835	ICB Acquired Asset	For verification
7	Trento, Agusan del Sur	3,036,062	Presidential Decree (PD) No. 1766/ Presidential Proclamation (PP) No. 1939	For completion of documentary requirements
8	Don Carlos, Bukidnon	26,972,923	Deeds of Sale dated. 1985 with Construction and Development Corporation of the Philippines, San Ramon Ranch and San Roque Cattle Ranch	With a legal problem, the land was sequestered by the Presidential Commission on Good Government.
9	Rosaria & San Francisco Agusan del Sur	6,925,132	PD No. 1766/PP No. 1939	For completion of documentary requirements
10	Polomolok & Tupi, South Cotabato	58,856,516	Quitclaim Deeds/Deeds of Sale from Private Landowners	For completion of documentary requirements
TOTAL		99,045,175		
<u>For Title Consolidation</u>				
11	San Jose del Monte, Bulacan	88,064	ICB Acquired Asset	For relocation survey and transfer of title
TOTAL		88,064		

- 2.10 In reply to the Audit Query Memorandum³, Management stated that they coordinated with the Land Bank of the Philippines (LBP)-Agrarian Operations Center 10, Cagayan de Oro City, as regards Agusan del Sur Property, for the processing and completion of additional requirements, and the subsequent payment of NDC's claims amounting to P24.190 million for the initial 4,031,343 sq. m.
- 2.11 For the South Cotabato Property, Management stated that the documentary requirements have been completed with the LBP-Land Transfer Processing Department at the LBP Head Office. However, the compensation amounted to P32.480 million has yet to be received due to changes in the LBP officers handling the NDC account.
- 2.12 With regard to Properties **1 to 8**, Management commented that they will validate and reconcile the records to determine the current status of the properties in light of the varying status of each property and the fact that the CARP-related transactions transpired decades ago.
- 2.13 Meanwhile, further examination of available documents showed that per the Status Report of ICB-acquired Land Assets as of December 31, 2015, the **subject properties** have the following status:

Table 5 - Status of Subject Properties as of December 31, 2015

Property	Status
San Ildefonso, Bulacan	Covered by CARP; Awaiting release of compensation from LBP.
San Jose del Monte, Bulacan	For title consolidation; Marketing of property for lease or project development
Balatan, Camarines Sur	Covered by CARP; For further validation, as the property is not in the DAR's list of properties under CARP coverage, nor is it reflected in the Tax Map of the Municipal Assessor's Office.
Lagonoy, Camarines Sur	For the consolidation of DAR documentary requirements for land compensation claims

- 2.14 In CY 2018, the **subject properties** were classified under Other Non-Current Assets – Lands Not Used in Operation as presented in Note 13 of the Annual Audit Report.
- 2.15 However, per the Status Report of ICB-acquired Land Assets as of December 31, 2019⁴, only the **San Jose del Monte, Bulacan property** is undergoing the CARP process. The same information has been noted since then.
- 2.16 As disclosed in Note 18, the LBP has not yet paid the value of the **subject properties**, and NDC is still in the process of completing the necessary documents as required by the DAR. The same disclosure and amount as presented in Table 3 have been noted since CY 2018. Thus, the account has been dormant for seven years.
- 2.17 In view of the foregoing, the accuracy of the Lands Not Used in Operations account, including its related disclosures, could not be ascertained. The inconsistencies noted

³ AQM No. 2026-001 (2025) dated March 17, 2026.

⁴ Status Reports of ICB-acquired Land Asset for the years ended December 31, 2016 to 2018 were not obtained from the file.

between the records of the AU and AMG, affect the faithful representation of the account in the financial statement, as shown in the following observations:

- In CY 2018, the **subject properties** were recorded and disclosed as Lands Not Used in Operation with the disclosure that NDC is still in the process of completing the documents required by the DAR. However, available records as of December 31, 2015, showed that the **San Ildefonso, Bulacan Property** was already indicated as awaiting the release of just compensation from LBP. Thus, as of that date, recognizing a receivable from DAR could have been appropriate.
- Moreover, while the Notes to the FS disclosed that the subject properties remain covered by CARP, the AMG records show that only the **San Jose del Monte, Bulacan property** remains under CARP coverage. This indicates that Note 18 does not fully reflect the actual status of the Lands Not Used in Operations accounts.

b. Absence of an itemized receivable account corresponding to lands covered by CARP

- 2.18 Relative to the properties covered by CARP, NDC has recorded receivables from DAR amounting to P163.141 million, with a corresponding allowance for impairment amounting to P107.854 million, resulting in a carrying amount of P55.287 million.
- 2.19 However, the receivables from DAR are not supported by an itemized account that identifies the specific land assets that have already undergone and completed the CARP process. The absence of such a schedule or detailed monitoring was confirmed by AU personnel.
- 2.20 In the absence of an itemized breakdown of receivables from DAR about land assets covered by CARP, the status, collectability, and aging of individual accounts could not be determined. Consequently, the basis for recognizing and measuring the allowance for impairment could not be adequately established, thereby affecting the accuracy and valuation of the receivable and its related allowance account.
- 2.21 Considering the above, the inconsistencies in the records are also compounded by the absence of an itemized account of receivables corresponding to land assets that have completed the CARP process. As a result, it could not be verified whether the **San Ildefonso, Bulacan property** had been previously recorded as a receivable from DAR, which could affect its recognition in CY 2018. Similarly, it remains unclear whether the **Camarines Sur properties** had also been recorded as receivables, given that these properties are not included in the AMG report on CARP-covered assets.
- 2.22 Moreover, it could not be ascertained whether the compensation for the Agusan del Sur and South Cotabato Properties, amounting to P24.190 million and P32.480 million, respectively, had already been recorded as receivables.
- 2.23 The inconsistencies between the records of AU and AMG, along with the absence of an itemized receivable account for lands covered by CARP, rendered the accuracy and valuation of the *Lands Not Used in Operations, Receivable from DAR, and its related Allowance for Impairment* accounts, including the corresponding disclosures, doubtful. Accordingly, the uncertainty of these account balances and related

disclosures affects the faithful representation required under Paragraph 15 of the Philippine Accounting Standard (PAS) 1.

- 2.24 It is worth noting that among the findings relative to asset management under Department of Budget and Management-Department of Finance-National Economic and Development Authority Joint Memorandum Circular No. 2020-1 highlights the recurring discrepancies between property records maintained by asset management units and the books of accounts of agencies. This underscores the need for regular reconciliation and alignment of records between the AU and AMG to ensure the accuracy and reliability of financial reporting.

2.25 We recommended, and Management agreed to:

- a. **Provide and maintain an itemized receivable account for lands covered by the Comprehensive Agrarian Reform Program;**
 - b. **Reconcile the records of the Accounting Unit and the Asset Management Group, and determine the effect of any variances noted in the financial statements;**
 - c. **Assess the adequacy of the allowance for impairment based on complete and reconciled receivables from the Department of Agrarian Reform, and prepare necessary adjusting entries, if warranted; and**
 - d. **Ensure that appropriate disclosures are made in the Notes to Financial Statements to fully reflect the status, valuation basis, and uncertainties, if any, affecting the related accounts.**
3. **Variances amounting to P26.379 million between the Rental Receivable balances per NDC's books of accounts and the confirmation results for CYs 2024 to 2025 are contrary to Paragraph 15 of PAS 1, affecting the existence of the balance of the Current Receivable account in the financial statements.**
- 3.1 Paragraph 15 of PAS 1 provides that financial statements shall present fairly the entity's financial position, financial performance, and cash flows through faithful representation of transactions, compliance with Philippine Financial Reporting Standards, and inclusion of core components.
- 3.2 As of December 31, 2025, the Rental Receivable account has an outstanding balance of P50.017 million. The Audit Team, through the NDC AU, sent confirmation letters in CYs 2024 and 2025 to various NDC lessees to verify the correctness of the recorded rental receivable balance. Only ten lessees responded in CY 2024, while six responded in CY 2025.
- 3.3 Of the 10 responses received in CY 2024, three remain unreconciled, showing unaccounted variances totaling P25.949 million. For CY 2025, two responses showed unreconciled variances amounting to P430,599. The summary of the results of the confirmation is shown as follows:

Table 6 - Results of Confirmation

Lessee	Balance per Schedule	Balance per Confirmation	Variance (Absolute)
2025			
Lessee 1	3,644,328	3,950,745	306,417
Lessee 2	124,182	0	124,182
2024			
Lessee 3	9,203,758	31,340,514	22,136,756
Lessee 4	4,899,745	8,708,956	3,809,211
Lessee 5	2,782	0	2,782
TOTAL			26,379,348

- 3.4 An analysis and review of records, including the Contracts of Lease and the AU's application of relevant contractual provisions (e.g., security deposits, escalation rates, and assessment fees), relating to the above lessees as recorded in NDC's books of accounts for rental receivables, revealed the following observations:

Table 7 - Analysis of Variance

Lessee	Remarks
Lessee 1	Balance per Schedule pertains only to rental receivables amounting to P3.644 million from the lessee for June to December 2025, net of withholding taxes. Meanwhile, the lessee has recorded rental payable amounting to P3.937 million for the same period. Further, the Balance per Confirmation also includes the lessee's utilities payable for September to November 2025, amounting to P67,072.
Lessee 2	The variance pertains to the long outstanding balance in NDC's books of accounts.
Lessee 3	Balance per CY 2024 Schedule only pertains to rental receivable from Lessee 3, while Balance per Confirmation includes the lessee's payable on assessment, parking, and office rentals of four floors (specific areas on Ground, 2nd, 12th floors, and penthouse) and utilities, thus, a variance amounting to P22.137 million. A review of available records showed that NDC has utilities receivables from Lessee 3 amounting to only P2.933 million. Meanwhile, P6.186 million pertains to Lessee 3's accumulated lease payable on assessment, parking, and office rental of the penthouse from August 2020 to July 2024; however, no corresponding lease receivable was recorded in NDC's books of accounts during the same period. The Audit Team could not account for the rest of the variance with the available records at hand. Inquiry with AU revealed that the account has been fully impaired as of December 31, 2025.

Lessee	Remarks
Lessee 4	In CYs 2019 to 2021, the lessee confirmed a balance of "0" while no confirmation was received in CY 2022. However, in CYs 2023 and 2024, the lessee confirmed an outstanding balance of P8.909 million and P8.709 million, respectively.
Lessee 5	The variance pertains to the long outstanding balance in NDC's books of accounts. Inquiry with AU revealed that the lessee sends a credit memo, which was eventually stopped, to offset a payable, whereas the lessee claims that its balance is already 0.

3.5 Further examination of available documents showed that the account of Lessee 2 has been outstanding for more than 10 years. The AU remarked that this is a dormant account. This condition necessitates the reconciliation of accounts, considering that the lessee's records show no corresponding obligation/payable to NDC, as shown in Table 7.

3.6 Moreover, Management commented that Lessee 3 is an affiliate of NDC, holding 40 per cent ownership in the entity. Since CY 2011, Lessee 3 has incurred recurring operating losses, resulting in its inability to pay rent and other miscellaneous charges to NDC. In CY 2017, due to Lessee 3's adverse financial condition, Management decided not to renew its lease contract and directed it to vacate the 2nd floor of the NDC Building and transfer to the penthouse. Consequently, NDC stopped recognizing the rental income in its books of accounts.

3.7 As regards Lessee 4, according to the AU, the entity claims that it did not receive the Statements of Accounts sent by NDC in prior years. In response, the AU sent a follow-up letter with supporting documents for the collection of its remaining balance. Further, AU revealed that the balance is to be verified pending reconciliation between NDC and Lessee 4.

3.8 Meanwhile, a review of prior years' confirmation letters received from various lessees and trend analysis of the accounts from CYs 2019 to 2023 showed the following:

Table 8 - Results per Confirmation and Trend Analysis										
Lessees	Balances per Straight Schedule (In thousands)					Results of Confirmation				
	2019	2020	2021	2022	2023	2019	2020	2021	2022	2023
Lessee 6**	1,648	1,648	1,513	1,513	1,997	0	0	n/a	0	n/a
Lessee 7**	520	520	520	520	520	n/a	n/a	0	0	n/a
Lessee 2***	124	124	124	124	124	0	0	0	0	0
Lessee 8**	120	120	120	120	120	n/a	0	n/a	0	0
Lessee 9**	12	12	12	12	12	n/a	0	0	0	0

* Not applicable (n/a) means no confirmation letter was received from the lessee for the period covered

** Did not send a confirmation letter in 2024 and 2025

*** Sent confirmation letter in 2025, but not in 2024

3.9 An examination of available documents showed that the accounts presented in Table 8, except for Lessee 6, has been outstanding for more than 10 years. Considering that the lessees' records showed no obligation/payable to NDC, reconciliation of these accounts is necessary. Further delay in reconciliation could

hinder the timely settlement of these accounts or, as may be warranted, their derecognition.

3.10 The variances between the recorded rental receivables account and confirmation results affect the faithful representation of the account, contrary to Paragraph 15 of PAS 1.

3.11 **We reiterated our prior year's recommendations that Management coordinate with the concerned lessees to reconcile the variances with NDC records. Make the necessary adjusting entries and/or send demand letters to collect therefrom, as the case may be. Furnish the Audit Team a copy of the reconciliation and/or letters sent to lessees.**

3.12 Management commented on the variances as follows:

Table 9 - Remarks on Variances

Lessee	Remarks
Lessee 1	The variance includes utilities amounting to P57,071 and assessment fees P249,346, which, upon verification with the Accounting Department of Lessee 1, were recorded as part of their rental expenses.
Lessee 2	The unpaid amount was already communicated to the lessees through emails and phone calls, and supporting documents were requested to verify whether the amounts had already been settled. However, no response has been received by NDC. The accounting unit will again contact the said lessees to update the accounts.
Lessee 3	The variance represents the accumulated amount of rentals accrued by Lessee 3, since NDC already stopped recording rental income in its books in 2015. The Accounting unit will reconcile the amounts based on the updated Statement of Account.
Lessee 4	Payment was made on April 23, 2026, amounting to P178,571. The AU will send an updated Statement of Account reflecting the payment made and provide the detailed account history to facilitate reconciliation, if necessary.
Lessee 5	The AU will request copies of any documents from the lessee supporting its claim that the amount has already been cleared or settled.
Lessee 6	The variance pertains to a long-outstanding balance with the lessee. The AU and the Treasury Unit will coordinate and reconcile with the lessee.

3.13 The Audit Team will continue to monitor Management's actions to reconcile the accounts.

4. **The balance of the Due to Treasurer of the Philippines account amounting to P7.807 million was doubtful due to unreconciled variance of NDC's payable to the Commission on Audit (COA) amounting to P13.002 million.**
- 4.1 Paragraph 15 of PAS 1 states that financial statements shall present fairly an entity's financial position, financial performance, and cash flows.
- 4.2 On February 12, 2026, the Director of the Finance Office, Planning, Finance, and Management Sector (PFMS) of the COA, issued a Demand Letter to the NDC for the unremitted cost of audit. The Demand Letter indicated an outstanding balance of P20.809 million as of February 10, 2026.
- 4.3 While the demand letter from the COA Finance Office indicates a receivable of P20.809 million, NDC's books of accounts reflect a payable of only P7.807 million, resulting in a variance of P13.002 million between the COA and NDC records.
- 4.4 Earlier on June 2, 2025, the NDC sent a letter to COA – PFMS requesting a review of the cost of audit services for CYs 1990 to 2018. Attached to the letter were the detailed breakdown of actual costs incurred and a summary of assessments and remittances based on NDC's records, which reflected total assessments of P72.799 million, total remittances of P60.440 million, and a resulting outstanding balance of P12.359 million.
- 4.5 A verification of the submitted documents for CYs 1990 to 2018 revealed that NDC remitted the cost of audit services to the Bureau of Treasury (BTr) based on the actual costs incurred by the assigned Audit Team for a given year.
- 4.6 Further review of the available records from CYs 1990 to 2018 disclosed the following:
- i. NDC paid a partial remittance of the cost of audit services for CY 2011, amounting to P4 million, pending the response to its letter dated January 24, 2012, addressed to the Assistant Commissioner of the Corporate Government [Audit] Sector. The letter requested clarification on the breakdown of salaries and wages, as well as benefits under personal services, of COA personnel assigned to NDC for the CY 2011 cost of audit. It likewise requested the adjustment of the compensation and terminal leave benefits of the former Supervising Auditor.
 - ii. In 2018, the NDC paid the cost of audit services based on the billing dated July 13, 2017, amounting to P5.223 million. However, on June 29, 2018, COA-PFMS issued a revised assessment amounting to P5.632 million due to adjustments in premium contributions and an increase in clothing allowance.
 - iii. Moreover, records show a negative balance totaling P75,189 for CYs 2000, 2010, and 2017. However, no supporting documents were submitted to substantiate these negative balances.
- 4.7 The foregoing conditions indicate that the outstanding balance of P12.359 million per NDC records in the cost of audit services for CYs 1990 to 2018 was primarily due to the failure to reconcile and adjust the amounts assessed or billed by COA against the actual costs of audit services paid by NDC. The assessments billed by COA were based on budget estimates prepared by the Audit Team assigned to NDC, while NDC remitted payments based on the actual costs incurred for a specific year.

- 4.8 However, the outstanding balance of P12.359 million was understated by the CY 2020 under-accrual of P0.568 million and the effect of unsupported negative balances amounting to P75,189, resulting in an aggregate variance of P13.002 million between the COA-PFMS and NDC records.
- 4.9 It is worth mentioning that immediate or consistent reconciliation is imperative to ensure that documents from CYs 1990 to 2018, to the extent they have been preserved, can still possibly be retrieved. Any delay in the reconciliation process could lead to further difficulties due to the deteriorating condition of the documents and changes in the personnel involved in the process.
- 4.10 The variance between COA's records and NDC's books of accounts indicates long-standing unreconciled differences in the recording of adjustments in the cost of audit services, resulting in discrepancies in reported payables over the period covered. These unreconciled variances cast doubt on the accuracy and reliability of the account balance as of the reporting date, thereby affecting its faithful representation in the financial statements in accordance with Paragraph 15 of PAS 1.
- 4.11 We reiterated our prior year's recommendations that Management:**
- a. Coordinate with the Finance Office, COA-Planning, Finance, and Management Sector (PFMS) for the final determination of cost of audit services, including reconciliation of variances between the assessment billed and the recorded cost of audit services, and prepare appropriate adjusting entries, if warranted;**
 - b. Remit any remaining balance of the cost of audit services due to COA through the Bureau of Treasury, and furnish the Finance Office, COA-PFMS, with proof of remittance to facilitate proper reconciliation of records; and**
 - c. Strengthen internal controls over recording, monitoring, and periodic reconciliation of records between NDC and COA about the cost of audit services.**
- 4.12 Further, we recommended that Management submit and complete supporting documentation for the payment of the cost of audit services, particularly for CYs 2000, 2010, and 2017, including validation of the reported negative balances amounting to P75,189.
- 4.13 For recommendation **a**, Management has already requested updates through email from COA-PFMS regarding its request for reconciliation on August 28, 2025, and November 27, 2025. Likewise, NDC had already provided supporting documents relevant to the reconciliation request. However, no update has been received from COA. Thus, Management respectfully requests the Audit Team's assistance in following up on this matter with COA-PFMS. Accordingly, NDC shall send another follow-up letter regarding its request for reconciliation.
- 4.14 For recommendation **b**, upon resolution of any discrepancies related to the cost of audit, Management will provide the corresponding proof of payment for proper updating of the account.

- 4.15 For recommendation **c**, Management will continue to undertake reconciliation and closely monitor payments for the COA cost of audit to ensure accuracy and prevent the recurrence of discrepancies in the future.
- 4.16 Further, Management commented that they are currently undertaking efforts to locate and secure the supporting documents for the payment of the cost of audit services for CYs 2000, 2010, and 2017. In CY 2025, the outstanding balance of P409,195 for CY 2018 had already been settled.
- 4.17 The Audit Team will monitor Management's subsequent actions.

B. OTHER OBSERVATIONS

- 5. **Several investment properties remained idle, vacant, or occupied by illegal occupants, depriving NDC of potential income while incurring directly attributable expenses totaling P30.832 million in CY 2025, contrary to Section 2(b) of Republic Act (RA) No. 10149⁵, resulting in the underutilization of NDC's land assets.**

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

- 5.2 Section 2(b) of RA No. 10149 or the GOCC Governance Act of 2011, provides:

*Section 2. Declaration of Policy.—The State recognizes the potential of government-owned or -controlled corporations (GOCCs) as significant tools for economic development. It is thus the policy of the State to actively exercise its ownership rights in GOCCs and **to promote growth by ensuring that operations are consistent with national development policies and programs.***

Towards this end, the State shall ensure that: xxx

*(b) The operations of GOCCs are rationalized and monitored centrally in order that **government assets and resources are used efficiently and the government exposure to all forms of liabilities including subsidies is warranted and incurred through prudent means;** xxx (emphasis supplied)*

- 5.3 Also, the Department of Budget and Management (DBM), Department of Finance (DOF), and National Economic and Development Authority (NEDA) issued Joint Memorandum Circular (JMC) No. 2020-1 on the implementation of a Philippine Government Asset Management Policy. The Statement of Policy under DOF-DBM -NEDA JMC No. 2020-1 provides:

All resources of the government shall be managed, expended or utilized in accordance with laws and regulations, and shall be safeguarded against loss or wastage through illegal or improper disposition to ensure

⁵ An Act to Promote Financial Viability and Fiscal Discipline in Government-Owned or -Controlled Corporations and to Strengthen the Role of the State in its Governance Management to Make Them More Responsive to the Needs of Public Interest and for Other Purposes.

efficiency, economy and effectiveness in the operations of government.
The responsibility to take care that such policy is faithfully adhered to rests directly with the chief or head of the government agency concerned. (emphasis supplied)

- 5.4 Of the 52 parcels of land with an aggregate area of 9,653,795.79 sq. m, 15 were leased to various lessees, while 37 properties⁶ remained idle or vacant, occupied by illegal settlers, subject to pending cases in court or before investigative authorities, or not yet titled under NDC's name.
- 5.5 Based on available documents and records, the status of the 37 properties for the years ended December 31, 2024, and 2025 is discussed below:

Table 10 – Comparative Status of Properties

	Property	Notes to FS (Presentation)	Status in CY 2024	Status in CY 2025
1	CBP Macapagal Ave. Pasay City	Macapagal Blvd., Pasay City	Marketed for lease or project development	Marketed for lease or project development
2	Sucat, Muntinlupa City	Sucat, Muntinlupa	Residential townhouse under Joint Venture (JV); Under litigation	Residential townhouse under JV; Under litigation
3	Barangay Daliao, Toril, Davao City	Toril, Davao City	For project development, a 5-hectare portion is under the Memorandum of Agreement with the Local Government Unit (LGU)	A 5-hectare portion is under Memorandum of Agreement with LGU, with the intent of LGU to acquire the property under a government-to-government transaction.
4	Dasmariñas, Cavite (Langkaan - Humayao)	Dasmariñas, Cavite	Ongoing development as an industrial estate	Ongoing development as an industrial estate; In CY 2025, the Board of Directors approved the termination of the contracts of the consultant and contractor for the site development project of the property.
	Dasmariñas, Cavite (Langkaan II -Dualtech)		Proposed site for a certain project, but it did not materialize	Proposed site for a certain project, but it did not materialize
5	San. Juan St. Barangay 3, Bacolod City	San Juan St. Bacolod City	For disposition through public bidding, on an as-is, where-is basis	For disposition through public bidding, on an as-is, where-is basis
6	Angel Linao Street, Malate Manila	Sa Andres & E. Quirino Ave., Manila	Marketed for lease or project development	Marketed for lease or project development
7	North Ave., Quezon City	Diliman, Quezon City	Marketed for lease or project development	Marketed for lease or project development
8	San Dionisio, Parañaque City	San Dionisio, Parañaque	Under litigation, for titling in NDC's name	Under litigation, for titling in NDC's name

⁶ Classified as Investment Properties without lease in the Notes to Financial Statements.

	Property	Notes to FS (Presentation)	Status in CY 2024	Status in CY 2025
9	Langihan District, Butuan City	Bo. Langihan, Butuan City	Submitted to the Department of Human Settlements and Urban Development (DHSUD) for the Pambansang Pabahay Para Sa Pilipino (4PH Program)	Submitted to DHSUD for the 4PH Program
10	Meycauyan, Bulacan	Meycauyan, Bulacan	Marketed for lease or project development	Marketed for lease or project development
11	Bo. San Pedro Hermosa, Bataan	Hermosa, Bataan	Submitted to DHSUD for the 4PH Program	Submitted to DHSUD for the 4PH Program
12	Sta. Fe, Bantayan, Cebu	Sta. Fe, Bantayan, Cebu	Not declared as alienable and disposable; Covered by Presidential Proclamation (PP) No. 2151; Ongoing negotiations for the lease of the property	Not declared as alienable and disposable; Covered by PP No. 2151; Ongoing negotiations for the lease of the property
13	Bo. San Juan & Sto Nino Pampanga	Bo. San Juan & Sto. Nino Pampanga	Marketed for lease or project development	For disposition through public bidding, on an as-is, where-is basis
14	Sambag District, Cebu City	Sambag, Cebu	For disposition through public bidding, on an as-is, where-is basis	For disposition through public bidding, on an as-is, where-is basis
15	San Francisco Del Monte Quezon City	San Francisco Del Monte, Quezon City	For reconstitution of title; For Community Mortgage Program (CMP); Petition for reconstitution of title granted by the Court; Certificate of Finality by the Regional Trial Court on March 1, 2024	For reconstitution of title; For CMP; Petition for reconstitution of title granted by the Court; Certificate of Finality by the Regional Trial Court on March 1, 2024
16	Bo. Alas-Asin Mariveles Bataan	Bo. Bia-an, Mariveles, Bataan	About 500 sq. m. portion for acquisition by the DPWH as right-of-way for the Bataan-Cavite Bridge Project; Department of Public Works and Highways (DPWH) issued Notice of Taking dated September 10, 2024. The Asset Management Group (AMG) is still awaiting the subdivision/survey plan from DPWH to verify if the NDC property is affected by the project.	About 500 sq. m. portion for acquisition by the DPWH as right-of-way for the Bataan-Cavite Bridge Project; DPWH issued Notice of Taking dated September 10, 2024
	Bo. Batangas II Mariveles (Lot 1) (Lot 2)		Submitted to DHSUD for the 4PH Program	Submitted to DHSUD for the 4PH Program
	(Lot 3)		Submitted to DHSUD for the 4PH Program; Still awaiting a response to NDC's	Submitted to DHSUD for the 4PH Program; Management commented that no response

Property	Notes to FS (Presentation)	Status in CY 2024	Status in CY 2025
		proposal from the concerned LGU and the school administration.	has been received from the LGU and the school administration as regards NDC's proposal. In the absence of a clear commitment in this case, Management considers exploring alternative uses or options for the subject property.
17 Campo Islam, Baliwasan, Zamboanga City	Baliwasan, Zamboanga City	For disposition through public bidding, on an as-is, where-is basis	For disposition through public bidding, on an as-is, where-is basis
18 Los Baños, Laguna	Los Baños, Laguna	With informal settlers, Subject of PP No. 550; Inquiry with Management disclosed that the Municipal Urban Development and Housing Board (MUDHB)-Local Inter-Agency Committee's (LIAC) verification and validation of NDC's title is still ongoing. If NDC's title is found to be valid, exclusion of the NDC property from the PP will be processed.	With informal settlers, Subject of PP No. 550; Management commented that they are still awaiting the decision of the MUDHB-LIAC regarding the verification and validation of NDC's title over the subject property, and will continue to coordinate with the latter.
19 Bo. Dao, Tagbilaran City, Bohol	Dao, Tagbilaran, Bohol	Submitted to DHSUD for the 4PH Program	For disposition through public bidding, on an as-is, where-is basis
20 Bo. Dolores, San Fernando, Pampanga Fernandino Subd., San Nicolas, San Fernando, Pampanga San Felipe, San Fernando, Pampanga Aurea Subd., San Nicolas San Fernando, Pampanga	San Fernando, Pampanga	No other development except as residential; For CMP No other development except as residential; For CMP Residential lot; With organized informal settlers for the CMP Process, however, it was stalled due to the absence of a qualified mobilizer in the area to handle the CMP Process. For disposition through public bidding, on an as-is, where-is basis; No other development except as residential	For disposition through public bidding, on an as-is, where-is basis For disposition through public bidding, on an as-is, where-is basis Residential lot; With organized informal settlers for the CMP Process For disposition through public bidding, on an as-is, where-is basis
21 Poblacion, Parang, Cotabato City	Poblacion, Parang, Cotabato	Submitted to DHSUD for the 4PH Program	Submitted to DHSUD for the 4PH Program
22 Barangay Puerto, Cagayan de Oro City	Puerto, Cagayan de Oro City	For titling in NDC's name; With organized informal settlers; For CMP	For titling in NDC's name, With organized informal settlers, For CMP

	Property	Notes to FS (Presentation)	Status in CY 2024	Status in CY 2025
23	National Highway, Barangay Tagapo, Sta. Rosa, Laguna	Sta. Rosa, Laguna	For negotiation for the lease of a portion of the property, A portion of the said property was being occupied by a convenience store. Inquiry with Management disclosed that the lease negotiation for the affected portion was stalled due to the death of the owner of the property where the convenience store is leasing. Subsequent negotiation with the heir and his/her legal counsel is ongoing, but Management has yet to receive any update from the former.	For negotiation for the lease of a portion of the property, A portion of the said property was being occupied by a convenience store. Management commented that they will write a formal letter to the possible heirs and/or duly authorized representative to initiate lease negotiations since no confirmation has been received by NDC regarding the identity of the legal heirs and/or authorized representatives.
24	Brgy. Suyong, Echague Isabela	Suyong, Echague, Isabela	Submitted to DHSUD for the 4PH Program	Submitted to DHSUD for the 4PH Program
25	Bongabon, Nueva Ecija	Bongabon, Nueva Ecija	Submitted to DHSUD for the 4PH Program	For disposition through public bidding, on an as-is, where-is basis
26	Bonot, Legaspi City	Bonot, Legazpi City	For disposition through public bidding, on an as-is, where-is basis	For disposition through public bidding, on an as-is, where-is basis
27	Barangay Macasandig, Cagayan de Oro City	Cagayan de Oro City	For disposition through public bidding, on an as-is, where-is basis; Vacant residential lot; No other development except as residential	For disposition through public bidding, on an as-is, where-is basis
28	Sitio Maraming Daan, Bo. Pantay Tanay, Rizal	Tanay, Rizal	Submitted to DHSUD for the 4PH Program; For relocation survey in 2025	Submitted to DHSUD for the 4PH Program
29	Calatagan, Batangas	Calatagan, Batangas	With informal settlers; For the transfer of title to NDC; Ongoing titling process	With informal settlers; For the transfer of title to NDC.
30	Bo Bia-an Mariveles, Bataan	Mariveles, Bataan	Submitted to DHSUD for the 4PH Program; The AMG will formally make representation with the National Commission on Indigenous Peoples (NCIP) - Regional Office III in San Fernando, Pampanga, to seek confirmation from the NCIP on whether the subject property falls within Ancestral Domains or lands recognized by Indigenous Cultural Communities/Indigenous Peoples (ICCs/IPs).	Submitted to DHSUD for the 4PH Program; Management commented that ongoing research and collation of documents to determine whether the NDC property falls within Ancestral Domains or lands recognized by ICCs/IPs. Management will formally seek confirmation from the NCIP.

	Property	Notes to FS (Presentation)	Status in CY 2024	Status in CY 2025
31	San Roque, Antipolo City	San Roque, Antipolo City	For disposition through public bidding, on an as-is, where-is basis	For disposition through public bidding, on an as-is, where-is basis
32	Everly Hills, Bo, San Isidro, Antipolo City Garland Subd., Bo, San Isidro, Antipolo City	San Isidro, Antipolo City	For disposition through public bidding, on an as-is where-is basis; Submitted to DHSUD for the 4PH Program. For disposition through public bidding, on an as-is, where-is basis; located in the mountainous part of Antipolo; Not accessible	For disposition through public bidding, on an as-is, where-is basis For disposition through public bidding, on an as-is, where-is basis
33	Joyous Heights, San Jose, Antipolo City	San Jose, Antipolo City	With Board approval of the sale through CMP; Ongoing CMP Process	For disposition through public bidding, on an as-is, where-is basis
34	Talakag, Bukidnon	Talakag, Bukidnon	Ongoing transfer of title to NDC	For transfer of title to NDC; For disposition through public bidding, on an as-is, where-is basis
35	Pueblocillo Village, Dasmariñas, Cavite	Pueblocillo Village, Dasmariñas Cavite	For disposition through public bidding, on an as-is, where-is basis	For disposition through public bidding, on an as-is, where-is basis
36	Porac, Pampanga	Porac, Pampanga	Submitted to DHSUD for the 4PH Program	Submitted to DHSUD for the 4PH Program
37	Pureza St., Sta. Mesa, Manila	Sta. Mesa, Manila	Under litigation	Under litigation

- 5.6 The Sta. Mesa, Manila Property is occupied but without an existing lease contract with the present occupant. The property is the subject of a pending case, which prevents the parties from entering into a lease. Although the occupant regularly remits monthly payments to NDC, the Accounting Unit records these collections as Trust Liabilities. As a result, NDC cannot yet recognize these payments as income, thereby delaying the realization of economic benefits from the property.
- 5.7 Notwithstanding the above, we commend Management for its efforts to improve property utilization. Management installed tarpaulins on prime idle/vacant properties to promote and advertise these properties, attracting prospective lessees and/or buyers. Also, AMG subscribed to a real estate platform to advertise NDC properties online to reach a wider audience.
- 5.8 In addition to the Management's existing initiatives, the adoption of policies to operationalize an Asset Management System pursuant to the Department of Budget and Management-Department of Finance-National Economic and Development Authority issued Joint Memorandum Circular No. 2020-1 could further promote the cost-effective and efficient management of the agency's assets. This includes ensuring optimal asset utilization and facilitating the identification of resources needed for their operation and maintenance.

- 5.9 NDC, as a government-owned or -controlled corporation (GOCC), serves as a significant instrument for economic development. Accordingly, its assets are expected to be managed, expended, and utilized in accordance with applicable laws and regulations, and safeguarded against loss or waste arising from illegal or improper disposition, to ensure efficiency, economy, and effectiveness in government operations.
- 5.10 Further, NDC has 37 investment properties that remain idle, vacant, or occupied with illegal occupants, while continuously incurring expenses amounting to P30.832 million in the form of real property taxes, security services, and repairs and maintenance. While these expenses are necessary to preserve and protect the assets, these could have been avoided had the properties been effectively and efficiently utilized to achieve their full earning potential and contribute to the country's economic development.

5.11 We reiterated our prior year's recommendations that Management:

- a. Determine whether Brgy. Biaan, Mariveles, Bataan Property is within the Ancestral Domain/Lands or belonging to Indigenous Cultural Communities/ Indigenous Peoples;**
- b. Determine the status of the Municipal Urban Development and Housing Board (MUDHB)-Local Inter-Agency Committee's (LIAC) verification and validation of NDC's title over the Los Baños, Laguna property;**
- c. Coordinate with the heir and/or his/her legal counsel for the lease negotiation on the affected portion of Sta. Rosa, Laguna Property;**
- d. Provide a status on actions taken by Management about properties with illegal settlers/occupants;**

Further, we recommended that Management:

- e. Sustain marketing and advertising efforts for all vacant assets to draw in potential tenants or buyers. Additionally, evaluate alternative strategies to ensure NDC maximizes the utility and financial return of these properties;**
 - f. Provide a detailed status on the following properties with pending cases in court or before investigative authorities: Sucat, Muntinlupa; San Francisco del Monte, Quezon City; San Dionisio, Parañaque City; and Sta. Mesa Manila Properties; and**
 - g. Assess compliance with the requirements of the Department of Budget and Management-Department of Finance-National Economic and Development Authority issued Joint Memorandum Circular No. 2020-1 and undertake necessary actions to address identified gaps.**
- 5.12 Management commented, as reiterated in similar Audit Team's observations, that they remain steadfast in their commitment to address the issues identified to optimize the value and utility of the Subject Properties. In line with this, Management continues to promote and advertise the properties for lease and renewed its service contract with

the provider to continue the use of online real estate platforms as an avenue to attract prospective lessees.

- 5.13 Likewise, Management has identified several properties for disposition in CY 2026, which, based on evaluation, are expected to contribute to NDC's income maximization and overall strategic objectives.
- 5.14 For recommendation **a**, Management will coordinate with the NCIP Regional Office in San Fernando, Pampanga, to secure formal confirmation on whether the subject property forms part of the territory traditionally occupied by ICCs/IPs, or falls within any recognized ancestral domain. The activity is scheduled to be undertaken within the third quarter of the year, per the AMG travel plan.
- 5.15 For recommendation **b**, Management will closely monitor the MUDHB-LIAC regarding the verification and validation of NDC's title over the subject property and shall provide the Audit Team with an update once a final determination has been made.
- 5.16 For recommendation **c**, Management will coordinate and schedule a meeting with the legal heir/s, authorized legal counsel, or duly designated representative with whom lease negotiations may be conducted, which is targeted to take place by the second quarter of the year, per the AMG travel plan.
- 5.17 For recommendation **d**, it is Management's initial resolution to offer the property occupied by the informal settlers under the government's Community Mortgage Program (CMP), and alternatively to the concerned LGUs under their land-for-the landless program, for the property in Puerto, Cagayan de Oro. Alternatively, Management shall consider the disposal of the subject properties on an "as-is, where-is" basis.
- 5.18 For recommendation **e**, Management continuously undertakes efforts to promote and maximize the utilization of its idle and vacant properties. The initiatives include active engagement with prospective investors, lessees, and with agencies and private sector entities; and the exploration of various modes of disposition, lease arrangements, joint ventures, and other strategic development opportunities consistent with applicable laws, rules, and regulations.
- 5.19 Further, Management regularly evaluates alternative options for the most productive and economically beneficial use of its properties, taking into consideration market conditions, property location, developmental potential, and long-term value generation for the company and the government.
- 5.20 For recommendation **f**, Management provided the following status:

Table 11 - Status of Properties with Pending Case

Property	Status
Sucat, Muntinlupa	For filing by the Office of the Government Corporate Counsel (OGCC) of an arbitration case.
San Francisco del Monte, Quezon City	A Decision allowing Reconstitution of Title was attained with finality.

Property	Status
	NDC will secure a Certified True Copy of the Decision and other relevant Court documentation for filing of the request for reconstitution with the Register of Deeds.
San Dionisio, Parañaque City	The property is under litigation, and Management will verify the status of the case.
Sta. Mesa Manila	A Demand Letter to Vacate was sent to the occupant. A case file will be forwarded to OGCC for the filing of a proper case.

- 5.21 For recommendation **g**, in relation to MC No. 2020-1, Management issued Office Order No. 27, Series of 2025, on March 18, 2025, designating the NDC Focal Team as members of the Technical Working Group (TWG) for the National Asset Registry System (NARS) being managed by the Bureau of the Treasury (BTr).
- 5.22 A webinar on the NARS for NDC's compliance was attended by the designated Team members. This activity forms part of the NDC's ongoing initiatives, in close coordination with the BTr, to include NDC properties in the NARS.
- 5.23 The Audit Team requested Management to submit a list of identified properties for disposition in 2026, provide updates on negotiations with the heirs and their legal representatives, including the conduct of a joint inspection, and furnish the Office Order referenced as well as all subsequent Office Orders issued on the matter.
- 6. Seven investment properties of NDC with an aggregate area of 19,146 square meters (sq. m.) amounting to P245.096 million, remained unregistered despite the lapse of several decades, exposing government assets to legal risks and/or possible loss of the property.**
- 6.1 This is a reiteration of the prior year's observations.
- 6.2 A review of the NDC Register of Lands/Status Report of International Corporate Bank (ICB) Acquired Land Assets (Register for brevity) showed that NDC has seven investment properties that are not yet titled under its name. Based on available documents, a summary of the status of each property is provided below:

Table 12 - List of Untitled Properties

Property	Date of Acquisition	Mode of Acquisition	Area (in sq. m.)	Fair Market Value*
San Dionisio, Parañaque City	September 16, 1983	Assigned asset – ICB	1,426	99,392,000
Meycuayan, Bulacan	July 17, 1984	Property Dividend - Crowntex Realty Corp. (CRC)	5,231	71,665,000

Property	Date of Acquisition	Mode of Acquisition	Area (in sq. m.)	Fair Market Value*
San Francisco Del Monte Quezon City	September 16, 1983	Assigned Asset - ICB	623	34,800,000
Langihan District, Butuan City	May 22, 1975	Donation - Mobil Oil Philippines, Inc. (MOPI)	6,933	22,348,000
Brgy. Puerto, Cagayan de Oro City	December 18, 1976	Donation - Philippine Packing Corporation (PPC)	3,352	13,073,000
Calatagan, Batangas	September 16, 1983	Assigned Asset - ICB	1,131	2,828,000
Talakag, Bukidnon	September 16, 1983	Assigned Asset - ICB	450	990,000
Total			19,146	245,096,000

*Based on the most recent property appraisal in CY 2024.

- 6.3 On San Dionisio, Parañaque City Property, the property consists of four contiguous lots with an aggregate area of 1,426 sq. m and covered by four Transfer of Certificates of Title (TCTs), all issued in favor of a private corporation. Meanwhile, NDC acquired the subject property from ICB pursuant to a Deed of Assignment dated September 16, 1983. Per ocular inspection conducted by the inspectorate team in CY 2022, composed of NDC and Audit Team representatives, there is a three-story commercial building and a three-unit townhouse on the subject property.
- 6.4 Per Note 15 of the Notes to Financial Statements, the subject property has a pending case of unlawful detainer filed by the ICB against private persons. Management considered the possible revival of the case; however, records of the case are no longer available in the archives of the Metropolitan Trial Court of Parañaque Branch 78 because these were destroyed/damaged due to water exposure.
- 6.5 Meanwhile, records from Tax Mapping indicate that the subject property was transferred to another private person.
- 6.6 On Meycauayan, Bulacan Property, the subject property is a parcel of land with an area of 5,231 sq. m. and covered by a TCT registered to CRC. NDC acquired the subject property through a property dividend from CRC on July 17, 1984.
- 6.7 On San Francisco Del Monte, Quezon City Property, the subject property is a parcel of land with an area of 623 sq. m. and covered by a TCT registered under the name of Marcos Chua. NDC acquired the subject property from ICB. Based on the Register, the property will be subject to the Community Mortgage Program.
- 6.8 NDC requested the reconstitution of the title, as the original was presumed to have been destroyed when the Registry of Deeds (RD) – Quezon City was razed by fire in 1988. The Certificate of Finality of Judgment by the Regional Trial Court (RTC), Branch 14, Quezon City, was issued on March 1, 2024, granting the Petition of NDC for the Reconstitution of the original TCT No. 69615.
- 6.9 Management requested certified copies of documents from the RTC for submission to the RD, Quezon City. Upon submission of documents, the RD shall correspondingly

issue the reconstituted title upon payment of assessed registration fees. Thereafter, Management will process the transfer of the TCT to NDC's name.

- 6.10 On Langihan District, Butuan City Property, the subject property is a parcel of land with an area of 6,933 sq. m. and covered only by a Tax Declaration under NDC's name. NDC acquired the subject property through donation from MOPI on May 22, 1975.
- 6.11 Management is currently consolidating all the required documents for filing a Petition for Original Land Registration
- 6.12 On Brgy. Puerto, Cagayan de Oro City Property, the subject property is a parcel of land with an area of 3,352 sq. m. and covered only by a Tax Declaration under NDC's name. NDC acquired the subject property through donation from PPC on December 18, 1976.
- 6.13 Management is currently consolidating all the required documents for filing a Petition for Original Land Registration. Further, based on the Register, the property has informal settlers.
- 6.14 On Calatagan, Batangas Property, the subject property consists of two adjoining lots with an aggregate area of 1,131 sq. m. and covered by two TCTs registered under the name of Willen Kho. NDC also acquired the subject property from ICB. Based on the Register, the property has informal settlers.
- 6.15 The processing of the transfer of title was stalled due to the unavailability/absence of supporting documents required by the BIR for the issuance of the Certificate Authorizing Registration, i.e., no records on file of the 1984 Tax Declarations at the Municipal and Provincial Assessor's Office, and a lack of appropriate transfer documentation from Willen Kho to ICB, among others.
- 6.16 On Talakag, Bukidnon Property, the subject property is a parcel of land with an area of 450 sq. m. and covered by a TCT registered under the name of ICB. NDC also acquired the subject property from ICB.
- 6.17 No material updates or developments were recorded for the aforementioned properties during CY 2025. The titling process for most of these assets is still ongoing, despite acquiring them several decades ago. Further, aside from the Deeds of Assignment/Donation, the documents held by NDC are still in the name of the previous/original owners. Thus, the subject properties are exposed to legal risks such as land disputes, third-party claims, and the proliferation of informal settlers, which could lead to the loss of property.
- 6.18 **We reiterated our prior year's recommendations that Management:**
 - a. **Continuously exert utmost effort to expedite the titling of lands under NDC's name; and**
 - b. **Apprise the Audit Team of updates in the titling of each untitled investment property. Provide relevant supporting documents.**

- 6.19 Management commented that most of the aforementioned assets involve longstanding complications, as these properties were acquired several decades ago and are burdened by complex ownership histories, incomplete records, and documentation gaps that require extensive reconstruction, verification, and validation.
- 6.20 Notwithstanding these constraints, Management continues to pursue remedial measures. One such initiative involves NDC's property in Brgy. Puerto, Cagayan de Oro City, is being considered for possible disposition through a government-to-government transaction under the land-for-the-landless program. The facilitator-mobilizer of the informal settlers (IS) occupying the property, organized under the a certain association, in a meeting with NDC on March 26, 2026, has expressed the willingness of the IS to acquire the unregistered land with the assistance of the City Government of Cagayan de Oro City, and thereafter shall avail of the Department of Environment and Natural Resources' titling programs, which facilitate the issuance of land titles through special patent.
- 6.21 The Audit Team will monitor Management's subsequent actions.
- 7. The non-performance of a final inventory and inspection, coupled with reliance on an outdated Statement of Work Accomplished (SWA) for the partially completed NDC Industrial Estate (NDCIE) project in Dasmariñas, Cavite, after the contract termination, affects the determination of the project's actual physical and financial condition.**
- 7.1 In 2013, the NDC Board approved the development of NDC's 19.2-hectare land in Barangay Langkaan II, Dasmariñas City, Cavite, as a special economic zone, to be developed by First Cavite Industrial Estate, Inc. (FCIEI)⁷. Subsequently, Management hired a consultant for the Design and Detailed Engineering.
- 7.2 In 2022, the Site Development Works for the Project, with an approved budget of P190.375 million, was awarded to a certain construction corporation (hereinafter referred to as the Contractor) through public bidding for P171.737 million. The contract period is 540 calendar days (CD), commencing upon the Contractor's receipt of the Notice to Proceed (NTP) on February 16, 2022, and ending on August 9, 2023.
- 7.3 The Project covers the supply of labor, equipment, and materials for the construction of site development works – site grading, road works, drainage system, water supply and fire protection system, sewer lines, sanitary treatment plant, generator set, administration complex, perimeter fence, slope protection, and landscape and greening, among others.
- 7.4 Subsequently, NDC conducted the Procurement of Construction Supervision of the Project through public bidding. On March 22, 2022, the contract for the Consulting Services for Construction Supervision was awarded to a consulting contractor in the amount of P11.474 million. The contract period is 30 months, commencing upon the consultant's receipt of the NTP. The NTP was received on May 11, 2022.

⁷ The project was initially approved by the Board in December 2000, however the public bidding for the joint venture development did not materialize. On May 19, 2014, the NDC Board approved the application for registration of the development of the property with NDC as the developer. Meanwhile, FCIEI is undergoing abolition.

- 7.5 During the implementation, the Project encountered several delays due to the issuance of a stoppage order from the Local Government Unit (LGU) of Dasmariñas City due to the Contractor's failure to secure the necessary permits, subsequent soil erosion incidents affecting portions of the Project site, and suspension of works on the water supply system due to objections from the LGU. Consequently, the contract period was extended until January 30, 2024, through approved revised work schedules and variation orders.
- 7.6 On August 29, 2024, the NDC's 19.2-hectare land was proclaimed as a Special Economic Zone.
- 7.7 NDC, through a letter dated October 1, 2024, requested the opinion of the Office of the Government Corporate Counsel (OGCC) on matters relating to the continuation or termination of the Contract, the proposed reallocation of remaining funds for critical work items, and the conduct of a subsequent procurement process for the remaining scopes of work.
- 7.8 Based on OGCC Opinion No. 141, Series of 2025 dated June 3, 2025, NDC may terminate the subject contracts for convenience upon the Head of the Procuring Entity's determination that the structural safety and integrity issues rendered the Project economically, financially, and technically impractical or impossible; amend the infrastructure contract through appropriate variation mechanisms; resort to negotiated procurement for adjacent or contiguous projects; and reallocate the remaining funds, subject to applicable procurement and budget regulations.
- 7.9 On November 25, 2025, an ocular inspection was conducted by the Audit Team and NDC representatives, and disclosed the following:
- No ongoing construction activities at the Project site;
 - The security personnel contracted by NDC were safeguarding the premises;
 - Unfinished concrete perimeter fence near the creek, and along the area adjacent to a school;
 - Encroachment by an adjacent lot owner and a school, which caused portions of the completed perimeter fence to deviate from the established property line, based on plain view observation;
 - Collapse of five spans of concrete perimeter fence near the creek;
 - Domesticated animals roaming within the property;
 - Wild grasses encroaching on the finished roads;
 - Open manhole/drainage structures prone to clogging due to the accumulation of foliage, soil, sand, and other materials;
 - Clogged drainage structures, based on plain view observation;
 - Partially damaged temporary housing for the contractor and project manager, staff house, and storage warehouse; and
 - Several pieces of construction equipment and machinery owned by the contractor remain within the property.
- 7.10 In CY 2025, NDC intends to pursue the completion of the remaining works, adopt a revised soil protection design at the outfall area, and improve the drainage system design to address the soil erosion and flooding issues.

- 7.11 Accordingly, NDC allocated a budget for the said undertaking, reflected in its 2026 Annual Procurement Plan submitted to the Government Procurement Policy Board, amounting to P277.250 million, comprising P47.140 million⁸ for the remaining works and P230.110 million for additional works.
- 7.12 Subsequently, a Notice to Terminate dated January 27, 2026, was issued and received by both contractors on February 18, 2026, directing them to submit, within a period of seven CD from receipt, a Verified Position Paper (VPP) explaining why the contracts should not be terminated. It was further indicated that failure to submit the required position paper, either by inaction or default, shall constrain NDC from issuing an order terminating the contracts.
- 7.13 Due to the contractors' failure to submit a VPP within the prescribed period, NDC issued a Notice of Termination⁹ dated March 5, 2026, received by both contractors on March 6, 2026.
- 7.14 According to the NDC's Account Officer, Management will not conduct a final inventory and inspection of the completed works. Instead, the verified SWA submitted by the contractor with their last billing shall be used to determine the cost of the remaining works.
- 7.15 However, the said SWA was dated September 1, 2023; hence, it is not appropriate to use it as the basis for determining the cost of remaining works following the issuance of Notice of Termination, as it does not reflect the actual physical and financial condition of the Project at the time of termination and may result in inaccurate determination of project cost completion and remaining work valuation.
- 7.16 Relative thereto, per consultation with COA - Technical Services Office personnel, it is necessary to provide an updated official inventory report after contract termination to determine the physical accomplishment of the contractor, as it will serve as their basis for technical inspection, inventory of completed works, and evaluation of the project.
- 7.17 As of December 31, 2025, completed works for the NDCIE are at 76.17 per cent, with total incurred costs amounting to P141.568 million, while P8.437 million was paid to the project manager for the construction supervision.
- 7.18 Considering the foregoing conditions, the actual physical and financial status of the partially completed Project, following contract termination, could not be fully established, considering that an inventory and inspection were not conducted, and reliance on an outdated SWA. Consequently, the reliability of the determination of remaining works and corresponding project costs, as well as the proper assessment of the condition and intended utilization of completed infrastructures, may be affected.

⁸ Based on the rounded difference between the adjusted contract amount and total cost incurred amounting to P188.702 million and P141.567 million, respectively.

⁹ Termination for Convenience pursuant to Republic Act No. 9184 and its 2016 Revised Implementing Rules and Regulations.

7.19 We recommended, and Management agreed to:

- a. Conduct an inventory and inspection of the completed, partially completed, and remaining works of the NDC Industrial Estate Project to establish its actual physical and financial condition following the termination of the Contracts;
- b. Prepare an updated and validated report of the remaining works and corresponding project costs based on the actual condition of the Project site and completed works; and
- c. Implement appropriate measures to preserve and safeguard the completed infrastructures and other project components from further deterioration pending the continuation or completion of the Project.

7.20 The Audit Team requested Management to provide the timeline for the procurement and engagement of the consultant that will conduct a comprehensive inventory and inspection of the completed, partially completed, and remaining works of the NDCIE Project, including the target schedule for the conduct of the inventory.

8. **Investments in four subsidiaries were adversely affected by long-standing shareholder negotiations or uncertainty over future actions, all of which are not in accordance with the policy objectives under Section 2(a) and (b) of Republic Act (RA) No. 10149.**

8.1 Section 2(a) and (b) of RA No. 10149, or the GOCC Governance Act of 2011,¹⁰ provides:

*SEC. 2. Declaration of Policy.—The State recognizes the potential of government-owned or -controlled corporations (GOCCs) as significant tools for economic development. It is thus the policy of the State to actively exercise its ownership rights in GOCCs and **to promote growth by ensuring that operations are consistent with national development policies and programs.***

Towards this end, the State shall ensure that:

- a) *The corporate form of organization through which government **carries out activities is utilized judiciously;***

*The operations of GOCCs are rationalized and monitored centrally in order that **government assets and resources are used efficiently and the government exposure to all forms of liabilities including subsidies is warranted and incurred through prudent means;** xxx (emphasis supplied)*

¹⁰ An Act to Promote Financial Viability and Fiscal Discipline in Government-Owned or -Controlled Corporations and to Strengthen the Role of the State in its Governance Management to Make Them More Responsive to the Needs of Public Interest and for Other Purposes.

- 8.2 NDC has an aggregate investment in four subsidiaries, as follows:

Table 13 - Investment in Subsidiary

Subsidiary	% of Ownership	Investment
GY Real Estate, Inc.	60	13,084,200
Pinagkaisa Realty Corporation	60	2,508,629
NDC-Philippine Infrastructure Corporation	100	80,000,000
First Cavite Industrial Estate, Inc.	100	8,845,038

GY Real Estate, Inc. (GYREI)

- 8.3 In October 2009, Goodyear Philippines, Inc. (GPI) ceased its manufacturing operations in the country and was keen to divest its shareholding in GYREI. On May 19, 2011, GPI formally offered its 40 per cent share for sale at the GYREI special Board Meeting. Based on GYREI's Articles of Incorporation, GYREI or its nominee/s has the exclusive and preferential right and option to purchase the GPI shares. During the same meeting, GYREI nominated NDC as the buyer of GPI shares.
- 8.4 The NDC Board of Directors (BOD) subsequently approved and authorized the acquisition of GPI shares. On May 31, 2011, NDC notified GPI of its intention to exercise the option to purchase. However, NDC later requested several extensions to address some matters that needed to be cleared. In a letter dated November 14, 2012, GPI denied NDC's request for extension with finality.
- 8.5 On June 1, 2018, GPI again advised NDC of its intention to sell its shareholdings in GYREI. On September 27, 2018, GPI, through its broker, arranged a meeting with prospective buyers to discuss the approval process relative to the sale of GPI's shares, as well as NDC's position regarding such sale. Three real estate developers attended the meeting and proposed a mixed-use development project on the land.
- 8.6 On August 7, 2019, GYREI received a letter from GPI regarding an offer from a real estate company to purchase all the shares of GPI. Accordingly, GPI invokes the right of first refusal held by GYREI or its nominee, allowing it to purchase the shares on the same terms and at the same price offered by the real estate company.
- 8.7 On December 3, 2019, the NDC BOD approved the acquisition of all GPI's shares in GYREI. Although the payment deadline was extended from February 17, 2020, to June 16, 2020, due to the COVID-19 pandemic, the NDC BOD ultimately allowed the purchase option to lapse. This decision was made to preserve government resources for pandemic response efforts.
- 8.8 On May 9, 2024, NDC and GPI executed a Memorandum of Understanding concerning the proposed share acquisition. NDC formally expressed its interest and submitted a purchase offer through a letter dated August 12, 2024. GPI subsequently issued a counteroffer on August 29, 2024.
- 8.9 In CY 2025, NDC expressed that GPI's counteroffer exceeded the amount approved by the NDC BOD.¹¹ Subsequent inquiry with the GYREI's concerned personnel

¹¹ Agency Action Plan and Status of Implementation as of November 30, 2025.

revealed that NDC no longer plans to pursue the acquisition of GPI's shares. Relative thereto, NDC began exploring other options, including seeking interested parties to acquire GPI's shares or enter into a joint venture arrangement for the same purpose.

- 8.10 Meanwhile, between 2011 and December 31, 2023, GYREI had at most three lessees occupying only 6,786 sq. m. of its sole investment property¹². At GPI's request to avoid long-term commitments, tenancy was limited to short-term leases. Consequently, these restrictions prevented GYREI Management from securing extended lease agreements for the property.
- 8.11 In CY 2024, GYREI Management secured approval from its BOD to accept additional short-term leases on the property to generate additional income. As a result, GYREI was able to utilize 26,805 sq. m.¹³ or 14.7 per cent of the total investment property, and leased to 40 lessees, consisting of 18 lessees with lease periods of one to three years and 22 lessees with lease periods of less than one year.
- 8.12 In CY 2025, GYREI had an additional eight lessees with lease periods of one to three years, resulting in a total of 48 lessees occupying an aggregate area of 27,430 sq. m.¹⁴ or 15.09 per cent of the total investment property.
- 8.13 For several years, NDC has committed to acquiring the GPI's share, as observed in various correspondences. However, as of December 31, 2025, NDC lacked sufficient liquidity to purchase the GPI's share because a substantial portion of its assets was tied up in investment properties.
- 8.14 Despite NDC holding a majority share in GYREI, with 60 per cent and a majority representation of five¹⁵ of the nine BOD, its actions appear constrained in taking decisive measures/actions to substantially, if not fully, utilize GYREI's property.
- 8.15 The continued limitation of accepting only short-term lease agreements hinders opportunities to attract prospective parties/lessees seeking a medium- or long-term basis, thereby restricting the property's income-generating capacity and adversely affecting NDC's investment in the subsidiary.

Pinagkaisa Realty Corporation (PRC)

- 8.16 GELP ceased its manufacturing activities in CY 2004. Accordingly, GELP agreed to dispose of the property; thus, PRC and GELP formed a negotiating team to discuss all issues regarding the back lease/rental payments for GELP's continued use of the property after the contract expired. However, the sale did not materialize since GELP opted to renew the lease of the PRC property. On July 4, 2011, the contract was renewed for 18 years and three months, commencing retroactively on October 1, 2002, until December 31, 2020.
- 8.17 However, in 2016, GELP announced the cessation of activities in Asia, including the Philippines. Relative thereto, GELP commenced the decommission planning as

¹² The subject parcel of land located in Almanza, Las Piñas has a total area of 181,729 sq. m.

¹³ Refer to Note 2 of GYREI Annual Audit Report (AAR) on CY 2024.

¹⁴ Refer to Note 2 of GYREI AAR on CY 2025.

¹⁵ Two of which were former NDC officers.

required under the lease contract and in accordance with regulatory requirements.¹⁶ On August 31, 2017, all commercial operations in the property ceased.

- 8.18 On August 11, 2020, GELP requested an extension of the term of the contract to complete the decommissioning and remediation process on the leased property. The PRC BOD approved the extension of the lease until March 31, 2022. Thereafter, another extension was approved, extending the lease term until December 31, 2022. GELP's payment of the lease continued until the turnover of the property.
- 8.19 On August 30, 2023, PRC and GELP executed a Lease Termination Agreement, and the former consequently issued an Acceptance Letter on the same date. PRC took possession of the leased property on August 31, 2023. Since its turnover, the property has remained idle and unutilized.
- 8.20 In a letter dated July 5, 2024, NDC expressed its intention to acquire GELP's 40 per cent share for the amount initially offered by the latter. However, the NDC's formal offer was declined due to changes in GELP's leadership. As a result, negotiations have reverted to their initial stage, and Management is currently reassessing the matter.
- 8.21 Meanwhile, PRC Management is exploring alternative options, including property development through a joint venture agreement. NDC Management likewise had initiated discussions with potential partners and consulted with the Public-Private Partnership Center of the Philippines for possible technical assistance or capacity-building support.
- 8.22 Nevertheless, GELP is determined to pursue the divestment of its shareholdings. In CY 2025, a prospective lessee offered a short- to medium-term lease. However, GELP raised concerns about possible constraints on future developments or on intended divestment, and required a clear exit mechanism before agreeing to the potential lease.
- 8.23 Strangely, considering that NDC holds the majority share in PRC, with a 60 per cent shareholding and representation by five¹⁷ of the nine directors in the PRC Board, its actions appear constrained from taking decisive measures to utilize the PRC's property. The utilization of the property will ultimately redound to the benefit of all shareholders, notwithstanding GELP's strong intent to divest from PRC.
- 8.24 As of December 31, 2025, the sole investment property has remained idle and has not generated income since PRC regained possession in August 2023. Consequently, Real Property Taxes (RPT) and Security Service expenses, without matching revenue from the investment property, impair its financial position and performance, as evidenced by negative cash flows and deterioration of PRC's financial ratios.¹⁸

¹⁶ Section 15.1 of the aforesaid lease contract provides that, two years before surrendering the leased premises to the lessor, the lessee shall conduct, at its own expense and cost, an Environmental Site Assessment (ESA) to determine the presence of any contaminants on the soil or groundwater that might be detrimental to the health of succeeding users.

¹⁷ Two of which were former NDC officers.

¹⁸ Refer to Part II of the PRC Annual Audit Report for the years ended December 31, 2025, and 2024.

- 8.25 It is worth noting that the PRC's cash position is in a dire situation. The absence of sustainable income limits the PRC's ability to sustain its operations. Additional burdens, such as interest, penalties, and surcharges, may be imposed on PRC should it fail to meet its financial obligations for RPT, security services, and utility expenses. Thus, the determination of the most appropriate course of action considering PRC's deteriorating financial condition and GELP's strong intent to divest its shareholdings is imminent.

NDC-Philippine Infrastructure Corporation (NPIC)

- 8.26 Significant events and information relative to NPIC are summarized hereunder:

- The NDC Chairman later decided to put on hold the dissolution of NPIC as it could serve as a vehicle for implementing the Public-Private Partnership (PPP) program of the Aquino Administration.
- In CY 2013, the Governance Commission for GOCCs (GCG) submitted its recommendations to the Office of the President (OP) of the Republic of the Philippines for the dissolution of several GOCCs, including NPIC, due to non-performance and/or being unnecessary.
- In a Press Release dated March 2, 2014, and in the Official Gazette dated March 3, 2014, NPIC was included among the 19 GOCCs recommended for abolition under House Bill No. 3807.
- The NDC Chairman requested reconsideration from the GCG by submitting justifications to the OP for the retention of NPIC. In 2015, the OP acceded to retain NPIC upon the GCG's recommendation.
- However, NPIC was not utilized as a vehicle in the implementation of PPP projects of the Aquino Administration, nor in the Build! Build! Build! Infrastructure Program of the Duterte Administration.
- In 2018, the GCG classified NPIC as a non-operational/inactive GOCC.
- On September 12, 2018, the NPIC BOD approved the implementation of the NDC Gamma Irradiation Facility (GIF) project. The project was strongly endorsed by the Department of Science and Technology and the NDC BOD. Subsequently, on December 13, 2018, the Department of Trade and Industry endorsed the reactivation of NPIC to GCG.
- On August 1, 2019, a Memorandum of Agreement was executed between NDC and the Philippine Nuclear Research Institute to collaborate on the establishment of the GIF, with the latter providing technical expertise and assistance. Accordingly, NDC intended to use NPIC to implement the project.
- Based on the latest Classification of GOCCs by Sector issued by GCG as of September 15, 2025, NPIC remains classified as non-operational/inactive/deactivated.

- NPIC has no regular personnel of its own. Officers of NDC are concurrently elected as NPIC officers who perform various functions. Currently, the NPIC BOD consists of four directors, two of whom are retired NDC officers, namely the former NDC General Manager (GM)¹⁹ and AGM²⁰, while the remaining two are incumbent officers.

8.27 On the other hand, the plans and actions of NDC and NPIC Managements since CY 2020 are as follows:

- NPIC was initially identified as the vehicle to implement the GIF project of NDC; however, this did not materialize as NDC Management proposed to pursue the project as a unit in NDC.
- During the NDC Exit Conference held on June 14, 2023, NDC Management planned to convert NPIC into a holding company for all infrastructure projects of NDC, noting that creating a new corporation would be difficult.
- During the NDC Subsidiaries Entrance Conference held on January 17, 2024, NPIC Management commented that they withdrew the idea of NPIC reactivation due to the tedious processes of GCG. Notwithstanding, NPIC Management reiterated NDC's view that NPIC will be utilized as the Special Project Vehicle (SPV) for its projects. However, the prospective joint venture partner for the GIF Project later withdrew, despite the NDC BOD's decision to proceed.
- In a letter-reply dated May 29, 2024, NDC Management emphasized that the strong opposition to abolishing NPIC was not premised on keeping a subsidiary for the sake of retaining it, but on foregoing the creation of another, in case a separate corporation is required for a project to proceed.
- Also, NDC Management stated that negotiations with certain Government Financial Institutions have been conducted to partner with or enter into joint ventures to pursue innovation, power, food security, and cybersecurity projects.
- In a letter-reply dated January 27, 2025, NPIC Management stated that due to the recent changes in NDC Management, NDC will clarify with its BOD the plan to use NPIC as a fund management platform for raising capital. Meanwhile, NPIC is awaiting NDC's directive on the said plan.
- In the Agency Action Plan and Status of Implementation (AAPSI) of NPIC as of November 30, 2025, NPIC Management commented that they will recommend a dispositive plan to the NPIC BOD. Meanwhile, in the AAPSI of NDC as of the same date, NDC Management commented that they shall review the best option for NPIC.

8.28 In the previous year, the Audit Team observed that the NDC had yet to reactivate NPIC despite its plan to use the latter as a corporate vehicle for its projects. Subsequent review showed that no progress was made in this regard.

¹⁹ Compulsory retirement effective May 17, 2022.

²⁰ Retirement on March 22, 2019.

- 8.29 On the other hand, in a letter-reply dated February 3, 2026,²¹ NPIC Management proposed to the NPIC BOD to implement the previously approved dissolution of NPIC, given that the plan to use NPIC as an SPV did not materialize. NPIC Management added that the necessary steps shall be taken to implement the dissolution process upon obtaining approvals from the NPIC, the NDC BODs, and the GCG.
- 8.30 As of December 31, 2025, NPIC reported total assets amounting to P52.308 million, which have remained dormant for approximately 18 years. Meanwhile, NDC's investment in NPIC, amounting to P80 million, has an allowance for impairment of P30 million. The allowance for impairment was primarily attributed to NPIC's losses in various years and the limited scope of its current activities, which are confined to money-market placements. Evidently, the investment has not been efficiently utilized.
- 8.31 For CY 2025, the NDC recognized minimal dividend income of P1.054 million from NPIC, representing its share in the latter's CY 2024 earnings.
- 8.32 The uncertainty on the status of NPIC is preventing NDC from fully utilizing the former's currently dormant assets and resources. Its investments could have been allocated more strategically and efficiently, ultimately supporting broader economic development in the best interests of both the government and the public.
- 8.33 It is worth noting that the Philippine Development Plan 2023 to 2028 promotes rightsizing and the whole-of-government approach in re-engineering systems and procedures. As such, appropriate diagnostic frameworks, adherence to economic principles, and strategic reviews of the agency's role, mandates, functions, and structure shall be employed.
- 8.34 Given NDC's various options, a feasibility study is necessary to determine whether NPIC should be reactivated or abolished. Considering NPIC's BOD and officers include former and current NDC executives, their knowledge of NPIC's mandate and current status may be considered in the study.
- 8.35 The status of NPIC remains unresolved since it ceased operations in 2008.

First Cavite Industrial Estate, Inc. (FCIEI)

- 8.36 In 2015, the Boards of Directors (BODs) of NDC and FCIEI approved the dissolution of the former. On December 21, 2021, the GCG issued Memorandum Order (MO) No. 2021-14 approving the deactivation of FCIEI. The OP approved the abolition of FCIEI through MO No. 62 issued by the Executive Secretary dated June 23, 2022.
- 8.37 The GCG created a Technical Working Group (TWG), in compliance with OP MO No. 62, comprising representatives from NDC, FCIEI, the Philippine Economic Zone Authority (PEZA), and GCG.
- 8.38 At the outset of the liquidation process, in a letter dated November 17, 2022, addressed to FCIEI, NDC Management stated that they were evaluating whether to use FCIEI for the horizontal development of NDC Industrial Estate (NDCIE) or to create a new government corporation.

²¹ NPIC Management reply to NPIC AOM No. 2026-01 (2025) dated January 20, 2026.

- 8.39 The NDC BOD subsequently issued Resolution No. 22-12-08 dated December 9, 2022, approving the request to revoke the OP's order of abolition, and such other acts necessary for its application.
- 8.40 On June 28, 2024²², the NDC BOD reaffirmed its resolve to request the OP to revoke MO No. 62. The same decision was conveyed to the GCG and TWG during the 4th TWG Meeting held on August 8, 2024. However, the GCG responded that an abolished GOCC cannot be revived except through legislation, which would take years to achieve.
- 8.41 Moreover, the GCG and PEZA agreed that, in the absence of a Presidential issuance or directive amending the MO No. 62, the proceedings for the FCIEI's abolition cannot be validly suspended, and the liquidation process must continue.
- 8.42 On March 12, 2025, NDC sent a Memorandum for the President (MFP) for the revocation of the MO No. 62. The following outlines the justification provided by NDC for retaining FCIEI and the significant implications that its abolition would entail:
- a. FCIEI serves as the strategic entity for NDC Green Industrial Estate (NGIE)²³ implementation;
 - b. NGIE Project is projected to provide significant future cash flows leading to national economic contributions;
 - c. Abolition would have significant financial repercussions, particularly taxes and fees, in transferring the FCIEI asset to NDC; and
 - d. FCIEI is positioned to play a critical role in implementing other prospective NDC projects aligned with the socioeconomic agenda of the President of the Philippines.
- 8.43 On March 17, 2025, the OP, through the Office of the Deputy Executive Secretary for General Administration (ODESGA), referred the request to the GCG for appropriate action. On June 18, 2025, the ODESGA transmitted GCG's comments to NDC for information, highlighting the following:
- a. FCIEI was deactivated in 2021. Before its deactivation, FCIEI had been operating at a loss. Its deactivation was aimed at minimizing losses and preventing further depletion of funds while awaiting the completion of its dissolution. Since FCIEI no longer fulfilled its original purpose, the GCG determined it was in the State's best interest to deactivate FCIEI ahead of its formal abolition.
 - b. FCIEI is already abolished and cannot be revived. The OP's approval under the MO No. 62 constitutes the operative act of abolition. The GCG implements the legal processes of dissolution, liquidation, and termination under the Revised Corporation Code of the Philippines.
 - c. The GCG Charter vested by Republic Act (RA) No. 10149 only provides GCG the authority to recommend the abolition of a GOCC, for the approval of the President. Therefore, the revocation of MO No. 62 and the consequent revival of FCIEI is neither tenable nor practicable.
 - d. GCG further noted that NDC's apparent primary concern pertains to the significant financial repercussions, which NDC would be required to shoulder, should the transfer of FCIEI assets to NDC proceed as a result of the abolition.

²² NDC BOD at its Regular Board Meeting per Secretary Certificate dated January 16, 2025.

²³ NDC Management proposed to the NDC BOD that the NDCIE Project be redesigned and renamed as the NGIE.

- 8.44 NDC has not acted following receipt of the unfavorable response from GCG.
- 8.45 Meanwhile, the FCIEI Management, in their reply to the Audit Team's AOM²⁴ stated, among others, that they inferred from the OP letter to GCG that its purpose was only to forward a copy of the correspondence (NDC's MFP dated March 12, 2025) and should not, in any way, be construed as interceding in the recipient's (GCG) own evaluation and action, in accordance with existing laws, rules, and regulations. They added that pending the official response from the OP relative to NDC's MFP, the FCIEI Management continuously works on significant matters in protecting FCIEI's interests.
- 8.46 However, the Audit Team maintains that the OP, by forwarding the unfavorable response of the GCG, agrees with the position of the latter to abolish FCIEI. Otherwise, the OP would not have forwarded the GCG response, as it would only create a precarious situation. Several months have passed since NDC received the OP's response, yet neither NDC nor FCIEI has made any formal attempts to follow up. Prudence would dictate that the party seeking consideration should be the one who proactively seeks to resolve the matter, which, in this case, is the NDC and/or FCIEI.
- 8.47 On the other hand, more than three years have passed since the issuance of the abolition order of FCIEI; however, no significant progress has yet been made in the liquidation of assets and settlement of liabilities.
- 8.48 Further, as of December 31, 2025, FCIEI has uncollected receivables from officers and employees arising from COA disallowances amounting to P220,933, and unpaid liabilities to PEZA aggregating P12.672 million.
- 8.49 Furthermore, FCIEI's financial condition is aggravated by the insufficiency of its rental income to cover its operating expenses. Moreover, its cash balance has steadily declined year over year, and it is capital-deficient by P8.798 million as of December 31, 2025.
- 8.50 Pending the resolution of NDC's MFP and NDC's eventual assumption of financial obligations in the event of abolition, the prolonged liquidation of FCIEI ultimately exposes NDC to more financial burden as land valuations and applicable taxes are likely to rise.
- 8.51 The uncertainty on the status of NDC's request disrupted the liquidation process, delayed the settlement of liabilities, and exposed FCIEI to further financial losses.
- 8.52 Considering the above audit observations on NDC's four subsidiaries, its investments were adversely affected by either long-standing shareholder negotiations or uncertainty over future actions—both of which run contrary to the policy objectives under Section 2(a) and (b) of RA No. 10149.

²⁴ FCIEI AOM No. 2026-01 (2025).

8.53 We reiterated our prior year's recommendations that Management:

On GY Real Estate, Inc. (GYREI)

- a. Develop a concrete plan to maximize the utilization of the subject property, to improve the financial condition of GYREI for the best interest of the stakeholders and the government;
- b. Seek/manifest with the NDC Board of Directors (BOD) the immediate and concrete resolution of the share acquisition issue between Goodyear Philippines, Inc. (GPI) and NDC, and/or the appropriate course of action in addressing GPI's intent to divest its shareholding;

On Pinagkaisa Realty Corporation (PRC)

- c. Provide a clear plan to acquire the 40 per cent share of GE Lighting Philippines, Inc. (GELP) in PRC, and outline a comprehensive strategy to sustain PRC's operation;
- d. Seek policy direction from the NDC BOD on the optimal utilization of the property and the appropriate method of financing PRC's operation, given its current financial condition and GELP's resolve to divest interest;
- e. Upon determination of Board direction, expedite the implementation of the approved course of action to arrest PRC's deteriorating financial condition;

NDC-Philippine Infrastructure Corporation (NPIC)

- f. Establish a definitive and time-bound course of action on whether to dissolve or reactivate NPIC, supported by a comprehensive feasibility study or strategic analysis clearly outlining the economic, legal, and governance implications of each option;
- g. Present the said study to the NDC BOD for policy direction and resolution;
- h. Implement the approved course of action without further delay, preventing continuous stagnation of NPIC's assets and resources, and ensuring that NDC's investment is managed judiciously and efficiently; and
- i. Furnish the Audit Team with copies of the study, Board Resolutions, and official communications with the Governance Commission for GOCCs and other oversight bodies for monitoring purposes.

8.54 Further, we recommended that Management:

First Cavite Industrial Estate, Inc. (FCIEI)

- j. Proactively seek clarification on the Office of the President of the Republic of the Philippines' position, in view of the Office of the Deputy Executive Secretary for General Administration letter dated June 18, 2025, and furnish the Audit Team with Management's actions, as well as updates and

developments arising from coordination with other concerned government agencies;

k. Facilitate negotiation with the Philippine Economic Zone Authority to resolve FCIEI's liabilities; and

l. Exert utmost effort to collect amounts due from the persons liable for COA disallowances. Submit documentary proof thereof.

- 8.55 On GYREI, Management commented that the result of the previous negotiation between NDC and GPI in CY 2024 was beyond the control of NDC. GPI's counteroffer was beyond the NDC's Board-approved range of purchase price.
- 8.56 Considering the significant amount of money involved in the acquisition of GPI's shares, it is noteworthy that the Management has been prudent in the utilization of its funds, taking into account all its priority projects.
- 8.57 Based on the Management's analysis of NDC's financial capacity, the acquisition of GPI's shares would significantly affect the liquidity status of NDC since most of its assets are in investment properties. Thus, NDC is currently considering the plan to defer the acquisition of GPI's shares in GYREI.
- 8.58 Management continues to craft a strategic plan that would best utilize GYREI's property to generate sustainable income and support its operations. Currently, the Management actively supports GYREI in securing strategic tenants in the property and/or buyers of GPI's 40 per cent shares in GYREI through targeted marketing and technical assistance, among others.
- 8.59 On the other hand, the Management will continue to coordinate with GPI regarding the latter's divestment in GYREI, and will provide the Audit Team with any updates or developments regarding the matter.
- 8.60 Lastly, the Management will comply with COA's recommendation to seek the NDC BOD's guidelines and directives on the appropriate resolution of the share acquisition between NDC and GPI, and/or the appropriate course of action in addressing GPI's intent to divest its shareholding in GYREI.
- 8.61 On PRC, NDC's formal offer to acquire GELP's shares in PRC was not accepted due to a change in GELP's leadership. As a result, negotiations have reverted to their initial stages.
- 8.62 Management continues to explore strategic considerations in maximizing the utilization of PRC's 1.7-hectare Makati City property to sustain PRC's operations.
- 8.63 Management commented that the NDC received a short-medium term lease proposal from a private entity on the said PRC property. Considering the PRC's immediate need for cash to sustain its own operations, the NDC requested a meeting with GELP to discuss the details of the proposed lease. However, during the meeting, GELP preferred to immediately dispose of its shareholdings in PRC.

- 8.64 Consequently, during the same meeting, GELP initiated a discussion with NDC regarding GELP's exit mechanism and the price of GELP's shares in the PRC, including the valuation and processes followed by NDC. In connection with this, NDC advised GELP that it must first obtain further instructions from the NDC Board.
- 8.65 Currently, the Management is proactively assisting the PRC in securing strategic tenants for the PRC property to ensure sustainable operational funding. Moreover, the Management has been receiving informal inquiries regarding the utilization of the said PRC's property for potential joint ventures or land acquisition. It is important to note that the Management intends to elevate these developments to the NDC Board for official guidance and approval upon receipt of a concrete proposal.
- 8.66 Once the NDC receives the Board's directive on the foregoing, the Management will proceed with the immediate execution and implementation of the approved plan.
- 8.67 While the Audit Team acknowledges the circumstances of the negotiation between NDC and GELP, the Audit Team reiterates the necessity of immediate resolution to support PRC's financial condition and operation, considering that, per financial statement analysis based on December 31, 2025, balances, the PRC only has a few months of working cash balance to sustain its expenses.
- 8.68 On NPIC, Management commented that while NDC intended to use NPIC as a Special Purpose Vehicle for the Gamma Irradiation Facility, these plans were entirely dependent on the pending request for NPIC's reactivation from the Governance Commission for GOCCs (GCG). Since the GCG has not acted upon the reactivation of NPIC, the Management is currently considering reverting to the prior resolution for the NPIC's dissolution.
- 8.69 Relative thereto, the Management will work closely with NPIC to secure necessary approval from the NPIC Board and to ensure that the NPIC's dissolution will be conducted efficiently and in full compliance with regulatory requirements.
- 8.70 Finally, the Management committed to furnish the Audit Team with all relevant documentation regarding the dissolution of NPIC and will provide regular updates as the process moves forward.
- 8.71 On FCIEI, in line with FCIEI Management's reply to Audit Team's FCIEI AOM No. 2026-01 (2025), NDC Management emphasized that the OP's letter to GCG dated March 17, 2025, is pursuant to Memorandum Circular Nos. 72 (s. 2019), 2 (s. 2022), and 21 (s. 2023) requiring the conduct of complete staff work in the interest of efficiency in processing requests for Presidential issuances, authorizations, and other approvals. Relative thereto, the GCG's inputs and/or comments were sought as part of the Agency Coordination, whose recommendation will be used in OP's evaluation of NDC's MFP dated March 12, 2025, requesting the revocation of FCIEI's abolition.
- 8.72 About FCIEI's liabilities, NDC had meetings with the Philippine Economic Zone Authority (PEZA) last November 12, 2025, and December 12, 2025, to discuss the possibility of expanding the area of the NDC Industrial Estate for the NDC to qualify for fiscal and non-fiscal incentives. It is important to note that NDC's primary concern, in the event of FCIEI's dissolution, pertains to the potential tax and dividend liabilities that may arise from the transfer of FCIEI's properties to NDC, as the parent company,

- through the distribution of liquidating dividends. Thus, the settlement of liabilities will only be resolved upon the final disposition of FCIEI properties should the abolition process push through.
- 8.73 Moreover, NDC will monitor FCIEI's collections of receivables from the persons held accountable under the COA disallowances.
- 8.74 Pending the official response of the OP, it is important to note that NDC Management continues to prioritize strategic measures aimed at protecting FCIEI's interests and optimizing its long-term potential, regardless of the OP's response.
- 8.75 During the 7th Technical Working Group (TWG) Meeting on April 22, 2026, the GCG - Disposition and Management Office (DAMO) Head apprised the group of their initiative with other government agencies, such as the Department of Finance (DOF) and Bureau of Internal Revenue (BIR), regarding the abolition processes of GOCCs, including the FCIEI. GCG-DAMO informed the TWG that the estimated taxes on the transfer of FCIEI assets to NDC are currently being reviewed for a potential waiver. GCG-DAMO noted that this tax burden is peculiar to NDC's situation; while the subject assets (common areas) carry a book value of only P1.00, they are being assessed at zonal value despite being classified as outside the commerce of man.
- 8.76 It is also worth emphasizing that during the said TWG Meeting, the GCG cited the doctrine of limited liability, clarifying that the NDC's responsibility as a shareholder does not extend beyond its actual investment. Therefore, the NDC cannot be held liable for FCIEI's liabilities, which include the payable to PEZA amounting to P12.672 million as of March 31, 2026.
- 8.77 Given these developments, the GCG-DAMO highlighted that the NDC's request for revocation of the abolition of FCIEI before the Office of the President (OP) may hamper their initiative, which includes the settlement of FCIEI's liabilities and the liquidation of assets and winding-up of its corporate affairs, among others.
- 8.78 Consequently, at the NDC's Special Management Committee (ManCom) Meeting on April 24, 2026, the Management approved the withdrawal of NDC's request to revoke FCIEI's abolition, subject to the following:
- i. Approval of the NDC Board; and
 - ii. Waiver of taxes relative to the transfer of FCIEI's assets to NDC.
- 8.79 Moreover, in the same meeting, the Management agreed with the GCG's comment during the 7th TWG Meeting regarding NDC's limited liability on its investment in FCIEI. This will be reviewed further by the NDC Legal Department.
- 8.80 While the Audit Team notes the specific circumstances of each NDC subsidiary, achieving a timely resolution on these matters is critical to safeguarding NDC's investments. Nonetheless, the Audit Team will continue monitoring Management's implementation of the recommendations for each NDC subsidiary.

9. The value of NDC's investment amounting to P45 million in the Rizal Hydropower Project (the Project, for brevity) has significantly declined to P24.514 million due to continuous losses since the start of its commercial operations in CY 2016.

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

9.2 On July 1, 2014, NDC and the Philippine National Oil Company (PNOC) Renewables Corporation (RC) executed a Memorandum of Agreement (MOA) to establish and enter into a partnership for the development, commercialization, operation, and maintenance of the Project for energy commercialization, utilizing the irrigation systems of the National Irrigation Administration (NIA) located in Rizal, Nueva Ecija.

9.3 On December 17, 2014, NDC infused P45 million, representing its 50 per cent share of the total required capital for the Project. Also, NDC shall jointly monitor the Project through its participation in the Project Monitoring Committee (PMC) formed by the parties.

9.4 On December 19, 2014, pursuant to Section 8.1 of the said MOA, NDC and PNOC RC, together with Development Bank of the Philippines (DBP) entered into an Escrow Agreement, wherein PNOC RC and NDC (the principals) shall deliver in escrow to DBP (escrow agent) the amount of P45 million each, intended for the operation and other related expenses of the project.

9.5 The Project started its commercial operation on July 1, 2016. However, except for CY 2017, it continuously incurred operating losses, as follows:

Table 14 - Project's Financial Performance

Year	Income	Expenses	Net Income (Loss)	NDC's 50 per cent share
2016	2,331,831	5,309,981	(2,978,150)	(1,489,075)
2017	9,261,720	8,696,708	565,012	282,506
2018	5,697,650	7,397,656	(1,700,006)	(850,003)
2019	6,499,279	8,212,260	(1,712,981)	(856,490)
2020	4,017,260	7,949,714	(3,932,454)	(1,966,227)
2021	4,162,519	7,338,872	(3,176,353)	(1,588,177)
2022	464,140	5,478,076	(5,013,936)	(2,506,968)
2023	3,844,549	7,474,031	(3,629,482)	(1,814,741)
2024	111,874	4,340,250	(4,228,376)	(2,114,188)
2025	0	4,233,640	(4,233,640)	(2,116,820)
Total	36,390,822	66,431,188	(30,040,366)	(15,020,183)

9.6 The result of the Project's operations is far from Management's projections in CY 2013. Accordingly, the Project has a financial internal rate of return of 12.36 per cent, and a targeted payback period of eight years. As of December 31, 2025²⁵, NDC's 50 per cent share in the Project, from its initial investment of P45 million, has declined to P24.514 million²⁶, as presented in Table 15.

²⁵ Unaudited balances for the period ending December 31, 2025.

²⁶ 50 per cent of the Project's Equity as of December 31, 2025.

Table 15 - Project's Financial Position

Year	Assets	Liabilities	Equity
2016	88,468,438	12,260,251	76,208,187
2017	87,543,154	10,769,955	76,773,199
2018	86,719,532	11,646,340	75,073,192
2019	78,101,283	4,742,766	73,358,517
2020	75,374,175	6,040,878	69,333,297
2021	70,823,753	4,666,808	66,156,945
2022	65,917,182	4,774,174	61,143,008
2023	62,577,218	5,156,042	57,421,176
2024	58,758,969	5,566,169	53,192,800
2025	55,037,257	6,008,737	49,028,520

- 9.7 Since the Project commenced its commercial operation, it has not been operating regularly due to the inconsistent and inadequate water flow rate going to the facility, and the occasional breakdown of major equipment.
- 9.8 The volume of water in the Pampanga River Irrigation System Main Canal and its flow rate are under the control of the NIA. NIA regulates the flow rate based on the season of the year, and also on the effects primarily on the farmers and nearby communities. During the rainy season, NIA releases minimal water; otherwise, it would inundate the farmland and nearby communities. However, during the dry season, NIA releases or rations only such volume of water as is necessary to meet the needs of the farmers to last the drought.
- 9.9 This issue has been noted in prior years' Annual Audit Reports that the Project is highly dependent on the regular water flow and volume to function and generate enough electricity/power. Consequently, it directly affects the revenue generation and the useful life of major equipment. Management commented that, despite the technical team's efforts to coordinate with NIA to adjust water flow, NIA's consistent response was that their main consideration is the farmers' water flow requirements.
- 9.10 In September 2019, the PNOC RC Board of Directors (BOD) approved the proposition to dispose/sell the Project. Accordingly, the hydropower plant was valued by an independent appraiser at P79.480 million. However, the disposal did not materialize. In July 2023, it again engaged an independent appraiser for disposal, and the latter valued the plant at P56.213 million.
- 9.11 In the January 24, 2024, regular meeting, PNOC RC informed NDC that the plant stopped its operation permanently due to the following major issues:
- Maintenance and technical issues (the spare parts to be procured for the major equipment, and technicians who will install and repair were exclusively from China); and
 - The fixed-term employees, except the plant manager and security guards, assigned to manage the plant have voluntarily resigned. Relative thereto, the Governance Commission for GOCCs (GCG) released Memorandum Order No. 2024-15 dated September 27, 2024, re: "Abolition of 21 Positions in the PNOC RC" due to financial losses since 2013.

- 9.12 On October 18, 2024, the Audit Team conducted an ocular inspection and witnessed the inventory-taking of the property and equipment at the Rizal Hydropower Plant. During the said activities, it was noted that the machinery and equipment are generally functioning, although some need repair and maintenance. However, the plant manager who accompanied the inspectorate team²⁷, commented that the prolonged shutdown and absence of regular maintenance will eventually render all machinery and equipment unserviceable.
- 9.13 The PMC convened on February 10, 2025, and March 26, 2025, to discuss updates on the Project's progress and explore possible courses of action. However, these meetings did not yield any conclusive results. Consequently, the PMC decided to jointly request a meeting with NIA officials to address the current status of the Project, assess whether a shift in policy direction could improve its viability, and gain a clearer understanding of NIA's level of participation.
- 9.14 On January 15, 2026, the PNOC RC informed NDC that NIA had confirmed a proposed meeting scheduled on January 20, 2026. However, the meeting was subsequently canceled.
- 9.15 On the other hand, the GCG issued Memorandum Order (MO) No. 2026-02 dated February 18, 2026, ordering the deactivation of the PNOC RC. The MO further provides that "the PNOC shall take over the administration, operation and management of the hydro, solar rooftop and energy efficiency projects from the PNOC RC, holding all PNOC RC assets in trust until its final disposition."
- 9.16 The Project continued to incur losses due to its irregular and unstable operations, which eventually resulted in the cessation of its operations. Moreover, the deactivation of PNOC RC may further complicate the final disposition of the Project. Without immediate action and decisive intervention, the value of NDC's investment is at risk of further deterioration.
- 9.17 We reiterated our prior year's recommendations that Management:**
- a. Reaffirm its courses of action or strategic direction to address its investment's declining value; and**
 - b. Coordinate with the Philippine National Oil Company and National Irrigation Administration, as appropriate, to communicate and align on the Project's direction and plans, to achieve the most advantageous outcome for all parties, and ultimately, for the government.**
- 9.18 Management commented that NDC has continuously participated in the PMC meetings and coordination activities with PNOC RC and other concerned agencies to explore possible courses of action for the Project, including operational improvements, strategic direction, and potential disposition options.
- 9.19 Management informed that meetings were initiated to engage NIA officials to better assess the viability of the Project and clarify NIA's level of participation and policy direction affecting water allocation and plant operations.

²⁷ Composed of representatives from the Audit Team and NDC.

- 9.20 On January 20, 2026, a proposed site visit involving representatives from PNOC RC, NDC, NIA, and COA was scheduled to facilitate coordination and inspection activities relevant to the project. However, NIA subsequently canceled its participation and, despite follow-ups, did not provide an alternative schedule for the conduct of the said activity.
- 9.21 This circumstance further compounded the delays affecting the coordination process, particularly considering that similar requests for meetings and coordination with NIA had likewise been initiated by the concerned parties in previous years.
- 9.22 Management likewise recognizes the impact of the deactivation of PNOC RC pursuant to GCG MO No. 2026-02. In this regard, NDC shall continue coordinating with the appropriate government agencies and stakeholders regarding the administration, management, and possible disposition or future direction of the Project.
- 9.23 Further, meetings between NDC and the PNOC, the parent company of PNOC RC, were conducted on January 13, 2026, March 9, 2026, and March 16, 2026, to discuss the transition arrangements and ensure continuity in the management and oversight of the Project notwithstanding the operational challenges being encountered.
- 9.24 Management manifested that copies of the Minutes of the Meetings for the abovementioned discussions shall be furnished to the Audit Team once finalized and made available, and that Management remains committed to safeguarding government resources and shall continue evaluating strategic and practical options to address the Project's declining value and operational sustainability.
- 9.25 The Audit Team will monitor Management's subsequent actions.
- 10. The balances of the car and housing loans granted to former NDC officials and employees, aggregating P0.822 million and P5.733 million, respectively, have remained outstanding/dormant for periods ranging from eight to 27 years, with no substantial collection efforts undertaken over the period.**
- 10.1 This is a reiteration of the prior year's audit observation with updated information.
- 10.2 The car loan balances, about the outstanding loan of three former NDC officials who have been separated from the NDC for more than a decade, remained dormant for 13 to 27 years. The last correspondence issued by Management to these officials was sent on February 3, 2020. Table 16 shows the summary of outstanding car loan balances.

Table 16 - Outstanding Car Loan

Borrowers	Date of loan granted	Employment Status	No. of Years Dormant	Outstanding Balance
Official 1	August 31, 1993	Former NDC Director	27	378,000
Official 2	October 14, 1999	Retired on October 20, 2003, and availed of the NDC retirement package under Executive Order No. 184.	21	171,212
Official 3	April 2007	Resigned on April 30, 2009	13	273,113
Total				822,325

- 10.3 The car loan balances of these former officials were not collected before the issuance of their clearances, and the corresponding motor vehicles were neither returned nor surrendered. Instead of offsetting the unpaid loan balances against their retirement or separation pay, the NDC accepted acknowledgments of indebtedness and post-dated checks issued by the former officials as settlement arrangements.
- 10.4 Records indicate that in CY 2018, the NDC sent a letter to the Office of the Government Corporate Counsel (OGCC) to follow up on the request for the status of car loan receivables from Officials 1 and 2. Additionally, Management met with Official 3 to reconcile his outstanding balance. However, the car loan balances have remained dormant to date.
- 10.5 On the other hand, the details of delinquent accounts for housing loans as of December 31, 2025, are as follows:

Table 17 - Outstanding Housing Loan

Employee No.	Date of loan granted	Status of Loans	Years Dormant	Outstanding Balance
1	September 1998	The case is ongoing	26	302,848
2	August 2000	With Certificate of Sale dated Nov. 25, 2021	22	406,539
3	August 1998	With Certificate of Sale dated June 4, 2020; Awaiting for the transfer of the title to the NDC name	21	298,519
4	April 1999	For filing of claims against the estate, to be referred to the OGCC	21	450,260
5	October 2001	For the filing of an extrajudicial foreclosure	20	372,201
6	October 1999 and October 2003	For the filing of an extrajudicial foreclosure	20	179,264
7	May 1996	For the filing of an extrajudicial foreclosure	20	134,070
8	October 2002	For the filing of an extrajudicial foreclosure	19	287,613
9	March 1999	For the filing of an extrajudicial foreclosure	16	120,738
10	March 2000	For the filing of an extrajudicial foreclosure	12	142,749

Employee No.	Date of loan granted	Status of Loans	Years Dormant	Outstanding Balance
11	July 1999	For the filing of an extrajudicial foreclosure	12	199,303
12	July 2006	For the filing of an extrajudicial foreclosure	11	1,440,576
13	1999	For filing of claims against the estate, to be referred to the OGCC.	9	322,780
14	September 1995 and March 1998	For the filing of an extrajudicial foreclosure	8	167,767
15	December 1999	For the filing of an extrajudicial foreclosure	8	265,190
16	June 2001	For the filing of an extrajudicial foreclosure	8	378,597
17	May 1998	For the filing of extrajudicial foreclosure, payments amounting to P89,285.71 in CY 2022 were all applied to penalties.	8	264,277
TOTAL				5,733,291

- 10.6 The foregoing status of the delinquent accounts was derived from the NDC's Status Report of Unliquidated Cash Advances, Fund Transfers, and Other Receivables for the second semester of CY 2025. Notwithstanding Management's prior representations that efforts are being undertaken, no updates or changes were noted in the status of 17 delinquent accounts compared to the reports submitted since CY 2022.
- 10.7 The most recent significant actions on these accounts occurred in CY 2019, when NDC foreclosed the mortgaged property of one housing loan borrower and received full payment from another borrower. In CY 2024, NDC likewise received full payment from one borrower.
- 10.8 Apart from these, the accounts of the abovementioned delinquent accounts have remained dormant for several years or decades, with no substantial collection efforts undertaken over the period. Consequently, the prolonged non-collection of these receivables delays the recovery of funds that could otherwise support NDC's operations and significantly increases the risk of non-recoverability.
- 10.9 **We reiterated our prior year's recommendations that Management:**
- Direct the Legal Department to expedite the initiation of foreclosure proceedings and/or of claims against the estates of defaulting former NDC officials and employees;**
 - Expedite the acquisition of properties and the transfer of titles in the name of NDC for the two accounts (Employees 2 and 3) with certificates of sale; and**

- c. **Submit an updated status/monitoring report to the Audit Team regarding the car and housing loan accounts, supported with copies of demand letters, pleadings, court orders/decisions, and other relevant documents.**
- 10.10 Management commented that the Legal Department will resume its foreclosure proceedings and seek the assistance of OGCC due to the current lack of manpower/lawyers. The Legal Department will also assist and coordinate with the proper group to expedite the acquisition and transfer of titles. Likewise, the Legal Department will furnish the Audit Team with copies of the demand letters to be issued to the delinquent employees and officers.
- 10.11 The Audit Team will monitor Management's subsequent actions.
11. **The NDC Job Order (JO) for the lease of venue for the Activities was not adjusted to reflect the confirmed number of participants, indicating inadequate planning, contrary to Section 7.1 of the 2016 Revised Implementing Rules and Regulations (RIRR) of Republic Act (RA) No. 9184, resulting in misalignment between procurement requirements and actual needs.**
- 11.1 Section 7.1 of the 2016 RIRR of R.A. No. 9184 provides that, "All procurement shall be within the approved budget of the Procuring Entity and should be meticulously and judiciously planned by the Procuring Entity." (underscoring supplied)
- 11.2 A review of the Corporate Planning Department (CPD) Updated Project Procurement Management Plan (PPMP) for calendar year (CY) 2025 showed NDC has a procurement project relative to the conduct of an annual conference to facilitate corporate and strategic planning in alignment with its mandate and commitments. The project requires accommodation and meals with an estimated budget of P1.200 million to be procured through Negotiated Procurement – Lease of Venue.²⁸
- 11.3 Further, in the NDC Inter-office Memorandum dated June 26, 2025, the CPD's Department Manager justified the use of a privately-owned facility for the conduct of the Activities, to wit:

While government agencies are encouraged to lease publicly-owned real property or venue from other government agencies, the venue for the abovementioned activity is recommended to be held in a privately-owned venue. Based on research, available and appropriate government-owned facilities within the proposed locations are limited, as they either lack adequate conference rooms or halls to accommodate the target number of participants, or do not provide sufficient accommodation and team-building amenities. It maybe noted that there are 85 projected attendees. Attached is the assessment of government-owned venue options as regards the adequacy of amenities for the conduct of the activities.

It may be recalled that for the past two (2) years, the team building activity has been conducted simultaneously with the planning activity. This arrangement has proven to be more economical and advantageous, as it requires funding

²⁸ Received by BAC Secretariat on January 27, 2025.

for only one venue and a single set of transportation requirements. Moreover, it promotes operational efficiency by minimizing instances wherein employees will be out of the office, since both activities are completed within one scheduled period.

The use of privately-owned venue for the said activities will also guarantee the safety and security of participants since security services are ensured 24/7.

- 11.4 On various dates, the CPD conducted a market study of hotel establishments located in La Union, Bataan, Batangas, and Makati City. Four hotels were considered in La Union upon responding to the emails sent by CPD in May 2025, as shown below:

Table 18 - Market Study of Establishments in La Union

Hotel	Quotation Date	No. of Pax	Event Date	Quotation Value (P)
1	July 8, 2025	85	August 12 to 15, 2025	841,500
2*	July 14, 2025	80	August 12 to 15, 2025	1,110,500
3	Undated	85	August 5 to 8, 2025	620,250
4	Unresponsive			

* Four-star hotel

- 11.5 On July 10, 2025, through Materials Requisition No. MR25-07-095, the CPD requested the procurement of a venue for the Activities on August 12 to 15, 2025, which includes accommodation and meals for 85 participants²⁹, and use of a function room, with an estimated cost of P1.150 million.
- 11.6 On July 11, 2025, the CPD performed an ocular inspection of the three hotel establishments in La Union.
- 11.7 Per Bids and Awards Committee (BAC) Resolution No. 2025-07-148 dated July 18, 2025, the BAC recommended the procurement of a lease of venue for the Activities with an approved budget for the contract (ABC) of P1.150 million.
- 11.8 Subsequently, the BAC, through BAC Resolution No. 2025-07-153 dated July 31, 2025, recommended the award of the procurement project to a four-star hotel in San Juan, La Union, in the amount of P1.131 million, inclusive of value-added tax.
- 11.9 On August 6, 2025, Office Order (OO) No. 71 s. 2025 was issued, directing 62 NDC personnel to participate in the Activities on August 12 to 15, 2025.
- 11.10 On August 7, 2025, NDC prepared JO No. 02741 for the procurement of lease of venue for the Activities for 85 participants.
- 11.11 The NDC paid the hotel through Check No. 00278303 dated August 19, 2025, in the total amount of P1.054 million, representing rooms and banquets for 65 participants.

²⁹ The breakdown of 85 participants as of May 8, 2025 are as follows: 37 permanent employees; 15 direct contracts of service (COS) personnel; 14 COS personnel under agency; 12 COS drivers; 1 consultant; and 6 personnel from NDC subsidiaries.

11.12 A review of the disbursement vouchers and attachments evidencing payment to the four-star hotel revealed the following:

- On July 31, 2025, the BAC recommended the award of procurement of the lease of a venue for the Activities to the four-star hotel in the amount of P1.131 million for 85 participants. The quotation is as follows:

Table 19 - Quotation Provided by the Four-Star Hotel

Rooms/Banquet	Rate per Room	No. of Rooms	Total Rate per Night	Total Rate for 3 Nights
PQ Single	6,500.00	9	58,500.00	175,500.00
SR Double	6,800.00	8	54,400.00	163,200.00
SDR Double	6,800.00	3	20,400.00	61,200.00
SR Quadruple	9,000.00	5	45,000.00	135,000.00
SPS Quadruple	8,500.00	4	34,000.00	102,000.00
DFPV Sextuple	11,000.00	2	22,000.00	66,000.00
Banquet (meals & venue)*	1,678.73	85	142,692.05	428,076.15
			376,992.05	1,130,976.15

*Rate per Day

- Billing Invoice No. 0000003 and Statement of Account (SOA) were received by NDC on August 15, 2025, requesting payment for rooms and a banquet for 65 participants, amounting to P1.054 million, without a detailed breakdown of expenses.
 - Attendance sheets for the Activities showed that only 58 participants were present from August 12 to 13, 2025, while 57 participants attended on August 14, 2025.
- 11.13 The Audit Team requested Management for the breakdown of actual expenses. However, according to the Management, the hotel did not provide any expense breakdown.
- 11.14 It is worth noting that the reported number of participants for the Activities appears inconsistent. The figures vary across documents: 85 in the quotation and JO, 62 in the OO, a maximum actual attendance of 58, and 65 in the SOA.
- 11.15 While Management's estimate of 85 participants is based on attendance during the CY 2024 Activities, the variance could have been mitigated through timely validation of expected attendees before sending Request for Quotations (RFQs), if conducted, and the preparation of the JO. Such measures include advance confirmation of participation, determination of personnel to be assigned to the skeletal workforce, and consideration of other factors that may affect actual attendance.
- 11.16 The number of participants was initially estimated to be 85 as of May 8, 2025, which is at least two months before the start of procurement activities, and three months before the issuance of JO to the hotel; thus, the estimate is no longer accurate from the commencement of procurement activities on July 18, 2025.
- 11.17 Relative thereto, the CPD initially requested quotations from various hotels for the Activities tentatively scheduled from July 29 to August 1, 2025. The schedule was subsequently moved to August 5 to 8, 2025, and was later finalized to August 12 to

15, 2025, due to unforeseen changes in Management's schedule. Given the adjustments to the tentative schedule, prudent planning dictates that participant confirmation may be undertaken accordingly.

- 11.18 Further, it was noted that the OO covering 62 participants was issued before the issuance of the JO to the hotel, indicating that the number of participants could have been updated before finalizing the procurement arrangements.
- 11.19 Based on documents obtained and the assumptions applied by the Audit Team, the estimated cost for three nights and the projected avoidable expenses, had Management considered the variance in the number of participants, are presented below:

Table 20 - Estimated Cost for Three Days Considering the Number of Participants

Total Amount Quoted for 85 pax (a)	No. of Pax (b)	Average Rate per Pax (c = a/b)	Pax per OO/SOA (d)	Estimated Amount (e = c*d)	Variance (f = a-e)
1,130,975.00	85	13,305.59	62	824,946.47	306,028.53
1,130,975.00	85	13,305.59	65	864,863.24	266,111.76

Table 21 - Projected Avoidable Expenses

Rooms*/Banquet	Rate per Room	No. of Rooms	Total Rate per Night	Total Rate for 3 Nights
<i>Assuming the JO was based on the number of participants per OO, hence, a variance of 23 participants</i>				
Banquet (meals & venue)	1,678.73	23	38,610.79	115,832.37
SR Quadruple	9,000.00	2	18,000.00	54,000.00
SPS Quadruple	8,500.00	4	34,000.00	102,000.00
			90,610.79	271,832.37
<u>OR</u>				
Banquet (meals & venue)	1,678.73	23	38,610.79	115,832.37
SPS Quadruple	8,500.00	4	34,000.00	102,000.00
SR Quadruple	9,000.00	1	9,000.00	27,000.00
PQ Single	6,500.00	3	19,500.00	58,500.00
			101,110.79	303,332.37
<i>Assuming the JO was based on 65 participants, hence, a variance of 20 participants</i>				
Banquet (meals & venue)	1,678.73	20	33,574.60	100,723.80
SR Quadruple	9,000.00	1	9,000.00	27,000.00
SPS Quadruple	8,500.00	4	34,000.00	102,000.00
			76,574.60	229,723.80
<u>OR</u>				
Banquet (meals & venue)	1,678.73	20	33,574.60	100,723.80
SR Quadruple	9,000.00	5	45,000.00	135,000.00
			78,574.60	235,723.80

* Room allocations were estimated based on maximum room capacity, as follows: Single = 1, Double = 2, and Quadruple = 4.

- 11.20 Based on the projected figures shown in Table 21, NDC could have avoided expenses ranging from P229,723 to P303,332 had the JO reflected a more accurate number of

participants. In contrast, only a P76,830 difference was noted between the JO and the actual payment for the venue, despite the significant decrease in actual attendance.³⁰

- 11.21 Notably, a review of the Terms of Reference (TOR) and the JO disclosed the absence of any provision allowing adjustments to the contract price based on reasonable changes in NDC's requirements, taking into consideration the hotel's policies.
- 11.22 It was further noted that the hotel's SOA shows 65 participants, whereas the attendance sheets show a maximum of 58 participants. The variance of seven participants indicates that the payment included costs for unaccounted attendees, casting doubt on the propriety of the amount paid. Moreover, the acceptance and payment for the venue for 65 participants, in the absence of a detailed expense breakdown, raise concerns about the validity and reasonableness of the charges.
- 11.23 Based on the document obtained by the Audit Team, the Hotel charged the NDC in the total amount of P1.054 million for the 65 participants as follows:

Table 22 - Breakdown of the Amount Charged to NDC

Rooms/Banquet	Rate per Room	No. of Rooms	Total Rate per Night	Total Rate for 3 Nights
Premier Room	6,500.00	5	32,500.00	97,500.00
Premier Queen Room	6,500.00	2	13,000.00	39,000.00
Premier Queen Room	6,800.00	11	74,800.00	224,400.00
Premier Queen Room	9,000.00	5	45,000.00	135,000.00
Premier Queen Room	8,500.00	2	17,000.00	51,000.00
Premier Family Room	11,000.00	2	22,000.00	66,000.00
Banquet (meals & venue)	1,678.73	85*	142,692.05	428,076.15
Additional PM Snack**		62		13,170.00
			346,992.05	1,054,146.15

* No. of Participants

** The total amount is for the 62 participants

- 11.24 Considering the above, NDC could have avoided incurring at least P100,723³¹ in banquet expenses for the excess 20 participants; hence, an unnecessary expense. Likewise, additional snack expenses were incurred despite not being included in the NDC JO.
- 11.25 Section 4.1 of COA Circular No. 2012-003 defines unnecessary expenditures as, "The term pertains to expenditures which could not pass the test of prudence or the diligence of a good father of a family, thereby denoting non-responsiveness to the exigencies of the service. xxx. This would also include the incurrence of expenditure not dictated by the demands of good government, and those the utility of which cannot be ascertained at a specific time. An expenditure that is not essential or that which can be dispensed with without loss or damage to property is considered unnecessary."
- 11.26 Should Management consider existing industry practices on hotel reservations and cancellation policies in planning the Activities, the same may be incorporated into the TOR to safeguard the interests of NDC while ensuring compliance with hotel policies.

³⁰ NDC JO No. 02741 amounting to P1,130,975 less actual payment per hotel's Service Invoice No. 007349 amounting to P1,054,145.

³¹ P100,723 = P1,678.73 x 20 participants.

- 11.27 The failure to adjust procurement terms resulted in a contract that exceeded NDC's actual needs. Consequently, the agreement became inconsistent with the principles of sound public procurement, particularly the need to align procurement decisions with operational requirements. As a result, the finalized terms are disadvantageous to the government, as NDC paid for services beyond its actual requirements.
- 11.28 The deficiency in planning is contrary to Section 7.1 of the 2016 RIRR of RA No. 9184, and the subsequent failure to update procurement requirements exposed NDC to the risk of overpayment and inefficient use of public funds, as demonstrated in this instance.
- 11.29 Also, the situation raises concerns regarding fairness and competitiveness in the procurement process. Since the purported RFQ was based on 85 participants, suppliers with lower capacity may have been precluded from participating, notwithstanding NDC's reduced actual requirements, thereby effectively limiting competition and depriving NDC of the opportunity to obtain potentially lower or more advantageous offers for the reduced scope.

11.30 We recommended that Management:

- a. Explain the non-adjustment of the number of participants in the Job Order despite the variance in the number of participants directed under Office Order No. 71; and**
 - b. Refund the unnecessary expenses amounting to P113,893 incurred for 20 participants and additional snacks. Otherwise, the same shall be disallowed in audit;**
 - c. Ensure that future procurement projects are meticulously planned and that any changes in the requirements of NDC are duly considered and reflected in the procurement process to facilitate accurate and responsive bids aligned with actual operational needs.**
- 11.31 Management commented that the NDC, in fact, realized savings amounting to P76,831 since the NDC only paid the amount of P1.054 million instead of paying the full contract price of P1.131 million.
- 11.32 Management further explained that the Activities include four major activities of the company, namely, the Mid-year Performance Review, 2026 Strategic Planning, 2026 Operational Planning, and Team Building Activity. The projected participation of 85 attendees was set in May 2025 to ensure full organizational participation, including subsidiaries, to support effective planning and team-building sessions. This served as the basis for the activity's procurement planning, and it was also the practice in previous years.
- 11.33 Following the issuance of the Resolution awarding the venue, and approximately one week before the activity, there was a significant reduction in the number of confirmed attendees. On August 6, 2025, the number of participants was reduced to 65 (including a service driver) due to notifications from employees who could no longer attend, as well as the exclusion of subsidiaries and consultants. Accordingly, the Corporate

Planning Department (end-user) prepared OO No. 71 to reflect the revised list of attendees. However, the date indicated therein only corresponds to the date of preparation/drafting of the Office Order. Any subsequent revisions were incorporated into the same OO number with the original date.

- 11.34 On August 7, 2025, further adjustments were made when additional personnel were designated to be part of the skeletal workforce, resulting in a final confirmed count of 62 participants plus one service driver. The OO was updated accordingly, while maintaining the original issuance date for administrative consistency.
- 11.35 At this advanced stage (i.e., issuance of JO), revising the procurement arrangements was no longer feasible due to time constraints and procedural requirements. Any modification to the procurement process, once a winning bidder has been determined, recommended by the BAC, and approved by the Head of the Procuring Entity, would have necessitated repeating the procurement processes, which could cause delays and expose the NDC to reputational risks. Likewise, canceling the initial procurement process solely to adjust the number of participants could have raised concerns on the part of the winning bidder regarding the fairness and integrity of the procurement.
- 11.36 Moreover, the JO acts as a contract between the provider and the NDC in terms of the lease of the venue. RA No. 9184 and its 2016 RIRR do not specifically provide for the revision or deviation of the JO or contract from the technical specifications or TOR involved in the procurement. The procurement law only provides for price adjustments in connection with an Amendment to Order.
- 11.37 On the day of the activity, actual attendance further decreased to 59 participants, including the service driver, due to unforeseen personal circumstances that are beyond the control of the organizer/end-user.
- 11.38 Despite these constraints, NDC undertook reasonable measures to mitigate financial impact by coordinating with the venue provider and requesting cost adjustments based on actual attendance, which was partially accommodated by the supplier.
- 11.39 While the Audit Team noted that the failure to adjust procurement terms resulted in a contract exceeding NDC's actual requirements, Management clarified that the majority of the meals served were, in fact, consumed, and that managed buffet portions are typically modest, which can lead participants to request additional servings.
- 11.40 As standard industry practice, quoted rates and package offers are typically considered guaranteed. Cancellations or reductions in the number of rooms or meal participants may therefore incur corresponding charges. In many cases, hotels only recognize force majeure as a valid basis for waiving fees related to booked accommodations and meal arrangements.
- 11.41 While the Audit Team mentioned the existing industry practices on hotel reservations and cancellation policies, hotels, especially for large events, plan and prepare meals several weeks in advance. As such, last-minute cancellations, or even those made within a week of the event, cannot generally be accommodated without penalty.
- 11.42 Nevertheless, NDC will consider the Audit Team's recommendations by ensuring that future procurement projects are carefully planned, with any changes in requirements

- properly evaluated and incorporated into the procurement process. This will help facilitate more accurate and responsive bids that align with actual operational needs. Furthermore, NDC will include clear provisions on cancellations or reductions in the number of participants in future TORs and will select service providers that are willing to comply with these conditions.
- 11.43 The Audit Team also mentioned that the situation raises concerns regarding fairness and competitiveness in the procurement process since suppliers with lower capacity may have been precluded from participating. However, Management mentioned that competitiveness is evident, as some hotels initially indicated they could meet the requirements per the end-user's market study.
- 11.44 Management also commented that including afternoon snacks in a whole-day meeting on Day 2 (August 13, 2025) helped sustain participants' energy and focus during the latter part of the day, when fatigue typically sets in. After several hours of discussion, attention levels may decline, which could affect the quality of participation and decision-making. Providing light refreshments helped maintain alertness, supported productivity, and ensured that participants remained engaged through to the conclusion of the meeting. Management also stated that dinner is usually served at 6:30 to 7:00 p.m.; hence, the provision of the afternoon snacks was deemed significant.
- 11.45 Management appealed that no amount should be refunded, considering that the meals included in the billed amount were properly prepared, served, and consumed. Moreover, these expenses contributed to the program's effective implementation by ensuring that participants were adequately nourished and able to remain focused and engaged throughout the sessions, thereby supporting the successful attainment of the program's objectives.
- 11.46 Finally, Management reiterated that savings were actually generated from the conduct of the activity. Through NDC's proactive negotiation to reduce the number of reserved rooms in response to the decreased number of participants, as discussed above, the NDC realized savings of P76,831. Despite this adjustment, NDC successfully conducted an important organizational activity and complied in a timely manner with the Performance Evaluation System (PES) requirements of the Governance Commission for GOCCs. This demonstrates improved resource management and the NDC's commitment to effectiveness, productivity, and financial prudence.
- 11.47 The Audit Team disagreed with Management's assertion that savings were realized in this transaction, amounting to P76,831, which represents the difference between the total contract price and the actual amount paid. This does not constitute true fiscal savings; rather, NDC spent at least P113,893 more funds than could have been saved had Management meticulously executed its procurement planning.
- 11.48 To reiterate, Management's initial quotation in May 2025 was based on an estimate of 85 participants. Despite at least two subsequent adjustments to the activity's target date, Management failed to update and verify the actual number of available attendees relative to the new schedule. Exercising prudence and considering the available time, Management could have adjusted its procurement parameters to reflect the realistic headcount and avoid additional costs, as estimated in Tables 20 and 21.

- 11.49 The Audit Team also maintained its position that Management did not incorporate the standard industry practices within the hospitality sector into its TOR. This omission highlights a material lapse in the procurement planning stage.
- 11.50 A well-drafted TOR serves as a safeguard for the interests of NDC, ensuring contractual protection against unforeseen contingencies while simultaneously balancing compliance with hotel policies. Relying on unwritten industry standards rather than binding contractual clauses leaves the NDC vulnerable.
- 11.51 The Audit Team likewise emphasized that the costs incurred for additional afternoon snacks were not part of the approved procurement project scope. NDC procured and was billed for a banquet catering to 85 participants, effectively exhausting the allocated budget despite the fact that only 59 participants actually attended the activity.
- 11.52 Consequently, the procurement of extra snacks, while the original catered volume was consumed, represents an unnecessary expenditure. This operational lapse is directly attributable to Management's inadequate planning and poor monitoring of attendance.
- 12. Discretionary expenses amounting to P0.836 million were not adequately supported by sufficient and relevant documents to establish the validity of the claims, contrary to Presidential Decree (PD) No. 1445 and COA Circular No. 2012-001; thus, the propriety of disbursements could not be ascertained.**

- 12.1 Section 4 of PD No. 1445 provides that:

***Fundamental principles.** Financial transactions and operations of any government agency shall be governed by the fundamental principles set forth hereunder, to wit:*

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(6) Claims against government funds shall be supported with complete documentation.

(7) All laws and regulations applicable to financial transactions shall be faithfully adhered to.

(8) Generally accepted principles and practices of accounting as well as of sound management and fiscal administration shall be observed, provided that they do not contravene existing laws and regulations.

- 12.2 In the same vein, COA Circular No. 2012-001³² requires that disbursements must be supported by sufficient and relevant documents to establish the validity of claims. Item 7.0 – *General Guidelines* provides that the Extraordinary and Miscellaneous Expenses (EME) guidelines for GOCCs are prescribed under COA Circular No. 2006-001.³³ Meanwhile, Item 7.0 – *Documentary Requirements* also mandates the submission of

³² Prescribing the Revised Guidelines and Documentary Requirements for Common Government Transactions.

³³ Guidelines on the Disbursements of Extraordinary and Miscellaneous Expenses and Other Similar Expenses in Government-Owned and Controlled Corporations/Government Financial Institutions and their Subsidiaries.

invoices or receipts for government-owned or -controlled corporations (GOCCs), local government units (LGUs), and government financial institutions (GFIs), as well as other supporting documents depending on the nature of the expense.

12.3 Additionally, in the case of *PSALM vs COA*,³⁴ the Supreme Court held that:

Assuming arguendo that PSALM is authorized to incur and claim BDE, it may only do so when the conditions set forth in COA Circular No. 2006-001 are met. This is clear from the last paragraph of the 2008 GAA stating that "these expenditures shall be subject to pertinent accounting and auditing rules and regulations." The validity and correctness of the claim for reimbursement of EME or other similar expenses of GOCCs, like PSALM, must be clearly established. Simply put, PSALM's claims for reimbursement of BDE, if at all allowed, must rest upon the existence of sufficient proof of the expenditures incurred by the qualified officials such as receipts and/or other documents evidencing disbursement.

While petitioners presented receipts to support their claim for BDE reimbursement, they failed to establish the nature and description of these expenditures.

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Owing to the public purpose requirement, as well as the official nature of the incurrence of BDE or other similar expenses by GOCCs, such expenditures must be shown to be necessary or relevant to the fulfillment of the official duties and functions of the qualified government officers and employees. It is thus incumbent upon petitioners to show that the incurrence of BDE was reasonably connected with PSALM's official business meetings, corporate planning conferences, seminars, and other business-related activities in pursuance of its corporate goals. This reasonable connection cannot simply rest on petitioners' lazy accounts on the expenses incurred. Petitioners' deficient and doubtful receipts, as well as the certifications bearing sweeping and general declarations that the expenditures were incurred by PSALM officials, do not, in any way, satisfy the requirement of proper substantiation and documentation of the expenses.

12.4 Meanwhile, a review of discretionary expenses for CY 2025 covering the months of June to December 2025,³⁵ disclosed the following:

- All expenses pertained to official entertainment purposes;
- Most, if not all, pertained to meals, food, and beverages;
- Officers incurred expenses almost daily and, in several instances, multiple expenses were incurred on the same day from different merchants; and
- 11 invoices pertaining to expenses incurred during the NDC 2025 Midyear Performance Review, 2026 Strategic Planning, Operational Planning, and Team Building Activity (the Activities for brevity) from August 12 to 15 2025, were charged to discretionary funds notwithstanding the existence of an approved budget for the

³⁴ G.R. No. 211376. December 07, 2021.

³⁵ Reimbursements after Exit Conference held on May 22, 2025.

Activities covering accommodation, venue, and meals, as well as a separate cash advance intended to defray incidental expenses related thereto. Considering that funds had already been allocated for substantially similar expenses, the necessity and propriety of the additional reimbursements charged to discretionary funds could not be fully established in the absence of clear supporting documentation and segregation of expenses.

- 12.5 For the subject period, NDC officers incurred discretionary expenses totaling P0.540 million, covering 356 invoices. Of these,
- Only two invoices were adequately supported by the purpose of the meeting, attendance sheets, and/or minutes of the meeting;
 - 13 invoices were supported with travel orders, as these were incurred outside Metro Manila, including those incurred during the Activities;
 - One invoice was incurred during a holiday and was supported only by a Daily Time Record. But, the details or identities of the guests/attendees for the official entertainment were not indicated; while
 - The remaining invoices were not adequately supported.
- 12.6 The recurring deficiencies indicate continued non-compliance with the documentary requirements under COA Circular No. 2012-001. Invoices alone are insufficient to establish the validity and propriety of discretionary expenditures in the absence of supporting documents such as meeting agendas, attendance records, travel orders, or minutes of meetings, as applicable.
- 12.7 Moreover, discretionary expenses incurred for official entertainment do not involve confidential or intelligence-related activities that would explain the withholding of information concerning the purpose of the activity or the identities of attendees or guests. Hence, the absence of such supporting details cannot be reasonably explained on the grounds of confidentiality, and the failure to provide them undermines the transparency, accountability, and auditability required for government expenditures.
- 12.8 The presumption of regularity is further weakened by prior audit findings on discretionary expenses, which consistently noted similar deficiencies in substantiation. While Management was able to submit additional supporting documents, such as notices of meetings, attendance sheets, minutes of meetings, and/or other supporting documents for expenses charged against Board Meeting Expense, Meetings/Planning and Conference Expense, and Other Miscellaneous Expense accounts, similar documents were not consistently provided for expenditures charged against the discretionary expenses account. This disparity in the submission of documentation underscores the inadequacy and inconsistency in the substantiation of discretionary spending.
- 12.9 The Audit Team's observation is likewise consistent with the government-wide performance audit conducted in CY 2007, where COA found that the propriety of expenses could not be assessed due to inadequate documentation. In the said report, essential details such as the purpose of the expenditures, participants in meetings, and recipients of purchased items were not properly disclosed in the supporting records. The same report reiterated that Section 4(6) of PD No. 1445 requires all claims against government funds to be supported by complete documentation.

- 12.10 This reinforces the fundamental principle that government funds must be used solely for public purposes, which cannot be properly evaluated in the absence of adequate documentation. The requirement for complete and sufficient supporting documents is a basic and continuing principle in government accounting and auditing, and need not be exhaustively enumerated in COA issuances to be enforceable.
- 12.11 Moreover, during the Exit Conference held in CY 2025, Management was reminded that the burden of proof rests with the agency to establish the necessity and propriety of expenditures; hence, invoices or receipts must be presented, and the purpose of reimbursement, including the person entertained, must be indicated. Discretionary expenses are not automatic entitlements but must be clearly justified by official activities. Management was likewise advised to formulate an internal policy on EME in coordination with the Internal Audit Unit (IAU).³⁶ To date, NDC has yet to establish a fully functional IAU.
- 12.12 Further, it is necessary to clarify that while the General Appropriations Act (GAA) may authorize the use of funds for EME, such authority is not absolute and must always be interpreted strictly in relation to its public purpose character and the governing auditing rules.
- 12.13 In audit practice, "Official Entertainment" refers to expenses incurred in connection with legitimate official functions such as formal meetings, conferences, consultations, or engagements with stakeholders where such interaction is necessary to advance agency mandates. It does not extend to routine, habitual, or informal expenditures for meals, refreshments, or personal convenience, nor to expenses merely designated as "entertainment" without clear evidentiary support of an official activity.
- 12.14 Thus, classification of an expense as "Official Entertainment" or charging it against EME does not, by itself, establish its validity. Consistent with PD No. 1445 and COA Circular No. 2012-001, the burden remains on the agency to substantiate the nature, purpose, participants, and necessity of the expenditure through complete documentation.
- 12.15 As held in the jurisprudence cited above, even discretionary or reimbursable expenses must be clearly shown to be necessary and directly related to official functions. Hence, mere labeling of an expense as official entertainment or EME cannot substitute for the required evidentiary support.
- 12.16 In the absence of complete and appropriate supporting documents, the validity, propriety, and necessity of discretionary expenses amounting to P0.540 million covering 340 transactions for CY 2025 could not be reasonably established. The ongoing deficiency in compliance with COA documentary requirements and fundamental principles governing the use of public funds limits assurance that these disbursements were properly used for public purposes.
- 12.17 **We recommended that Management:**
- a. Provide an explanation on the existence of multiple funding sources used to cover expenses incurred during the Activities held on August 12 to 15, 2025;**

³⁶ As documented in the Minutes of Meeting conformed by the NDC's Head of the Agency.

- b. **Submit complete documentation and/or relevant information on official entertainment expenses incurred from June to December 2025, including, among others, the specific purpose of each engagement and its corresponding results or accomplishments, notices or invitations (or similar communications) issued to officers or stakeholders, names of attendees or guests, and programs, agendas, or minutes of meetings. Otherwise, a Notice of Suspension may be issued for transactions lacking sufficient documentation;**
 - c. **Formulate and implement a clear policy defining allowable discretionary expenses, including the minimum documentary requirements based on the nature of the expense, in coordination with the Internal Audit Unit; and**
 - d. **Ensure strict compliance with Presidential Decree No. 1445 and COA Circular No. 2012-001 by requiring that all discretionary expenses or Extraordinary and Miscellaneous Expenses-related disbursements be supported by complete and appropriate documentation before processing and reimbursing.**
- 12.18 Management commented that the NDC based its documentary requirements for EME on COA Circular 2023-004 dated June 14, 2023, which updated/revised the documentary requirements for disbursements relating to common government transactions, including EME. Thus, using COA Circular No. 2012-001 as the basis is outdated.
- 12.19 According to COA Circular 2023-004, the documentary requirements for EME are as follows:
- i. Certification executed by the official concerned that the amount claimed was spent for the purpose and in the amount not exceeding the limit indicated in the general provisions of the GAA.
 - ii. Relevant Invoices/Receipts, if the amount claimed was spent for the purpose and in an amount exceeding the limit indicated in the general provisions of the GAA.
 - iii. Minutes of the meeting are used for meetings, seminars, and conferences.
 - iv. Attendance Sheet
- 12.20 Most of the reimbursements from EME were for official entertainment. Thus, only the requirements in items *i* and *ii* above are needed for this purpose, and these were complied with by the officers.
- 12.21 Management reiterated their previous response to earlier AOMs, that NDC followed the aforementioned audit guidelines and provided the necessary documentation prescribed. Requiring additional documents to prove that there is no irregularity in every transaction is burdensome and counterproductive, and defeats the purpose of the EME.
- 12.22 Management emphasized that under COA Circular No. 89-300, "the underlying principle behind the provision for authority to use appropriations for extraordinary and miscellaneous expenses recognizes the need to grant some form of assistance to officials occupying key positions in the National Government to enable them to meet various financial demands that otherwise would not have been made on them. Verily,

by reason of their incumbency in these positions, they have to incur expenses of the sort that are not normally charged to or covered by their salaries and other emoluments. These officials should thus be accorded as much flexibility as possible in the utilization of the funds involved, subject to limitations imposed by law."

- 12.23 Management pointed out that under the Compensation and Position Classification System (CPCS) Circular no. 2021-013, EMEs are considered as indirect compensation to the entitled officers/employees, and such circular prescribes the same principles and policies as the aforementioned COA Circulars.
- 12.24 Moreover, expenses incurred during the Activities held on August 12 to 15, 2025, were charged to different accounts depending on the nature and purpose of the activities. Some activities such as breakout sessions in preparation for the presentation of workgroup goals as well as success indicators for respective Workgroup Performance and Commitment Reviews, formulation of team strategies to win in the teambuilding activities, and practice for different team presentations that were conducted by the different workgroups/teams outside the hotel or which could not be taken from the cash advance relating to the said planning activity were charged to the discretionary expenses of the officers. Meals were incurred as incidental and necessary support expenses in the course of extended official functions.
- 12.25 Finally, Management stated that, effective June 1, 2026, all reimbursements charged against EME will be supported by appropriate supporting documents.
- 12.26 The Audit Team maintains its position on the proper substantiation of EME-related disbursements. Management argues that COA Circular No. 2012-001 has been superseded by COA Circular No. 2023-004 and is therefore obsolete; however, COA Circular No. 2023-004 was officially suspended under COA Circular No. 2024-004, effective March 14, 2024, thereby restoring the applicability of COA Circular No. 2012-001.
- 12.27 This position is inconsistent with Management's actions, as it has consistently anchored its responses to subsequent AOMs issued after the suspension on the 2012 guidelines without disputing their validity. This pattern of compliance demonstrates awareness of the prevailing Circular and contradicts any assertion that Management was unaware of the 2024 suspension.
- 12.28 Moreover, Management's application of COA Circular No. 89-300 is incorrect. The Audit Team has repeatedly emphasized that Guidelines on the Disbursements of EME in government-owned or -controlled corporations (GOCCs) are governed by COA Circular No. 2006-001, not COA Circular No. 89-300, as the latter explicitly covers national government agencies (NGAs).
- 12.29 The Audit Team is also not persuaded that NDC officials should be accorded as much flexibility as possible in the utilization of the funds involved, subject to limitations imposed by law. As provided above, the Management's application of COA Circular No. 89-300 is incorrect since it is applicable to NGAs only. In *ARNALDO M. ESPINAS, LILLIAN N. ASPRER, and ELEANORA R. DE JESUS vs. COMMISSION ON AUDIT*,³⁷ the Supreme Court thoroughly and clearly discussed the difference between the

³⁷ G.R. No. 198271 dated April 1, 2014.

applications of COA Circulars 89-300 and 2006-001, the difference between the NGAs and GOCCs, why certification is insufficient, and COA's constitutional authority to promulgate accounting and auditing rules and regulations. To reiterate further, the Supreme Court held:

The Commission Proper's Ruling

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*Finally, the CoA maintained that there is a substantial distinction between the officials of NGAs and the officials of the GOCCs, GFIs and their subsidiaries insofar as their entitlement to EME is concerned. xxx. In connection therewith, the CoA emphasized that the issuance of CoA Circular No. 2006-01 is pursuant to its exclusive constitutional authority to promulgate accounting and auditing rules and regulations, including those for the prevention and disallowance of irregular, unnecessary, excessive, extravagant, or unconscionable expenditures or uses of government funds. **It is therefore within the purview of its mandate and the above-stated distinctions that CoA Circular No. 2006-01 must be interpreted.***

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The Court's Ruling

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*Lastly, the Court upholds the CoA's finding that there exists a substantial distinction between officials of NGAs and the officials of GOCCs, GFIs and their subsidiaries which justify the peculiarity in regulation. **Since the EME of GOCCs, GFIs and their subsidiaries, are, pursuant to law, allocated by their own internal governing boards, as opposed to the EME of NGAs which are appropriated in the annual GAA duly enacted by Congress, there is a perceivable rational impetus for the CoA to impose nuanced control measures to check if the EME disbursements of GOCCs, GFIs and their subsidiaries constitute irregular, unnecessary, excessive, extravagant, or unconscionable government expenditures.** xxx. As pertinently stated in CoA Circular No. 2006-01, the consideration underlying the rules and regulations contained therein is the fact that "[g]overning boards of [GOCCs/GFIs] are invariably empowered to appropriate through resolutions such amounts as they deem appropriate for extraordinary and miscellaneous expenses." Hence, in due deference to the CoA's constitutional prerogatives, the Court, absent any semblance of grave abuse of discretion in this case, respects the regulation, and consequently dismisses the petition. (emphasis supplied)*

- 12.30 The Audit Team also reiterates COA Circular No. 2012-001, requiring that disbursements must be supported by sufficient and relevant documents to establish the validity of claims. Also, Item 7.0 – *Documentary Requirements* mandates the submission of invoices or receipts for GOCCs, LGUs, and GFIs, as well as other supporting documents depending on the nature of the expense.

- 12.31 Moreover, the Audit Team reiterates the ruling in *PSALM vs. COA*, as cited in Paragraph 15.3. Under this precedent, even discretionary or reimbursable expenses must be clearly demonstrated as necessary and directly related to official functions. Consequently, merely labeling an expense as “official entertainment” or EME cannot substitute for the required evidentiary support. The Audit Team reminded Management of this principle during the Exit Conference held in CY 2025.
- 12.32 The costs incurred for internal workgroup/unit meetings, public relations, professional memberships (e.g., Integrated Bar of the Philippines), and civic contributions were processed separately, even though they inherently fall under the nature of EME, certain expenses were charged outside the EME budget, unnecessarily increasing other corporate expenditures. Per COA Circulars, CPCS Circulars, and the GAA, these specific items should be consolidated and charged against the EME budget.
- 12.33 The Audit Team maintains its position that, in the absence of complete and appropriate supporting documents, the validity, propriety, and necessity of discretionary expenses could not be reasonably established.
- 13. The nature or extent of NDC’s rights over the land assets in Bukidnon, Misamis Oriental, and Leyte provinces has yet to be determined, exposing NDC to possible loss of possessory or usufructuary rights over the subject properties.**
- 13.1 NDC has several parcels of land in Manolo Fortich and Libona, Bukidnon (**Bukidnon property**), Cagayan de Oro City, Misamis Oriental (**CDO property**), and Isabel, Leyte (**Leyte property**). These properties have a total area of 9,912,250 sq. m., as presented below:

Table 23 - Schedule of Land Assets

Property	Area (in sq. m.)
Bukidnon	9,506,867
CDO	320,128
Leyte	85,255
TOTAL	9,912,250

- 13.2 The entire land area of Bukidnon and CDO Properties is leased by a private corporation until 2032, while only 2,000 sq. m. of the Leyte Property is being leased by a shipping company until 2030.
- 13.3 A review of relevant documents showed the observations discussed hereunder:
- a. Bukidnon property**
- 13.4 A review of the appraisal report and technical descriptions of the Bukidnon Property showed that the 3,089,714 sq. m. portion is covered only by a Forestland Grazing Lease Agreement³⁸ (FLGLA). This tenurial instrument, issued by the Department of Environment and Natural Resources (DENR), grants NDC limited rights over the land. The FLGLA expired in December 2011, and NDC's application for 25-year renewal

³⁸ Tenurial Instrument with the DENR.

remains pending with the City Environment and Natural Resources Office (CENRO) Bukidnon.

b. CDO property

- 13.5 The current documents for the CDO property showed that 306,409 sq. m. out of the 320,128 sq. m. total area is not covered by any TCT. Details of the parcels of land are as follows:

Table 24 - Available Information on Untitled Parcel of Land

Parcel	Area (sq. m.)	Remarks
A	115,657	Covered by a Foreshore Lease Agreement (FLA) with the DENR-CENRO No. X-5-B, Cagayan de Oro City. The FLA was executed by and between the DENR CENRO and the NDC, with a lease term commencing on December 12, 1994, and expiring on December 11, 2020, for the occupancy, development, utilization, and management of the subject foreshore land. On October 28, 2020, the NDC Board approved the renewal of FLA with the DENR. Subsequently, the NDC formally applied for the renewal of FLA through a letter dated December 15, 2020. To date, the FLA renewal with DENR-CENRO for 12 years or until December 2032, aligned with the private corporation's lease expiration, is still in process.
B	18,282	This area is covered by FLA No. 181, which has already expired and is subject to renewal.
C	2,420	This area is covered by FLA-3210, which has expired and will be processed for renewal.
D	159,149	This pertains to an underwater parcel of land comprising Parcel VIII - Lot 1 (21,276 sq. m.) and Parcel IX - Lot 2 (94,381 sq. m.) of Survey Plan SWO-10-00093, located in Macajalar Bay, for which no foreshore lease application has been filed.
E	4,372	This portion represents an increase of 4,372 sq. m., by way of accretion, to the original area of 11,407 sq. m. covered by TCT No. T-23752 and Tax Declaration No. G-020251, both registered in the name of NDC. However, in view of the Decision dated November 6, 1965, of the Court of First Instance of Misamis Oriental, Branch II, adjudicating ownership in favor of Philippine Packing Corporation (PPC), Management will coordinate with the DENR-CENRO/PENRO [Provincial] to verify the land classification.

Parcel	Area (sq. m.)	Remarks
F	4,729	This pertains to a parcel of land sold, transferred, and conveyed to PPC under a Deed of Definite Sale executed in 1949 by a certain individual. In view of the absence of complete and pertinent records, Management will coordinate with the Registry of Deeds to verify whether the parcel is covered by a separate certificate of title, considering that it forms part of a larger tract originally covered by Certificate of Title No. 63, registered on June 15, 1923, with the Registry of Deeds of Misamis Oriental.
G	1,800	This pertains to a parcel of land identified as a "Deepwell Pumpsite" in the technical description prepared by a Geodetic Engineer for NDC. In the absence of sufficient documents evidencing NDC's ownership, Management will undertake verification and validation of the records covering "Lot No. 2-A, AMD", DMPI Consolidation Subdivision of Survey Plan (LRC) PSD-157430 with the Land Registration Authority to determine and establish NDC's rights and/or ownership over the subject.
306,409		

13.6 Further, a review of the FLA of Parcel A revealed the following salient points:

- i. NDC shall pay an annual rental of P71,426.75 from December 11, 1995.
- ii. A new appraisal shall be made every 10 years from December 12, 1994, and the annual rental after each re-appraisal shall not be less than three per cent of the re-appraised value of the land plus one per cent of the land improvements' value, provided that such annual rental shall not be less than P71,426.75.
- iii. Upon expiration of the lease on December 11, 2020, there is no presumption of renewal or continuance thereafter, and NDC is waiving all rights in respect conferred in Article 1670 of the Civil Code³⁹.

13.7 Parcels B and C were likewise covered by expired FLAs and have yet to be renewed by Management. Meanwhile, for Parcel D, Management is in the process of establishing NDC's rights and/or ownership, considering that no foreshore lease agreement exists.

13.8 Furthermore, an analysis of the available records indicates a possible relationship among Parcels E and F, and another untitled property of NDC in Brgy. Puerto, Cagayan de Oro City (see Observation No. 6). The untitled property was acquired by NDC through a donation from PPC on December 18, 1976. The technical description of Parcel E indicates that it was owned by PPC through accretion, while Parcel F

³⁹ If at the end of the contract the lessee should continue enjoying the thing leased for fifteen days with the acquiescence of the lessor, and unless a notice to the contrary by either party has previously been given, it is understood that there is an implied new lease, not for the period of the original contract, but for the time established in articles 1682 and 1687. The other terms of the original contract shall be revived.

appears to have been sold by a private individual to PPC. The Audit Team has yet to obtain a copy of the Deed of Donation or any Agreement relative thereto.

- 13.9 For Parcel G, Management is still in the process of verifying and establishing NDC's rights and/or ownership.

c. Leyte property

- 13.10 The property, with an area of 85,255 sq. m., is located in Sitio Pingag, Barangay Matlang, Isabel, Leyte. It was acquired by NDC from Leyte Sab-A Basin Development Authority (LSBDA) pursuant to Letter of Instruction (LOI) No. 962 dated November 23, 1979. Based on the DENR-PENRO dated November 4, 1996, NDC is the listed Survey Claimant of Cadastral Lot 5044.
- 13.11 In 2009, Management initiated the conduct of a relocation survey, and based on the Relocation Plan, a big portion of the lot is within forestland, thus, not eligible for titling. Management then facilitated the conduct of a subdivision survey of the lot to segregate the forestland portion from the alienable and disposable areas of the property.
- 13.12 In a letter dated November 9, 2010, the DENR informed the NDC that the former cannot proceed with the approval of the subdivision plan since the entire area is within timberland. NDC was advised to apply for a Special Land Use Permit (SLUP), if they opt to do so, pending the conversion of the land to alienable and disposable, which necessitates congressional approval.
- 13.13 In view of the foregoing, the nature or extent of NDC's rights over the Bukidnon, CDO, and Leyte properties has yet to be determined due to the absence or expiration of tenurial instruments (FLGLA, FLA, SLUP) with the DENR, as well as an unestablished source of rights and/or ownership. Consequently, NDC is exposed to the risk of losing its possessory or usufructuary rights over these properties.

- 13.14 We recommended, and Management agreed to:**

Bukidnon property

- a. Provide an update on the Forest Land Grazing Lease Agreement over the 3,089,714 sq. m. portion of Bukidnon Property;**

CDO property

- b. For Parcel A, inquire with the Department of Environment and Natural Resources (DENR) the status of the Foreshore Lease Agreement (FLA) application, and determine the extent of rights available to NDC, considering that, upon expiration of the Agreement, there is no presumption of renewal;**
- c. For Parcels B and C, process the renewal of the expired FLAs. For Parcel D, where applicable, submit an FLA application, and provide the Audit Team with copies of all applications;**
- d. For Parcels E, F, and G, verify and establish the nature of NDC's rights and/or ownership;**

Leyte property

- e. Determine the extent of NDC's rights as a Listed Survey Claimant, given that the subject land has not been declared alienable and disposable; and**
- f. Assess the need to apply for a Special Land Use Permit with the DENR to utilize the Leyte property.**
- 13.15 On Bukidnon Property, Management commented that the 3,089,714 sq. m. Bukidnon Property pertains to FLGLA No. 384, under which the private corporation operates pursuant to its lease from NDC.
- 13.16 The FLGLA expired in December 2011, and NDC's application for its renewal for another 25 years remains pending with CENRO Bukidnon. While NDC has substantially complied with the documentary requirements for renewal, the application remains incomplete due to the pending issuance by the National Commission on Indigenous Peoples (NCIP) of a Certificate of Non-Overlap (CNO), which has been delayed by ancestral domain claims asserted by indigenous people.
- 13.17 The area covered by the FLGLA was petitioned by a local tribe as part of their ancestral domain claim. On December 3, 2018, an NDC team composed of representatives from the Legal Department and the Asset Management Group attended a briefing conducted by NCIP Region X regarding the survey process for the claimed area.
- 13.18 To date, NDC has not received any official documentation regarding the results of said survey or any formal action by NCIP on its pending request for a CNO.
- 13.19 Recently, Management was furnished by the private corporation with a copy of the NCIP Resolution No. 268-2024-EB, which reportedly approved the Certificate of Ancestral Domain Title (CADT) No. R10-LIB-3024-268 in favor of the local tribe in the Municipality of Kitaotao.
- 13.20 However, NDC's application for a CNO remains pending and unresolved before NCIP, and NDC has not received any formal notice of approval, denial, or other determination from NCIP regarding its application. The reported developments, including the issuance of the CADT and related assertions of possession, were not directly communicated or formally endorsed by NCIP to NDC, but were instead relayed indirectly through the private corporation. Accordingly, these developments remain subject to independent verification by NDC.
- 13.21 Management, in coordination with the private corporation, will coordinate with the DENR and the NCIP to determine the status and validity of the ancestral domain claim, including whether a duly approved survey plan has been secured and whether the corresponding CADT has been duly issued and registered with the Registry of Deeds of Bukidnon.
- 13.22 Further, Management, upon review, evaluation, and opinion of the Legal Department of the above matters, will verify the status of FLGLA No. 384, including any subsisting rights or residual interests of NDC and/or the private corporation arising from or after its reported expiration, and the recent developments relating to the claims by the indigenous people.

- 13.23 Management assured the Audit Team of its commitment to the efficient and expeditious resolution of the pending matters and will continue to keep the Audit Team informed of significant developments and actions undertaken relative thereto.
- 13.24 On CDO property, Management commented that they will collaborate with the private corporation to follow up with the DENR-CENRO No. X-5-B, Cagayan de Oro City, to verify the status of the FLA for the 115,657 sq. m. parcel.
- 13.25 Management also commented that they will comply with the recommendations and undertake the necessary verification and validation activities to establish NDC's rights and/or ownership over the 306,409 sq. m. parcels of land in Bugo, Cagayan de Oro City listed under Parcels A to G. The copies of NDC's ownership documents shall be furnished to the Audit Team once available.
- 13.26 On Leyte Property, Management affirmed that the NDC's authority over the land is based only on LOI No. 962.
- 13.27 Management assigned a nominal value of One Peso (P1.00) per parcel of land to record the above rights/properties as other intangible assets for custodial and monitoring purposes, pending the determination of a reliable valuation basis. This value does not represent the fair value, market value, or acquisition cost of the property.
- 13.28 The Audit Team will monitor Management's subsequent actions. Upon Management's determination of the nature or extent of NDC's rights and/or ownership over the subject properties, Management shall reassess the appropriateness of the account classification and valuation. In cases where the appropriate account has not yet been identified or is not included in the Updated Revised Chart of Accounts, Management is expected to seek guidance from the COA-Government Accountancy Sector or, as applicable, request the creation of a new account, given the peculiar characteristics of the above land assets that warrant proper accounting recognition.
- 14. Dormant receivable accounts were not requested for write-off, and the corresponding Schedule was not prepared and submitted by NDC to the Audit Team, contrary to the provisions of COA Circular No. 2023-008⁴⁰.**
- 14.1 Section 5.7 of COA Circular No. 2023-008 dated August 17, 2023, defines Dormant Receivable Accounts as:
- 5.7 Dormant Receivable Accounts – accounts which balances remained inactive or non-moving in the books of accounts for ten (10) years or more and where settlement/collectability could no longer be ascertained.*

⁴⁰ Guidelines on the Proper Disposition of Dormant Accounts of National Government Agencies (NGAs) and Instrumentalities, Local Government Units (LGUs) and Government Corporations (GCs), Amending COA Circular No. 2016-005 dated December 19, 2016 re: Guidelines and Procedures on the Write-off of Dormant Receivable Accounts, Unliquidated Cash Advances, and Fund Transfers of NGAs, LGUs and GCs.

14.2 Further, Sections 6.2 to 6.5 of the same COA Circular provide:

6.2 All government entities shall determine the existence of dormant accounts in their books.

6.3 When accounts are non-moving for ten (10) years or more, the Head of Accounting Unit shall prepare the following schedules, for monitoring purposes, to be submitted to their respective Audit Team Leader (ATL)/Regional Supervising Auditor (RSA)/Supervising Auditor (SA):

- a. Schedule of Dormant Receivables, Unliquidated Cash Advances, and Intra/Inter-Agency Fund Transfers (**Annexes 1-3**); and*
- b. Schedule of Other Dormant Accounts (**Annex 4**).*

6.4 The entity shall determine whether the dormant accounts identified are covered by specific laws, rules and regulations prescribing guidelines for the proper disposition and/or procedures to address the issue on dormancy.

6.5 If the dormancy of an account cannot be addressed through Item 6.4 above, then the entity shall apply the procedures prescribed by this Circular.

a. Current Receivables

14.3 As of December 31, 2025, the Current Receivables amounted to P463.529 million, with an allowance for impairment losses of P253.368 million, resulting in a net carrying amount of P210.161 million. Of the total current receivables, P11.901 million pertains to accounts classified as dormant.

14.4 Included in this amount are 12 rental receivable accounts, which have been outstanding for more than ten years. These accounts are provided with a 100 per cent allowance for impairment. The details are presented below:

Table 25 - List of Rental Receivables Outstanding for More Than Ten Years

Lessees	Amount
Dormant lessee 1*	4,899,744.57
Dormant lessee 2	2,930,135.96
Dormant lessee 3	2,693,035.71
Dormant lessee 4	520,000.00
Dormant lessee 5	186,346.00
Dormant lessee 6	157,565.21
Dormant lessee 7	124,181.81
Dormant lessee 8	120,167.61
Dormant lessee 9	106,531.38
Dormant lessee 10	94,344.35
Dormant lessee 11	56,036.17
Dormant lessee 12	12,838.97
TOTAL	11,900,927.74

* Had payment in CY 2024

14.5 Per inquiry with the Accounting Unit (AU), Dormant lessee 1's account is pending reconciliation. Management stated that reconciliation between the records of both

entities is necessary to establish the correct outstanding balance of the lessee with NDC.

- 14.6 Moreover, the AU stated that the other accounts have been considered dormant and are intended to be included in the request for write-off. However, reconciliation of these accounts has yet to be completed, as the concerned lessees have asserted, based on their responses to prior years' confirmation requests, that they have no outstanding balances.

b. Non-Current Receivables

- 14.7 On the other hand, the balance of NDC's Non-Current Receivables amounted to P2.309 billion, with an allowance for impairment losses of P2.205 billion, resulting in a net carrying amount of P104.215 million. Of the total non-current receivables, P1.246 billion pertains to accounts classified as dormant, as detailed below:

Table 26 - Dormant Accounts under Non-Current Receivables

Account Code	Account Balance	Allowance for Impairment	Dormant Accounts	Impairment on Dormant Accounts
Accrued Interest - Loans/Notes Receivable - Long Term (10301050D)	6,938,606	6,938,606	6,938,606	6,938,606
Loans Receivable- Other Government Corporations - Long Term (10301070B)	1,101,588,321	1,044,927,920	693,920,350	693,920,350
Due From National Government Agencies (10303010A)	3,252,877	3,252,877	3,252,877	3,252,877
Due From Subsidiaries/ Joint Ventures/ Associates/ Affiliates - Long Term (10303060B)	1,143,744,206	1,142,275,339	536,101,475	536,101,475
Loans Receivable - Others - Long Term (10301990D)	45,700,000	0	0	0
Housing Loan Receivable - Long Term (10301990E)	6,902,370	6,516,193	5,116,490	5,116,490
Car Loans Receivable - Long Term (10301990F)	822,325	822,325	822,325	822,325
TOTAL	2,208,948,705	2,204,733,260	1,246,152,123	1,246,152,123

- 14.8 The foregoing balances indicate that a significant portion of receivables has remained dormant for extended periods, with collectability highly considered doubtful, as these accounts have already been fully provided with allowance for impairment. This condition necessitates appropriate evaluation and disposition in accordance with existing rules and regulations.
- 14.9 Section 7 of COA Circular No. 2023-008 prescribes the detailed procedures for the proper disposition of dormant accounts. Dormant receivables account shall be derecognized from the books of accounts of an agency only upon the grant of specific authority from the COA.

- 14.10 The observation on Dormant Receivables has been repeatedly raised in prior years' audits, and the Audit Team has consistently recommended that Management request authority from the COA for the write-off of these accounts. However, several requests from Management were returned by the Audit Team due to incomplete or insufficient supporting documents.
- 14.11 In response, Management stated that the AU is currently gathering the necessary documents to comply with the requirements of COA Circular No. 2023-008 and will resubmit its request for authority to write off the dormant receivable accounts upon completion.
- 14.12 The Audit Team also recommended that Management prepare and submit the Schedule of Dormant Receivable Accounts in compliance with Section 6.3 of COA Circular No. 2023-008. In response, Management submitted the Schedules; however, the Audit Team noted that the "Remarks" column, which should indicate the reasons for dormancy, was left blank. While the efforts of the AU in partially complying with the COA Circular are acknowledged, the "Remarks" column must be properly completed to ensure full compliance with the prescribed requirements.
- 14.13 We reiterated our prior year's recommendations, and Management agreed to:**
- a. Direct the Accounting Unit (AU) to reconcile and validate the 12 long-outstanding rental receivable accounts to establish their validity and collectability. Based on the results of reconciliation, initiate appropriate actions, including collection efforts or inclusion in the request for write-off, as warranted;**
 - b. Require the AU, in coordination with the Legal Department, to complete all the required supporting documents in accordance with COA Circular No. 2023-008 on the proper disposition of dormant accounts, and resubmit the request for authority to write off such accounts to the COA; and**
 - c. Prepare and submit to the Audit Team a complete and duly accomplished set of Schedules, in compliance with item 6.3 of the same Circular.**
- 15. Unserviceable Property and Equipment (PE) with an aggregate acquisition cost of P0.635 million remained recorded in the books of accounts of NDC, and disposal of such has not yet been undertaken.**
- 15.1 The Policy Statement of the Department of Budget and Management-COA Joint Circular No. 2024-01 dated January 30, 2024, which prescribes the Manual on the Disposal of Government Property, provides that systematic and timely disposal proceedings are essential to avoid further deterioration of the properties and consequent depreciation in their value. It further emphasizes that such procedures eliminate ongoing storage costs, relieve accountable personnel of unnecessary or excessive accountability, and decongest government offices.
- 15.2 A review of the submitted RPCPPE as of December 31, 2025, showed that several PE items with a total cost of P0.635 million were identified as unserviceable. Some of these items, amounting to P0.558 million, are fully depreciated; however, the same

were not included in the Inventory and Inspection Report of Unserviceable Property (IIRUP).

- 15.3 On the other hand, it was noted that unserviceable properties reported in IIRUP amounting to P3.516 million remain undisposed. An inquiry with the AdU personnel revealed that the subject properties had already been endorsed to the Disposal Committee for appropriate action. However, the Disposal Committee disclosed that the preparations for disposal are still ongoing.
- 15.4 The continued inclusion of unserviceable properties in the NDC's books of accounts renders the reported PE balance unreliable. Furthermore, a delay in the disposal of these properties diminishes their residual value and exposes them to further deterioration.
- 15.5 **We reiterated our prior year's recommendations that Management:**
 - a. **Prepare and submit an updated Inventory and Inspection Report of Unserviceable Property for CY 2025 and instruct the Disposal Committee to undertake the immediate disposal of unserviceable Property and Equipment items, in accordance with the provisions of the Department of Budget and Management-COA Joint Circular No. 2024-01 dated January 30, 2024; and**
 - b. **Direct the Accounting unit to derecognize the unserviceable Property and Equipment items in the books of accounts upon disposal or when no future economic benefits are expected from its use, in accordance with applicable accounting standards.**
- 15.6 Management commented that the Disposal Committee is currently undertaking the public bidding for the disposal of various unserviceable PEs of NDC. The opening of bids was conducted on May 18, 2026. In addition, the AdU submitted an IIRUP⁴¹ to the Disposal Committee Secretariat in March 2026, for the latter's appropriate action. The AU will derecognize the unserviceable PE items upon completion of their disposal, in accordance with applicable rules and regulations.
- 15.7 The Audit Team will monitor Management's subsequent actions.
16. **Several lapses were noted during the conduct of the CY 2025 physical inventory taking in the National Development Company (NDC) Building, including deficiencies in documentation and reconciliation of property records, which are not in accordance with COA Circular No. 2020-006.**
 - 16.1 COA Circular No. 2020-006 dated January 31, 2020, prescribes the guidelines and procedures on inventory taking, recognition of those found at station, and disposition for non-existing/missing Property, Plant and Equipment (PPE) items for one-time cleansing of PPE accounts of government agencies to establish PPE balances that are verifiable as to existence, condition, and accountability.

⁴¹ as of February 25, 2026

- 16.2 Additionally, the same COA Circular provides the procedural guidelines for the reconciliation of inventory counts per Report on the Physical Count of Property, Plant and Equipment (RPCPPE) with property and accounting records. The Circular states that the Property Unit and the AU shall undertake collaborative procedures to ensure that all PPEs included in the RPCPPE are duly recorded in their respective records, and that the Property Cards (PCs) maintained by the Property Unit and the Property, Plant and Equipment Ledger Cards (PPELCs) maintained by the AU are reconciled.
- 16.3 During the conduct of physical inventory taking by NDC personnel on December 9, 10, 12, 22, and 26, 2026, the following lapses and deficiencies were noted:
- i. The NDC personnel partially completed the tagging of PE items in the NDC Building using color-coded property stickers. However, some of these properties had no corresponding Property Acknowledgment Receipts or Inventory Custodian Slips to establish accountability.
 - ii. No Inventory Committee was formally created.
 - iii. The approved Physical Inventory Plan was not submitted to the Audit Team at least 10 days before the start of inventory taking activities.
 - iv. Actual reconciliation between the PPELCs by the AU and the PCs of the AdU was not performed in the preparation of RPCPPE.
- 16.4 Further, it was observed that the AU has not maintained the prescribed PPELCs, which contain the financial records of PE from acquisition to disposal. Similarly, the AdU does not maintain PCs to monitor the issuance, transfer, and disposal of PE. The absence of these records impairs the proper reconciliation, recording, and reporting of PE balances, prevents the timely detection of discrepancies, and weakens internal control over property management.
- 16.5 The conduct of inventory taking is an essential and indispensable process to ascertain the accuracy, reliability, completeness, and existence of the reported PE balances on the financial statements as of year-end, and must be properly carried out in accordance with existing guidelines, such as COA Circular No. 2020-006.
- 16.6 **We recommended, and Management agreed to ensure compliance with COA Circular No. 2020-006 on the proper conduct of physical inventory taking, including the preparation of required plans, complete documentation, and reconciliation of inventory results with property and accounting records.**
17. **Deficiencies in NDC's internal control system, such as: a) appropriateness of the current NDC organizational structure and adequacy of human resources; and b) formulation of its own Code of Conduct and Ethical Standards, limit the effectiveness and operational efficiency in achieving NDC's objectives.**
- 17.1 Sections 123 and 124 of Presidential Decree (PD) No. 1445 provide that:

Section 123. Definition of internal control. Internal control is the plan of organization and all the coordinate methods and measures adopted within an

organization or agency to safeguard its assets, check the accuracy and reliability of its accounting data, and encourage adherence to prescribed managerial policies.

Section 124. Installation. *It shall be the direct responsibility of the agency head to install, implement, and monitor a sound system of internal control.*

- 17.2 COA Circular No. 2018-003⁴² prescribes the use of Internal Control Standards for the Philippine Public Sector (ICSPPS). It defines Internal Control as:

An integral process that is effected by an agency's management and personnel, and is designed to address risks and provide reasonable assurance that in pursuit of the agency's mission, the general objectives are being achieved.

- 17.3 The ICSPPS also defines deficiency as:

A perceived, potential or real internal control shortcoming, or an opportunity to strengthen internal control to provide greater likelihood that the agency's objectives are achieved. (underscoring supplied)

- 17.4 Examination of NDC's internal control system showed the following deficiencies:

a. Appropriateness of the current NDC organizational structure and adequacy of human resources

- 17.5 On March 10, 1919, the NDC was established by virtue of Legislative Act 2849. On November 30, 1936, NDC was made a state-owned company via Commonwealth Act 182, which also gave it its present name. It was mandated to function as the government's investment arm.

- 17.6 On October 25, 1979, PD No. 1648, or the "Revised Charter of the National Development Company", was issued mandating NDC to pursue commercial, industrial, agricultural, or mining ventures to give the necessary impetus to national economic development. On March 10, 2003, the President of the Republic of the Philippines approved Executive Order (EO) No. 184⁴³ directing the reorganization of the NDC by refocusing its operations.

- 17.7 A review of the NDC Organizational Structure (**Structure** for brevity) as of December 31, 2025, showed that there are 64 plantilla positions, 38 of which were filled, while 26 remain vacant.

a.1) Confusing reporting relationship

- 17.8 An organizational structure is a system that outlines activities, roles, responsibilities, and reporting relationships within an organization. It provides a framework for task

⁴² Dated November 21, 2018, Prescribing the use of the Internal Auditing Standards for the Philippine Public Sector and Internal Control Standards for the Public Sector.

⁴³ Directing the Reorganization and Streamlining of the National Development Company.

- delegation, coordination, and supervision, determining how information flows and decisions are made within the organization.
- 17.9 Based on the Structure, the Corporate Support Group (CSG) oversees the Finance and Administrative Department (FAD), Legal Department, and Corporate Planning Department. Additionally, there are five workgroups within the Operations Group, namely: Business Development Group, Asset Management Group, Corporate Communications Group, Funds and Subsidiaries Group (FSG), and Special Projects Group (SPG)⁴⁴. Each workgroup is headed by an Assistant General Manager (AGM).
- 17.10 The Audit Team identified incompatible reporting relationships within the five units under the FAD: Human Resources, Administrative Services, Accounting, Treasury, and Budget. Currently, the FAD has no designated Department Manager (DM), and there are no official designations of unit heads or supervisors for each unit. Considering that these units perform incompatible activities and require segregation of duties, their direct reporting relationships should not be consolidated under a single reporting authority.
- 17.11 Pursuant to NDC Office Order (OO) No. 1 dated January 2, 2024,⁴⁵ supervision of the Finance Units (namely Budget, Accounting, and Treasury) was transferred under the supervision of the Funds Management Group's (FMG) AGM. The same OO also renamed FMG as the Finance and Subsidiaries Group (also referred to as the Funds and Subsidiaries Group in the Structure).
- 17.12 Albeit the delineation of functions of Finance Units from CSG to FSG clarified their reporting relationships, similar reporting issues may reemerge should a Department Manager for FAD be designated in the future. A review of job opportunities on the NDC website showed that the most recent posting for this position was made on June 3, 2025.
- 17.13 The Audit Team also observed that NDC's Structure does not have unit heads or supervisors. The highest-ranking personnel within these units, while supposedly exercising oversight and authority over lower-ranking employees, cannot be presumed to be Unit Heads, as such positions are not formally established in the Structure.
- 17.14 Accordingly, the current arrangements resulted in the concentration of reporting responsibilities at a high management level. While a single reporting authority may be acceptable in small organizations, such an arrangement is generally discouraged from an audit and internal control perspective, as it increases the risks of abuse of power, lack of oversight, and operational vulnerabilities.
- 17.15 The organizational structure shall be appropriately centralized or decentralized based on the agency's needs. Clear reporting relationships are essential for an effective organizational structure as they define responsibilities, reporting lines, and the flow of information within the organization.

⁴⁴ Pursuant to NDC Office Order No. 12 S. 2025 dated February 3, 2025, the SPG shall be under the direct supervision of the General Manager.

⁴⁵ Delineation of functions between the CSG and Funds Management, Subsidiaries and Affiliates Group.

a.2) Reporting relationship of the Internal Audit Office (IAO) and establishment of a fully functioning Office thereof

- 17.16 The ICSPPS provides that “the organizational structure should include an internal audit service independent from management and directly reporting to the highest level of authority within the agency”. (underscoring supplied)
- 17.17 In contrast, Item 11.1.1, Chapter XI of the NDC Manual of Corporate Governance provides that NDC shall develop efficient internal audit procedures and establish an internal audit function that is monitored by and directly reports to the General Manager (GM). As reflected in the Structure, the IAO is placed under the NDC GM rather than the Board of Directors (BOD).
- 17.18 Sound internal control principles require that the IAO be independent from the Management to avoid undue influence over their audit findings regarding the internal controls, processes, and operations. Accordingly, the IAO should report directly to the highest level of authority or to those charged with governance, such as the Audit Committee of the NDC BOD.
- 17.19 Moreover, the IAO is currently staffed by one Contract of Service (COS) personnel. The plantilla personnel previously hired in 2024 resigned in May 2025. An inadequately staffed IAO constrains the implementation of its three-year Strategic Plan (2024-2026) and its annual work plan.
- 17.20 A functioning internal audit service assists management in achieving an efficient and effective fiscal administration and performance of agency affairs and functions. Also, it provides independent and objective assurance, and advisory services designed to add value and improve the organization's operations.

a.3) Adequacy of human resource needs and suitability of minimum job qualifications

- 17.21 NDC last reorganized in 2003 pursuant to EO No. 184. Since then, significant developments in the economic environment and industry have occurred, resulting in expanded operational demands.
- 17.22 Recent developments in NDC include the administration of the Startup Venture Fund, in coordination with the Department of Trade and Industry (DTI), pursuant to Republic Act (RA) No. 11337; the designation of NDC's 191,773-square-meter land in Dasmariñas, Cavite as special economic zone under Proclamation No. 677 dated August 29, 2024, also known as the NDC Industrial Estate; and the designation of NDC as the implementing agency of Philippine Innovation Hub – Marikina Enterprise Scale Up Hub (MESH) Project pursuant to a Memorandum of Agreement with DTI dated September 20, 2024.
- 17.23 Further, NDC has several investment properties that have remained idle/unproductive for several years. The investment properties also include those that are not yet titled in the NDC name, despite having been acquired several decades ago, and those with legal issues. These properties require adequate oversight and effective management to ensure optimal utilization. However, given the current staffing levels, NDC evidently has limited manpower assigned to property management functions. This staffing

limitation weakens the internal control over asset utilization and increases the risk of failing to maximize the properties' earning potential.

- 17.24 Furthermore, NDC personnel, particularly its officers, perform various functions for its affiliates, associates, and subsidiaries. Allocating personnel time across multiple responsibilities among these entities can affect NDC's core operations and create scheduling conflicts. Management faces increased complexity in oversight and coordination, which can affect decision-making and make it more difficult to maintain consistent policies across all entities.
- 17.25 Considering recent developments and current operations, an increase in work demands is present or imminent, indicating the need for additional personnel. However, as of December 31, 2025, NDC has 26 vacant positions (40.63 per cent) out of 64 plantilla positions.
- 17.26 To supplement the gaps in human resources, NDC has several personnel hired under COS, including those hired through service agencies, such as drivers and office clerks. As of December 31, 2025, NDC has 37 personnel hired under this arrangement. These personnel perform functions vital to NDC's operations and may have access to confidential information through documents or work-related discussions.
- 17.27 A review of the contracts indicates that these personnel are needed to perform critical services, showing an apparent scarcity of human resources. Despite this, some contracts were not renewed, and several personnel were separated from the NDC due to various reasons, such as unsatisfactory service of the personnel, end of contracts, availability of better opportunities, lack of job security, ineligibility for government service, or failure to meet minimum job qualifications, among others.
- 17.28 NDC's human resource inadequacy is further compounded by challenges in recruiting plantilla personnel. A review of the minimum job qualifications for NDC's entry-level positions showed that most positions require at least two years of relevant experience. Such requirements limit NDC's ability to attract fresh graduates or newly licensed professionals, who have little to no experience. Consequently, NDC may be unable to hire the qualified human resources needed to optimize the execution of the organization's objectives.
- 17.29 The hiring of COS personnel, however, is a temporary solution to address the need in human resources and may not be cost-effective and/or efficient in the long term. Frequent changes in personnel lead to additional training costs, while continuity and information transfer are hampered. Also, the confidentiality of information could be compromised should these personnel be separated from NDC.

a.4) Responsiveness of the current Structure to evolving conditions

- 17.30 One of the attributes of Control Environment is that *Management shall periodically evaluate the organizational structure of NDC and make appropriate changes, as necessary, in response to changing conditions.*⁴⁶

⁴⁶ Annex B of ICSPPS, Control Environment, Principal Focus 3.1.

- 17.31 In recent years, significant developments in government requirements and the operating environment have occurred. These developments may necessitate corresponding adjustments within NDC, such as establishing new units or offices or hiring personnel. Notably, recent issuances and legislative measures have introduced specific requirements that may require structural or functional adjustments within government agencies, such as:
- COA Circular No. 2021-008 dated September 6, 2021, requires all entities to establish their own responsibility accounting by creating or assigning Responsibility Centers (RC) and RC codes. Accordingly, RC is defined as “is a part, segment, unit or function of a government entity, headed by a manager, who is accountable for a specified set of activities.”
 - Section 44 of the RA No. 12009 or the New Government Procurement Act provides that “There shall be a procurement unit, division, or office in each Procuring Entity which shall serve as Secretariat to the BAC and perform other functions related to procurement as may be delegated by the HoPE. The creation of the procurement unit, division, or office shall be subject to the standards and guidelines prescribed by the DBM.”
 - COA-Department of Budget and Management (DBM) Joint Circular No. 2 s. 2024 provides that the engagement of Job Order (JO) and Contract of Service (COS) workers shall only be allowed until December 31, 2025. A subsequent issuance under COA-DBM under JC No. 1 s. 2025⁴⁷ dated December 15, 2025, provides that the number of JOs and COS shall not be increased beyond their number as of December 31, 2025.
 - Moreover, certain provisions under Section 12 of COA-DBM under JC No. 1, s. 2025 state that government agencies shall review their systems of operation to address gaps and determine the appropriate staffing complement, and consider their existing JO and COS workers in the preparation of their respective Optimization Plans.⁴⁸ The existing qualified JO and COS workers shall be considered for appointment to the agency's vacant positions, subject to existing civil service laws, rules, and regulations.
- 17.32 NDC's Structure is mainly composed of second and third-level positions, totaling 57 plantilla positions, while only seven first-level positions are available. This staffing composition results in increased reliance on COS personnel and consultants. Thus, the current NDC Structure is not fully responsive to evolving government requirements and operating conditions, exposing existing personnel to workload strain that could affect the efficiency of NDC operations. Although there is a transitional period to implement the above requirements, delays in adapting to changing needs affect NDC's ability to meet its goals and objectives and maintain a balanced work environment.

⁴⁷ Revised Rules and Regulations on the Engagement of the Contract of Service and Job Order Workers in the Government.

⁴⁸ Pursuant to Republic Act No. 12231 or the Government Optimization Act.

b. Formulation of own Code of Conduct and Ethical Standards

- 17.33 Management sets the “tone at the top”, which reflects their philosophy and operating style, as well as their commitment, involvement, and support toward internal controls in the agency. In this case, the agency’s policies, procedures, and practices are expected to promote orderly, ethical, economical, efficient, and effective conduct of operations.
- 17.34 NDC has adopted a “No Gift Policy” in accordance with the Governance Commission for GOCCs Memorandum Circular No. 2012-07,⁴⁹ and pursuant to the pertinent provisions of RA No. 6713,⁵⁰ and RA No. 3019.⁵¹
- 17.35 One of the principal foci of Management setting the tone at the top is that the agency personnel should be reminded periodically of their obligations under an operative code of conduct issued by the Management.
- 17.36 While NDC may have adopted laws, rules, and regulations relative to the Code of Ethics, it has not yet formulated an internal Code of Ethics tailored to its unique mandate as the government’s investment arm. Given the nature of its operations and investment activities, officials and employees regularly engage with project proponents, co-investors, founders, and other public- and private-sector stakeholders, and may have access to confidential and proprietary business information.
- 17.37 These circumstances could give rise to ethical considerations specific to investment activities, including potential conflicts of interest, handling of sensitive and confidential information, post-employment restrictions, and other ethical matters unique to NDC’s operations. The formulation of agency-specific Code of Ethics helps set the norms and standards of conduct and behavior that both officials and employees shall observe in the performance of their duties.
- 17.38 The adoption of an internal Code of Ethics, however, shall not substitute RA No. 6713 and other relevant laws, rules, and regulations, but shall serve as a supplement thereto to help reinforce ethical standards applicable to and unique to NDC’s operations.
- 17.39 The noted deficiencies discussed above present an opportunity for NDC to further strengthen its internal control system to increase the likelihood of achieving its objectives effectively and efficiently.
- 17.40 An appropriate organizational structure aligns staffing levels with operational needs, thereby facilitating efficiency and clarity of roles. As work demands increase, adequate personnel ensure that functions are carried out effectively. Such alignment will ensure clear delineation of roles and responsibilities, support effective communication, and streamlined decision-making within the agency, as it fosters efficiency and accountability.
- 17.41 Moreover, the establishment of an operative Code of Ethics is crucial for maintaining a culture of integrity, trust, and transparency. It provides personnel with clear

⁴⁹ Code of Corporate Governance for GOCCs.

⁵⁰ Otherwise known as the “Code of Conduct and Ethical Standards for Public Officials and Employees”.

⁵¹ Otherwise known as the “Anti-Graft and Corrupt Practices Act”.

guidelines for ethical behavior, helping to align individual actions with the organizational objectives, mitigating operational risks, and protecting the agency's reputation.

17.42 A well-designed structure and a strong ethical framework help Management in achieving the NDC's objectives and support long-term organizational success.

17.43 Finally, it is worth considering that the implementation of the foregoing measures may entail additional costs to the agency. Thus, any decision to adopt such measures requires Management's careful evaluation of the associated costs, benefits, limitations, and resource requirements.

17.44 We recommended that Management:

a. Revisit its existing organizational structure, including staffing requirements, and determine whether the current Structure remains appropriate and adequate, considering the present conditions/environment, work demands, and human resource requirements, among others; and

b. Evaluate the necessity of formulating an internal Code of Conduct and Ethical Standards for NDC personnel.

17.45 Management commented that the current structure and staffing complement of NDC are duly approved and implemented in accordance with existing laws, rules, and regulations, including Civil Service Commission (CSC) issuances and organizational structuring and staffing standards. Management acknowledged the observation on the perceived incompatible reporting relationships within the Finance and Administrative Department (FAD), as well as the absence of a designated Department Manager and formal unit head or supervisor designations, but maintained that the present organizational arrangement does not, by itself, constitute a violation of internal control principles nor result in weakened oversight, operational vulnerability, or lack of accountability.

17.46 Management stated that the absence of an appointed Department Manager did not impede operations, and that units continued to perform their functions effectively and achieve performance targets under existing reporting lines and management controls. It added that no specific instance of operational deficiency attributable to the current arrangement was established, and that supervisory or coordinative functions are performed as part of existing operational mechanisms to ensure continuity, coordination, and accountability.

17.47 Management further noted that it will review the organizational structure, including the possible reversion to the approved structure prior to Office Order No. 1, series of 2024, and will expedite the recruitment of a FAD Manager, while recognizing the importance of clear reporting relationships and strengthening coordination and organizational effectiveness.

17.48 On staffing concerns, Management stated that the engagement of personnel under Contract of Service (COS) arrangements and service agencies was adopted as an interim measure pending the filling of vacant positions, and that all personnel engagements are governed by appropriate contracts, policies, supervision, and

internal control measures. It further emphasized that personnel movements such as contract expiration, non-renewal, and separation are normal organizational occurrences and do not necessarily indicate deficiencies in human resource management.

- 17.49 Management likewise acknowledged the existence of vacant positions as of December 31, 2025, noting that these arise from operational, administrative, regulatory, budgetary, and recruitment considerations, while continuing to undertake measures to support the delivery of mandated functions. It added that qualification standards are strictly anchored on CSC minimum requirements, including experience requirements, which are mandatory and not internally imposed, and which may affect the recruitment of fresh graduates and newly licensed professionals despite continued hiring efforts.
- 17.50 Management stated that the Human Resource Unit and the Legal Department will draft NDC's own Code of Conduct and Ethical Standards.
- 17.51 The Audit Team notes Management's comments. However, the Audit Team would like to clarify that the purpose of raising these observations regarding internal control deficiencies is to enable Management to improve and strengthen existing controls.
- 17.52 The Audit Team holds a different view regarding Unit Heads or Supervisors. In its reply to NDC's query on Career Bands and RATA, the Governance Commission for GOCCs stated that performing supervisory functions does not automatically justify granting RATA if a corresponding plantilla position is absent. Therefore, while Management posits that assigning these supervisory functions is a necessary operational workaround, relying on individuals without official designations obscures clear lines of responsibility and accountability.

GENDER AND DEVELOPMENT

- 18. **The allocated amount for GAD PAPs in CY 2025 was not fully utilized, with an unused balance of P129.240 million or 83.84 per cent at year-end, resulting in the partial implementation of GAD-related PAPs and attributed programs, which affected the agency's efficiency in addressing gender-related issues.**
- 18.1 Audit of the utilization of GAD funds disclosed that out of the P154.142 million⁵² GAD Budget for CY 2025 for client- and organizational-focused and attributed GAD PAPs, only 16.16 per cent or P24.902 million was utilized during the year, as presented in Table 27.

⁵² Revised Original Budget of Actual GAD Expenditure per PCW's Comments on the GAD AR transmitted to the Audit Team on March 10, 2026.

Table 27 - Details of the utilization of the GAD fund per GAD AR

PAPs	Budget		Utilized		Over (Under) Utilization	
	No. of Activities	Amount	No. of Activities	Amount	Amount	%
Client-Focused	2	1,300,000	2	2,199,431	899,431	169.19%
Organizational-Focused	7	3,650,000	7	2,496,504	(1,153,496)	68.40%
Attributed Program	4	149,191,582	4	20,205,810	(128,985,772)	13.54%
Total	13	154,141,582	13	24,901,745	(129,239,837)	16.16%

- 18.2 NDC implemented two GAD client-focused activities amounting to P2.199 million, which pertain to the conduct of a Violence Against Women-related forum, including the printing of related brochures, pamphlets, and tarpaulins, and the conduct of a Business Toolkit for Female Start-Ups.
- 18.3 Further, P2.497 million was utilized for seven organizational-focused activities, which include:
- Orientation sessions on gender-based violence (GBV) and related laws, including printing of related brochures, pamphlets, and tarpaulins;
 - Gender Analysis Trainings;
 - Women's Month Celebration, including printing and distribution of related materials and collaterals;
 - Review and finalization of GPB and GAD AR;
 - GAD Orientation for NDC employees;
 - GAD Planning and Budgeting Workshop for GPB 2026; and
 - Maintenance of the child-minding and lactation room.
- 18.4 Furthermore, P20.206 million was utilized for the four attributed programs with Harmonized Gender and Development Guidelines (HGDG) scores ranging from 11.17 to 14.
- 18.5 PCW, in its comments on NDC's GAD AR, noted that the agency did not meet the five per cent requirement as endorsed in their CY 2025 GPB, with actual GAD expenditure only representing 1.64 per cent of the total corporate budget.
- 18.6 It was also noted that the Team Building Activity (TBA) conducted during the NDC 2025 Midyear Performance Review, 2026 Strategic Planning, and Operational Planning was not included in the CY 2025 GBP and GAD AR. Inquiry with the concerned personnel disclosed that no HGDG was made for the TBA; hence, it was not included as a GAD-related activity.
- 18.7 The underutilization of the GAD budget indicates that Management was not able to fully address the gender issues identified in the CY 2025 GPB, which limited the delivery of intended benefits from GAD PAPs to the intended beneficiaries.
- 18.8 We reiterated our prior year's recommendation that Management maximize the utilization of the GAD funds, establish an effective monitoring mechanism to ensure proper implementation of identified GAD programs, activities, and projects, and achieve the objectives for which funds were allocated.**

- 18.9 Management commented that the NDC has exerted efforts to implement the GAD PAPs included in its 2025 GPB. The majority of the programmed PAPs included in the 2025 GPB were implemented, while some components are still ongoing, as reflected in the final GAD AR for 2025 submitted to PCW.
- 18.10 The underutilization of allocated funds for certain GAD PAPs is primarily due to implementation constraints on attributed programs, which are beyond NDC's control. In particular, funding for one attributed program, with an attributed budget of P78.750 million, has not yet been released because the proponent has not yet complied with the conditions set by the NDC Board for the release of investment funding.
- 18.11 Similarly, the Philippine Innovation Hub, another attributed program, recorded underutilization due to the ongoing implementation of procured projects as of year-end 2025. Notwithstanding this, a substantial portion of the allocated funds had already been obligated as of December 31, 2025. However, in compliance with GAD AR requirements, only actual disbursements are reflected in the report.
- 18.12 Management added that for client-focused and organizational-focused GAD activities, the reported underutilization is largely due to cost-efficiency measures adopted by the agency. For instance, information, education, and communication materials were produced in-house rather than outsourced, reducing publication costs. In addition, training sessions were conducted on NDC premises rather than at external venues (e.g., hotels or training facilities), thereby minimizing expenses. Despite lower fund utilization, particularly for organizational-focused activities, targets were fully achieved and even exceeded, demonstrating the agency's continued commitment to addressing gender-related concerns.
- 18.13 Even with minimal resource utilization, the NDC was able to implement additional activities, as detailed below:

Table 28 - GAD Activities

Target	Actual Results as Reported to PCW
Five business tool kits for female start-ups were conducted	Six activities were conducted: 1. Philippine Start-Up Week (November 11-14, 2025) 2. Hackathon (November 12-14, 2025) 3. Residency Program (November 15, 2025 to December 15, 2025) 4. Women in Tech (November 13, 2025) 5. Fireside Chat (November 13, 2025) 6. MSME Exhibit (November 11-14, 2025)
Two orientation sessions on gender-based violence (GBV) and related laws were conducted	Four activities were conducted: 1. GFAST Workshop on October 27, 2025 2. Two batches of GAD Orientation on September 17, 2025 3. PIMME Training Workshop on December 15-16, 2025 4. Benchmarking activity with the National Housing Authority on GPB on October 28, 2025
Two workshops conducted and/or attended during the 2025 National	Four activities conducted and/or attended 1. Attended NWMC kick-off event 2. GCG GAD Conference on March 26, 2025

Target	Actual Results as Reported to PCW
Women's Month Celebration	3. Exploration Tour (Tandang Sora Museum and Quezon Museum) in two batches, conducted on March 21, 2025, and March 24, 2025 4. Basic self-defense training on March 14, 2025

- 18.14 Given the foregoing, the NDC was able to address the majority of the gender issues identified in its 2025 GPB. Despite the relatively low level of fund utilization, the agency successfully delivered the intended outcomes and benefits to its target beneficiaries.
- 18.15 While there remain areas for improvement, the NDC has demonstrated progress in advancing gender mainstreaming. Notably, the agency addressed prior audit observations, including the conduct of the HGDG PIMME training, which enabled a more accurate determination of attributable GAD expenditures for programs and projects.
- 18.16 Moreover, gender responsiveness is increasingly being integrated into NDC's projects. Employment generation is now reported using sex-disaggregated data, and project proponents are being oriented on incorporating gender-related commitments into project design and implementation.
- 18.17 In addition, the attributable salaries of GFPS members and personnel involved in the implementation of GAD PAPs are now properly reflected in the actual expenses. While expenditures for client- and organization-focused activities remain relatively low, overall GAD utilization reached P24.90 million, largely due to salary attribution.
- 18.18 On the establishment of an effective monitoring mechanism to ensure the proper implementation of identified GAD PAPs, the NDC GFPS-TWG actively coordinated the planning, implementation, and assessment of identified GAD activities. GFPS quarterly meetings have likewise been incorporated in the 2026 GPB.
- 18.19 In addition, a dedicated support staff is assigned to monitor GAD compliance and assist in the implementation of GAD-related activities. Lastly, the NDC continues to engage a PCW-certified GAD consultant to provide technical assistance in implementing GAD activities for 2026 and in complying with GAD-related regulatory requirements.
- 18.20 The Audit Team will monitor Management's subsequent actions.
- 19. The non-submission of the revised GAD Plan and Budget (GPB) to the Philippine Commission on Women (PCW), despite changes in relevant information, is not in accordance with Item 7.5 of PCW-Department of Budget and Management (DBM)-National Economic and Development Authority (NEDA) Joint Memorandum Circular (JMC) No. 2022-01, resulting in inconsistencies in reported budgets and GAD accomplishments.**
- 19.1 Item 7.5 of PCW-DBM-NEDA JMC No. 2022-01 provides:

Once the GAA has been approved and there are changes in the final agency budget, the agency shall request to submit an adjusted GPB to PCW using the GMMS [Gender Mainstreaming Monitoring System] platform.

Agencies shall inform the PCW, in writing, if there are changes in the PCW-endorsed GPBs. PCW shall review the submitted adjusted GPB and inform the agency if the GAD PAPs [programs/activities/projects] in the adjusted GPB are acceptable. The adjusted GPB shall be the basis for implementing the GPBs, and for monitoring and reporting purposes.

Agencies may also request to submit an adjusted GPB, if there are emerging gender issues that need to be addressed and/or additional GAD PAPs that need to be implemented. They may also opt to report the variance in the implementation of the PCW-endorsed GPB in their GAD AR [accomplishment report] provided that the changes are still aligned to the attainment of the identified GAD results and outcomes.

- 19.2 NDC submitted its CY 2025 GPB to PCW on December 13, 2024, which was subsequently endorsed on June 17, 2025. The endorsed GBP reflected a total corporate budget and GAD Budget amounting to P1.515 billion and P150.200 million, respectively. It included two client-focused activities, seven organizational-focused activities, and two attributed programs.
- 19.3 NDC submitted its GAD AR to PCW on February 24, 2026, through the Gender Mainstreaming Monitoring System (GMMS), and received the PCW's comments on March 5, 2026. The reviewed GAD AR showed a total corporate budget and GAD Budget amounting to P1.515 billion and P154.142 million, respectively. It included two client-focused activities, seven organizational-focused activities, and four attributed programs.
- 19.4 Perusal of the PCW's comments on the CY 2025 GAD AR showed that two attributed programs were not included in the endorsed GPB, namely the implementation of the Public Service Continuity Plan (PSCP) and the Information Systems Strategic Plan (ISSP). Inquiry with the concerned personnel revealed that the first program pertains to the PSCP orientation and writeshop, and the corresponding man-hours of CPD personnel, while the second program refers to the salary attribution of IT staff and the ISSP deliverables procured. The inclusion of these programs in the GAD AR, despite not being reflected in the endorsed GPB, led to inconsistencies in reported programs and in corresponding budget attribution.
- 19.5 Further, a review of the CY 2025 GPB showed a variance of P18.176 million between the total corporate budget indicated therein and the DBM-approved Corporate Operating Budget (COB) for CY 2025, amounting to P1.515 billion and P1.533 billion, respectively. Per inquiry with the concerned personnel, the variance was due to the non-submission of a revised GPB, based on the DBM-approved COB, to the PCW.
- 19.6 The non-submission of a revised GPB to the PCW through the GMMS platform, despite changes in relevant information, is not in accordance with PCW-DBM-NEDA JMC No. 2022-01. This resulted in discrepancies in the total budget between the GPB, GAD AR, and the DBM-approved COB, as well as variances in the GAD budget and programs, activities, and projects (PAPs) between the GPB and GAD AR. These inconsistencies affect the accuracy and reliability of reported GAD accomplishments, including budget attribution and utilization rates.

- 19.7 **We recommended that Management strictly comply with Item 7.5 of the Philippine Commission on Women (PCW)-Department of Budget and Management-National Economic and Development Authority Joint Memorandum Circular No. 2022-01 by submitting a revised GAD Plan and Budget (GPB) to the Philippine Commission on Women (PCW) in cases of changes in the agency budget or adjustments to the GPB, and by reporting the variances in the implementation of the PCW-endorsed GPB in their GAD Accomplishment Report, as applicable.**
- 19.8 Management commented that the NDC has consistently exerted efforts to comply with applicable policies and circulars on the submission of GPB and GAD Accomplishment Report, including the required five per cent GAD budget allocation to ensure endorsement of the GPB for the applicable year, and ensuring the timely submission of reports.
- 19.9 However, the NDC GAD Focal Point System (GFPS)-Technical Working Group (TWG) was only made aware of the requirement for the submission of an adjusted GPB during the training on the Harmonized Gender and Development Guidelines (HGDG) Project Implementation and Management, and Monitoring and Evaluation (PIMME) held in December 2025. The GFPS-TWG was unable to review the endorsed GPB for FY 2025, which was initially submitted in December 2024 and was endorsed in June 2025.
- 19.10 Moving forward, the TWG will submit the revised/adjusted GPB for 2026 on or before July 31, 2026, to reflect adjustments in the NDC 2026 COB, which was submitted to the DBM on March 31, 2026, and further adjustments within the first semester of 2026, as applicable.
- 19.11 On attributed programs, this matter was discussed during the HGDG PIMME training. As stipulated under PCW Memorandum Circular No. 2025-09, Section 1.10, "to attribute the expenditure of a major agency program/project to GAD in the FY 2025 GAD AR, agencies shall accomplish the HGDG PIMME checklist or the Facility Implementation, Management, and Monitoring and Evaluation checklist, whichever is applicable, to assess the gender-responsiveness of program/project implementation."
- 19.12 Since the GFPS-TWG has already prepared the HGDG Project Design Checklists, which are already part of the submitted 2026 attributed programs, these were also included to increase NDC's GAD attribution for 2025. It was likewise anticipated that these attributions would be duly considered by the PCW.
- 19.13 The Audit Team will monitor Management's subsequent actions.
20. **The absence of a Responsibility Center (RC) for the GAD Focal Point System (GFPS) to account, monitor, and report GAD expenses and other GAD-related financial transactions is not compliant with COA Circular No. 2021-008 dated September 6, 2021, resulting in the non-reconciliation between the accounting records and the GAD Accomplishment Report (AR).**
- 20.1 COA Circular No. 2021-008 dated September 6, 2021, requires all government agencies to create/assign an RC for the GFPS to facilitate the generation of all reports

about GAD-related expenses and financial transactions, and to ensure proper monitoring and accounting of GAD funds.

20.2 Section 3.6 of the Circular defines Responsibility Center as:

Responsibility Center (RC) – is a part, segment, unit or function of a government entity, headed by a manager, who is accountable for a specified set of activities. Except for some, which derive most of their income from collection of taxes and fees, government entities are basically cost centers with primary purpose to render service to the public at the lowest possible cost. Cost centers are established to provide each government entity with accessibility to cost information and to facilitate cost monitoring at any given period.

20.3 Further, Section 4.9 of the same Circular provides that:

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 for example 01 (i.e., training expenses 5020201002-01, travelling expenses 5020101000-01) to record all GAD-related expenses/programs/activities/projects in order to facilitate the monitoring, accounting and preparation of the GAD-related reports.

20.4 Audit of GAD AR showed that the actual GAD expenses for CY 2025 amounted to P24.912 million. However, the recorded GAD expenses based on the Subsidiary Ledger (SL) Code 8649 assigned to GAD transactions from the accounting records, including transactions filtered using keywords based on the breakdown of GAD AR provided by GFPS-Technical Working Group (TWG), aggregated to only P3.812 million. This resulted in a significant variance between the GAD AR and the Accounting records, amounting to P21.090 million.

20.5 An inquiry with concerned personnel disclosed that the reported actual expenditure for the child-minding and lactation room represents the estimated annual cost of its use, amounting to P1.267 million,⁵³ with no actual fund disbursements. Additionally, the salary attribution or man-hour estimates allocated to various GAD PAPs amounted to P6.852 million, including the annual salaries of the Information Technology (IT) Unit of P1.366 million for CY 2025.

20.6 Taking into account the estimations for the cost of child-minding area and salary attribution or man-hours, there remains a P12.971 million variance. This may pertain to GAD-related transactions that were not recorded by the Accounting Unit, or to GAD-related disbursements that were recorded but not properly tagged under SL Code 8649.

20.7 An inquiry with the Accounting Unit revealed that the requesting units/end users identify the GAD-related transactions through the request for payment form or liquidation reports, which serve as the basis for recording such transactions in the books.

⁵³ P300 per hour for 16 hours a day for 22 days.

- 20.8 Furthermore, the variances between the CY 2024 GAD AR and the accounting records, as disclosed in Note 39 of the Notes to Financial Statements for CY 2024, remain unreconciled by the GFPS-TWG and the Accounting Unit.
- 20.9 Despite NDC having a designated SL Code (8649) for GAD-related expenses, programs, activities, and projects, the total amount recorded in the SL did not reconcile with the actual expenses reported in the GAD AR, indicating weaknesses in the recording, monitoring, and reconciliation of GAD-related transactions.
- 20.10 The absence of an RC for the GFPS limits the NDC's ability to generate complete reports on GAD-related expenses and financial transactions, and to effectively monitor and account for GAD funds.
- 20.11 We recommend that Management:**
- a. Comply with COA Circular No. 2021-008 dated September 6, 2021, by creating or assigning an RC for the GAD Focal Point System (GFPS) to ensure proper accounting, monitoring, and reporting of GAD expenses and financial transactions;**
 - b. Reconcile the records of the GFPS-Technical Working Group and the Accounting Unit, and revise Note 39 of the Notes to Financial Statements, if warranted; and**
 - c. Provide a basis for the inclusion of estimated costs as part of actual GAD expenditures reported in the GAD Accomplishment Report and an explanation for the attribution of the annual salaries of the Information Technology Unit for CY 2025.**
- 20.12 To comply with the COA Circular, Management commented that the NDC assigned a Subsidiary Ledger (SL) for GAD-related transactions since assigning a lone and specific unit to be accountable for GAD-related expenses will be impractical, since the purpose of gender mainstreaming is to ensure that the government pursues gender equality in all aspects. This means that gender perspectives and developmental strategies should cut across all areas, including planning, budgeting, training, project implementation, and monitoring and evaluation.
- 20.13 Moving forward and to avoid discrepancies in reporting GAD expenditure in the future, the GFPS will closely monitor all GAD-related expenses. Chargeability of disbursements to GAD shall be coursed through the NDC GFPS TWG for parallel monitoring. As agreed with the Accounting Unit, a monthly and/or quarterly validation will be done to ensure accurate charging of GAD-related transactions.
- 20.14 Management likewise explained that NDC has yet to improve its SL to capture attributable expenses since these are reported only as a percentage of the total amount disbursed/utilized.
- 20.15 The GFPS TWG and the Accounting Unit reconciled and found the following corrections and observations:

- 20.16 Out of the P24.902 million reported GAD expenditure in the 2025 GAD AR, P24.428 million was not included in the SL. This amount includes salary attribution for client-focused GAD activities, organization-focused activities, and attributed projects/programs. It also includes P20.238 million from attributed programs: the Philippine Innovation Hub, the Vaccine Manufacturing Facility, the Public Service Continuity Plan (PSCP), and the Information Systems Strategic Plan (ISSP).
- 20.17 Meanwhile, the computation for attributed programs/projects considers the Harmonized Gender and Development Guidelines (HGDG) Project Implementation and Management, and Monitoring and Evaluation (PIMME) rating.
- 20.18 Variances were noted between the expenses recorded in the SL for GAD-related transactions and those reported in the GAD AR, as only a portion of the recorded expenses was included in the report. The variance was primarily due to the non-recording of GAD-related expenses in the GFPS database, attributed to the transition in GFPS chairpersonship.
- 20.19 NDC acknowledged that the unreported expenses should have been included in the GAD AR, but maintained that overall utilization remained below the required five per cent.
- 20.20 Reconciliation with the Accounting Unit further showed that part of the discrepancy was due to differences in reporting bases, where the GAD AR reflects gross amounts inclusive of taxes, while the SL records expenses net of VAT.
- 20.21 On the inclusion of estimated costs for the child-minding and lactation room, the cost of maintaining the space was included, as it represents an expense on the part of NDC. Although no actual cash disbursement was made, the cost of upkeep and the corresponding foregone income, given that the space could otherwise have been leased, are considered part of NDC's expenditures for the year.
- 20.22 Regarding the salaries of IT Unit personnel, the computation does not cover the full annual salaries of individuals involved. Instead, only a proportionate share was included, based on the results of the GFPS PIMME assessment for ISSP attribution. The total amount of P1.927 million was derived from the salaries of IT staff, plus 30 per cent of the salary of the Corporate Planning Department Manager, who oversees the IT Unit. This percentage reflects an estimate that approximately 30 per cent of the officer's work hours are devoted to IT Unit-related functions. Only 50.85 per cent of the amount was attributed and included in the GAD AR.
- 20.23 As provided by the PCW-NEDA-DBM Joint Memorandum Circular No. 2022-01, agencies may include in the GAD budget computation the time spent by GFPS members and agency personnel doing GAD-related work and charge this to the GAD budget.
- 20.24 Lastly, to ensure accurate accounting of attributed costs, the GFPS will furnish the Accounting Unit a copy of the GAD Annual Report, including the breakdown of said costs. This is to ensure that attributed costs, such as the salaries of personnel involved in GAD activities, will be accurately reflected in the NDC financial statements.

- 20.25 The Audit Team required the Accounting Unit to update and reflect the reconciled GAD amount in the Notes to the Financial Statements and disclose, as warranted, the basis for cost attribution, including an explanation of how the amounts were computed.
- 20.26 However, the Audit Team disagrees with the inclusion of estimated costs. Only actual costs and expenditures should be recognized. Opportunity costs should not be included, as these do not represent actual disbursements for the said activity. Relative thereto, Management will consider the attribution of actual maintenance costs for the child-minding and lactation room.

COMPLIANCE WITH TAX LAWS

21. Taxes withheld and due to the Bureau of Internal Revenue for CY 2025 were recorded and remitted within the prescribed period. Data is presented in Note 40 to the Notes to Financial Statements.

COMPLIANCE WITH RULES ON GOVERNMENT MANDATORY DEDUCTIONS AND REMITTANCES

22. In CY 2025, the appropriate premium contributions and loan amortizations were deducted from the salaries of NDC employees. Employees' shares, together with the government share as well as the loan amortizations of employees, were remitted to the Government Service Insurance System (GSIS), Philippine Health Insurance Corporation (PHIC), and Home Development Mutual Fund (HDMF) within the prescribed period. The remittances for CY 2025 are as follows:

Table 29- GSIS, PHIC, and HDMF amortizations and remittances

Particulars	Amount
GSIS contribution and loan amortization	9,853,280
PHIC contribution	1,541,557
HDMF contribution and loan amortization	438,160
	11,832,997

STATUS OF AUDIT SUSPENSIONS, DISALLOWANCES, AND CHARGES

23. As of December 31, 2025, the details of Notices of Suspension, Disallowance, and Charge issued upon the effectivity of the COA Rules and Regulations on the Settlement of Accounts (RRSA) are as follows:

Table 30- Summary of Audit Suspensions, Disallowances, and Charges

	Balances as of January 1, 2025	Issued during the year	Settled during the year	Balances as of December 31, 2025
Notice of Suspension	0	0	0	0
Notice of Disallowance	22,097,835	0	0	22,097,835
Notice of Charge	0	0	0	0
	22,097,835	0	0	22,097,835

The Details of the Notices of Disallowance are shown below:

Table 31 - Details of Notices of Disallowance

Date	ND No.	Amount	Settled	Balance
May 20, 2025	2025-001 (2023-2024)	1,252,833	0	1,252,833
April 26, 2019	2019-001(2018)*****	581,250	0	581,250
August 30, 2017	2017-001(2014-2016)****	1,447,085	0	1,447,085
August 12, 2013	2013-001(2012)****	1,375,000	0	1,375,000
August 14, 2013	2013-002(2012)***	725,000	0	725,000
July 7, 2010	2010-001-101(07)*	399,999	0	399,999
July 7, 2010	2010-002-101(07)*	333,334	0	333,334
July 13, 2010	2010-003-101(08)*	266,667	0	266,667
July 13, 2010	2010-004-101(08)*	83,333	0	83,333
July 13, 2010	2010-005-101(08)*	233,334	0	233,334
July 13, 2010	2010-006-101(09)*	233,333	0	233,333
July 13, 2010	2010-007-101(09)*	166,667	0	166,667
May 20, 2003	2003-001-001**	15,000,000	0	15,000,000
		22,097,835	0	22,097,835

* With Petition for Review on Certiorari filed with the Supreme Court on May 9, 2011

** With the COA Order of Execution dated February 6, 2014

*** With the COA Order of Execution dated July 26, 2017, and with the Petition for Review dated October 5, 2017, to the COA Commission Proper

**** Pending resolution by the COA Commission Proper pursuant to Rule V, Section 7 of the Revised Rules of Procedure of COA

***** With Corporate Government Sector Cluster 4 Decision No. 2020-07 dated June 19, 2020

PART III

STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

STATUS OF IMPLEMENTATION OF PRIOR YEAR'S AUDIT RECOMMENDATIONS

Of the 80 audit recommendations embodied in the prior year's Annual Audit Report (AAR), 46 were fully implemented/reconsidered, and the remaining 34 that were not implemented are reiterated in Part II of this Report. Details are presented below:

REFERENCE	OBSERVATIONS	RECOMMENDATIONS	STATUS OF IMPLEMENTATION
2024 AAR Observation No. 1, page 70	The faithful representation of National Development Company's (NDC) Investment Property (IP) account amounting to P32.011 billion cannot be ascertained due to: a) inadequate disclosure; and b) inconsistencies between the records of NDC's work groups relative to the total area and status of investment properties, which are not in accordance with the specific provisions of Philippine Accounting Standard (PAS) 1.	a. Ensure proper coordination between the Accounting Unit (AU), Asset Management Group, Treasury Unit, and the Legal Department to facilitate periodic reconciliation and updating of records of NDC's investment properties. Schedule of IP account, as an attachment to the Notes to Financial Statements, shall be validated and verified by these Offices;	Implemented.
		b. Determine and reconcile the variances and inconsistencies noted in Table 1. Take appropriate action, as warranted;	Implemented.
		c. Disclose relevant information on existing conditions, limitations, and/or restrictions on investment properties, including changes in the account, in accordance with specific provisions of PAS 1 and 40. Periodically assess the information disclosed in the Notes	Implemented.

REFERENCE	OBSERVATIONS	RECOMMENDATIONS	STATUS OF IMPLEMENTATION
		to Financial Statement; and d. Determine the existing conditions, limitations, and/or restrictions of investment properties, and ensure that this information is made available to independent appraiser/s for consideration in the appraisal of each investment property.	Implemented.
2024 AAR Observation No. 2, page 78	Variances between the Rental Receivable balances per NDC books of accounts and confirmation results amounting to P25.966 million, and inadequate disclosure on long outstanding rental receivables aggregating P11.901 million, are contrary to Paragraphs 15 and 17 of PAS 1, respectively, affecting faithful representation of the Current Receivable account in the financial statements	a. Coordinate with the concerned lessees to reconcile the variance with NDC records. Make necessary adjusting entry and/or demand collection therefrom, as the case may be. Furnish the Audit Team a copy of the reconciliation made and/or letters sent to lessees; b. Prepare a detailed aging schedule of outstanding rental receivables to properly assess the need for recognition of an allowance for impairment, in accordance with NDC's accounting policy. Furnish the Audit Team a copy thereof;	Not implemented. Reiterated in Observation No. 3 of this Report. Implemented.

REFERENCE	OBSERVATIONS	RECOMMENDATIONS	STATUS OF IMPLEMENTATION
		c. Provide a detailed explanation and submit supporting documentation to substantiate Management's representation on the cessation of accruing rental income from Philippine Pharma Procurement, Inc., in compliance with Bangko Sentral ng Pilipinas Circular No. 1011; and d. Prepare and submit necessary and appropriate disclosures, such as those relating to the collectability/ impairment of receivables or the status of debtor's operations, to achieve fair presentation of the Receivables account. Periodically review and assess the adequacy and relevance of the information disclosed in the Notes to Financial Statements in compliance with PAS 1.	Implemented. Implemented.
2024 AAR Observation No. 3, page 82	The faithful representation of the recorded Property and Equipment (PE) account with carrying amount of P190.296 million was not attained, due to: (a) variances amounting	a. Reconcile the PE balances in the Lapsing Schedule against SLs and reflect changes in the Financial Statements, if warranted;	Implemented.

REFERENCE	OBSERVATIONS	RECOMMENDATIONS	STATUS OF IMPLEMENTATION
	P8.630 million between the balances of PE items in the Subsidiary Ledgers (SLs) and those in the lapsing schedule used to compute depreciation/accumulated depreciation; and (b) missing PE items costing P31.170 million that still remain in NDC's books, contrary to Paragraph 15 of PAS 1.	b. Perform regular monitoring and reconciliation of both records; c. Submit the list of non-existing/missing PE items in the Report on the Physical Count of Property, Plant and Equipment, and investigate to determine accountability over the missing PE items; d. File a request for authority to derecognize/write-off non-existing/missing PE items from COA, duly supported with required documentation, if no person can be found accountable after investigation, pursuant to COA Circular No. 2020-006 dated January 31, 2020; e. Prepare an updated Inventory and Inspection Report of Unserviceable Property for calendar year (CY) 2024, and instruct the Disposal Committee to undertake immediate disposal of the remaining idle and unserviceable PE items; and	Not implemented. Reiterated in Observation No. 1 of this Report. Not implemented. Reiterated in Observation No. 1 of this Report. Not implemented. Reiterated in Observation No. 1 of this Report. Not implemented. Reiterated in Observation No. 15 of this Report.

REFERENCE	OBSERVATIONS	RECOMMENDATIONS	STATUS OF IMPLEMENTATION
		f. Direct the AU to derecognize the unserviceable PE items in the books of accounts upon disposal or when no future economic benefits are expected from their use.	Not implemented. Reiterated in Observation No. 15 of this Report.
2024 AAR Observation No. 4, page 86	The faithful representation of the Due to Treasurer of the Philippines account amounting to P6.976 million was not attained due to unreconciled variance of NDC's payable to the COA amounting to P13.002 million.	a. Require the AU to expedite gathering of records to reconcile with the COA – Finance Office, Planning, Finance, and Management Sector (PFMS), the discrepancy between the assessment billed and the recorded cost of audit services, and prepare adjusting entries, if warranted; b. Remit the balance of the cost of audit services due to COA through the Bureau of the Treasury (BTr), and furnish the COA - Finance Office, PFMS, a copy of proof of remittance for easy reference and reconciliation of NDC's and COA's records; and c. Henceforth, conduct periodic monitoring and reconciliation of records between NDC and COA pertaining to the cost of audit services.	Not implemented. Reiterated in Observation No. 4 of this Report. Not implemented. Reiterated in Observation No. 4 of this Report. Implemented.

REFERENCE	OBSERVATIONS	RECOMMENDATIONS	STATUS OF IMPLEMENTATION
2024 AAR Observation No. 5, page 87	The fidelity bonds of several NDC Accountable Public Officers (APOs) are inadequate compared to their respective accountability, contrary to Section 101 of Presidential Decree No. 1445 and Item 5.1 BTr Treasury Circular No. 02-2019, thereby exposing the NDC to potential risks in case of defalcations, shortages, and unrelieved losses.	a. Evaluate its transactions to determine the appropriate maximum accountability of respective APOs and the effective bonding to be applied thereof. Take appropriate action to adjust the amount of accountability and corresponding bond equivalent of the APOs, as warranted; and	Implemented.
		b. Determine the necessity of designating a property/supply officer to be accountable for NDC's inventories, property, and equipment.	Implemented.
2024 AAR Observation No. 6, page 91	Dormant receivable accounts were not requested for write-off, and the related Schedule thereof was not prepared and submitted by NDC to the Audit Team, contrary to the provisions of COA Circular No. 2023-008.	a. Require the AU, in coordination with the Legal Department, to complete all the required supporting documents per COA Circular No. 2023-008 on the proper disposition/ closure of dormant accounts, and resubmit the request for authority to write off dormant accounts with the COA; and	Not implemented. Reiterated in Observation No. 14 of this Report.
		b. Prepare and submit to the Audit Team the Schedule of Dormant Receivables,	Not implemented.

REFERENCE	OBSERVATIONS	RECOMMENDATIONS	STATUS OF IMPLEMENTATION
		Unliquidated Cash Advances, and Intra/Inter-Agency Fund Transfers in compliance with the COA Circular.	Reiterated in Observation No. 14 of this Report.
2024 AAR Observation No. 7, page 93	The NDC has yet to decide on the final disposition of the remaining 36,839.98 square meter (sq. m.) portion of the Pandacan Property, after negotiating the sale of 13,297.97 sq. m. to Toll Regulatory Board (TRB), affected by the Right-of-Way of the Metro Manila Skyway Stage 3 Project; meanwhile, the property is underutilized.	a. Apprise the Audit Team on the status of annotation of Deed of Absolute Sale in the Transfer Certificates of Title and provide documentation thereof. Once annotated, demand payment of the remaining 50 per cent from TRB; b. Facilitate the negotiation with TRB for the acquisition of the remaining portion of the Pandacan Property, in accordance with the Memorandum of Agreement and the Department of Public Works and Highways (DPWH) Department Orders. Meanwhile, study available options for NDC to maximize the utilization of the subject property; and c. Provide justification for Management's decision to reconsider the demand for compensation on the unauthorized use/occupation by	Implemented. Implemented. Implemented.

REFERENCE	OBSERVATIONS	RECOMMENDATIONS	STATUS OF IMPLEMENTATION
		the former NDC lessee.	
2024 AAR Observation No. 8, page 99	Several investment properties are either idle/vacant or occupied by illegal occupants, depriving NDC of potential income, while incurring Real Property Taxes, Security Services, and Repairs and Maintenance expenses, aggregating P36.028 million in CY 2024, contrary to Section 2(b) of Republic Act (RA) No. 10149, resulting in the underutilization of NDC properties.	a. Continue its efforts to promote and advertise all idle/vacant properties to attract prospective lessees and/or buyers. Study other options available to NDC for the best and productive use of the properties; b. Determine whether Brgy. Biaan, Mariveles, Bataan Property is within the Ancestral Domain/Lands or belonging to Indigenous Cultural Communities/Indigenous Peoples; c. Furnish the Audit Team a copy of DPWH's Notice of Taking on the portion of Brgy. Alas-asin, Mariveles, Bataan, that will be affected by the Bataan-Cavite Project, and subdivision/survey plan, if available; d. Coordinate with the Local Government Unit and the school administration to determine whether Lot 3 can still be pursued for possible school expansion with reference to the Brgy. Batangas II,	Implemented. Not implemented. Reiterated in Observation No. 5 of this Report. Implemented. Implemented.

REFERENCE	OBSERVATIONS	RECOMMENDATIONS	STATUS OF IMPLEMENTATION
		Mariveles, Bataan properties; e. Consider pursuing legal action against informal settlers/occupants of various vacant properties. Otherwise, collect compensation therefrom; Further apprise the Audit Team of the status of actions taken on the following investment properties and provide supporting documents, if any: f. On the coordination with Municipal Urban Development and Housing Board – Local Inter-Agency Committee for the verification and validation of NDC's title over the Los Baños, Laguna property; g. On the coordination with the heir and/or his/her legal counsel for the lease negotiation on the affected portion of Sta. Rosa, Laguna Property; and h. On the result of the query with Department of Human Settlements and Urban Development	Not implemented. Reiterated in Observation No. 5 of this Report. Not implemented. Reiterated in Observation No. 5 of this Report. Not implemented. Reiterated in Observation No. 5 of this Report. Reconsidered. Management disclosed that it continues to entertain prospective

REFERENCE	OBSERVATIONS	RECOMMENDATIONS	STATUS OF IMPLEMENTATION
		(DHSUD), whether Management's intention to use NDC properties eyed for Pambansang Pabahay Para sa Pilipino Program for income-generating activities is allowed, pending the expropriation and/or transfer of ownership of NDC properties to DHSUD.	lessees and buyers while awaiting the review and evaluation by DHSUD of the submitted list of land properties.
2024 AAR Observation No. 9, page 106	Seven investment properties of NDC amounting to P245.096 million with an aggregate area of 19,146 sq. m., remained unregistered despite the lapse of four decades, exposing government assets to legal risks and/or loss of the actual property.	a. Continuously exert utmost effort to expedite the titling of lands under NDC's name; and b. Apprise the Audit Team of updates in the titling of each untitled investment property. Provide supporting documents, as the case may be.	Not implemented. Reiterated in Observation No. 6 of this Report. Not implemented. Reiterated in Observation No. 6 of this Report.
2024 AAR Observation No. 10, page 109	The preliminary design and construction studies were not sufficiently carried out in the procurement of Design and Build of the NDC Green Industrial Sustainable Ecozone (NGIE) Project with an Approved Budget for the Contract amounting to P230.108 million, contrary to Item 7 of Annex G of the Revised Implementing Rules and Regulation (RIRR) of RA No. 9184.	a. Determine the necessity of conducting an updated feasibility or preliminary engineering study for the NGIE project; b. Resolve issues surrounding the NDC Industrial Estate (NDCIE), such as termination of the contract, the settlement with the contractor, and encroachment by	Reconsidered. Management disclosed that the project has been suspended. Implemented.

REFERENCE	OBSERVATIONS	RECOMMENDATIONS	STATUS OF IMPLEMENTATION
		adjacent lot owners, among others; c. Confirm whether NGIE is a continuation of the NDCIE, 2nd phase of NDCIE, or a new project; d. Determine possible legal issues which may arise, considering that Proclamation No. 677 specifically states that the Special Economic Zone is to be known as NDCIE instead of NGIE; and e. Henceforth, ensure compliance with the guidelines for the procurement and implementation of contracts for infrastructure projects in accordance with the updated 2016 RIRR of RA No. 9184.	Implemented. Implemented. Implemented.
2024 AAR Observation No. 11, page 114	The Site Development Works for the NDCIE Project located in Barangay Langkaan II, Dasmariñas City, Cavite, with a contract amount of P171.737 million, remained unfinished despite the adjusted date of completion on January 30, 2024.	a. Develop a definitive action plan to resolve the issues surrounding the NDCIE project, such as soil erosion, delay in implementation of the project, and encroachment by adjacent lot owners, among others; b. Determine appropriate action/remedy provided in the site	Reconsidered. The contract for Site Development Works for NDCIE has been terminated. Implemented.

REFERENCE	OBSERVATIONS	RECOMMENDATIONS	STATUS OF IMPLEMENTATION
		development work Contract and 2016 RIRR of RA No. 9184 on the proper resolution/settlement of the Project; c. Implement and monitor adopted action plan/remedies employed, and apprise the Audit Team of the status of the Project; and d. Henceforth, ensure compliance with the guidelines for the procurement and implementation of contracts for infrastructure projects in accordance with the updated 2016 RIRR of RA No. 9184.	Implemented. Implemented.
2024 AAR Observation No. 12, page 118	The value of NDC's investment amounting to P45 million in the Rizal Hydropower Project declined significantly, due to the continuous losses since its commercial operations in CY 2016.	a. Decide at the soonest possible time, NDC's direction and possible course of action on the Rizal Hydropower Project, to address the declining value of its investment in the project; and b. Coordinate and relay with Philippine National Oil Company-Renewables Corporation the direction and plans on the project, and possibly obtain the most advantageous outcome for the parties, and	Not implemented. Reiterated in Observation No. 9 of this Report. Not implemented. Reiterated in Observation No. 9 of this Report.

REFERENCE	OBSERVATIONS	RECOMMENDATIONS	STATUS OF IMPLEMENTATION
		ultimately, for the government.	
2024 AAR Observation No. 13, page 122	The project implementation process and noted deficiencies in the final output of the Service Provider of Corporate Branding and Video Content Production for NDC were not in accordance with Annexes D and E of the contract. Thus, it is considered irregular under Commission on Audit Circular No. 2012-003 dated October 29, 2012.	a. Explain the deviations and noted deficiencies from the terms and conditions of the contract and why this should not be disallowed in audit for being an irregular expenditure; b. Henceforth, ensure that all procurement activities are in compliance with the updated 2016 RIRR of RA No. 9184 and/or RA No. 12009 and its IRR; and c. Create an independent team to investigate the events that transpired from the pre-procurement stage until the acceptance of the output of the Service provider and subsequent payment thereof, including all the personnel and private parties involved. Provide the Audit Team and the NDC Board of Directors with the result of the investigation.	Implemented. Implemented. Implemented.

REFERENCE	OBSERVATIONS	RECOMMENDATIONS	STATUS OF IMPLEMENTATION
	not in accordance with Section 2(a) and (b) of Republic Act (RA) No. 10149, affecting NDC's investment and PRC's financial condition.		
2024 AAR Observation No. 17, page 139	The NDC has yet to reactivate the status of NDC Philippine Infrastructure Corporation (NPIC) with the Governance Commission for GOCCs, despite the former's plan to use the latter as a corporate vehicle for its projects; prolonging NPIC's non-operation for 17 years is not in accordance with Section 2(a) and (b) of RA No. 10149, resulting in the poor utilization of NDC's investment in its wholly-owned subsidiary.	a. Reaffirm its position and act decisively, whether to pursue its reactivation or to continue its dissolution; and b. Formulate concrete plans and realizable projections on the use of NPIC to avoid further stagnation of its assets and resources to ensure judicious and efficient utilization.	Not implemented. Reiterated in Observation No. 8 of this Report. Not implemented. Reiterated in Observation No. 8 of this Report.
2024 AAR Observation No. 18, page 142	The balances of the car and housing loans granted to former NDC officials and employees aggregating P0.822 million and P5.733 million, respectively, remained outstanding/dormant with varying periods from seven to 26 years, due to the passive action of Management.	a. Require the Legal Department to expedite the initiation of foreclosure proceedings and/or of claims against the estates, for defaulting former NDC officials and employees; b. Expedite acquisition of properties and transfer of titles under NDC's name for the two accounts (Employees 2 and 3) with a certificate of sale; and	Not implemented. Reiterated in Observation No. 10 of this Report. Not implemented. Reiterated in Observation No. 10 of this Report.

REFERENCE	OBSERVATIONS	RECOMMENDATIONS	STATUS OF IMPLEMENTATION
	and Extraordinary and Miscellaneous Expense, which were not in compliance with Section 4 of Presidential Decree No. 1445 and COA Circular No. 2012-001, due to lapses in internal control and procedures, could not be ascertained.	documents on disbursements incurred during weekends, suspended workdays, and beyond office hours. Require the concerned officers to refund the amount pertaining thereto, should the disbursement not be related to the performance of official functions and duties; b. Establish the propriety and validity, and provide justifications or supporting documents on disbursements discussed in Paragraph 20.3 (b). Otherwise, require the concerned officers to refund the amount pertaining thereto; c. Observe prudent and judicious use of funds during meetings that can be conducted in the Office premises. Refrain from conducting regular workgroup meetings outside the office premises, especially in restaurants in 3-star or 5-star hotels; and	justifications, and no disbursements were observed during non-working days thereafter. Reconsidered. Management provided the necessary justifications, and no similar disbursements were observed thereafter. Implemented.

REFERENCE	OBSERVATIONS	RECOMMENDATIONS	STATUS OF IMPLEMENTATION
		d. Formulate a strict and comprehensive policy as regards reimbursement of expenses of officers and employees to address the above-noted observations, and to ensure prudent and judicious use of government funds. Furnish the Audit Team a copy thereof.	Not implemented. Reiterated in Observation No. 12 of this Report.
2024 AAR Observation No. 21, page 155	Liquidations of cash advances and reimbursements of traveling expenses were not supported with complete documentary requirements contrary to COA Circular No. 2012-001 and Executive Order (EO) No. 77.	a. Require the submission of complete documents as enumerated under COA Circular No. 2012-001 and EO No. 77; b. Revisit the internal control policy for disbursements, and formulate effective measures in addressing identified weaknesses, if any; and c. Henceforth, strictly monitor and thoroughly review the completeness of the supporting documents in all financial transactions. Otherwise, disbursements with incomplete documentation will be suspended in the audit.	Implemented. Implemented. Implemented.

REFERENCE	OBSERVATIONS	RECOMMENDATIONS	STATUS OF IMPLEMENTATION
2024 AAR Observation No. 22, page 161	Traveling expenses amounting to P347,705 and representation expenses amounting to P123,579 were paid more than the prescribed rates under EO No. 77, thus deemed excessive as defined under COA Circular No. 2012-003 dated October 29, 2012.	Require the concerned employees and officials to refund the amount received in excess of the prescribed rates in EO No. 77. Otherwise, the amount reimbursed will be disallowed in audit.	Reconsidered. Management provided the necessary justifications.
2024 AAR Observation No. 23, page 166	ISO Recertification incentive amounting to P447,000 from CYs 2017 to 2023 are not supported by the required monetary savings contrary to Item 6 of Civil Service Commission (CSC) Memorandum Circular (MC) No. 1, s. 2001.	a. Submit supporting documents showing the monetary savings generated from the suggestions, inventions, superior accomplishments, and other personal efforts that warranted the monetary awards; b. Provide proof that the Program on Awards and Incentives for Service Excellence incentive was included in the approved Corporate Operating Budget of CYs 2017-2023; c. Provide legal basis for granting of monetary awards for ISO 9001: 2015 Recertification and Board approval of the same; d. Provide Board-approved policies/criteria for deliberation/screening/grading of qualified	Not implemented. Implemented. Not implemented. Not implemented.

REFERENCE	OBSERVATIONS	RECOMMENDATIONS	STATUS OF IMPLEMENTATION
		employees/ workgroups for individual and team awards; e. Henceforth, strictly comply with the requirements in granting monetary awards, specifically, item 6 of CSC MC No. 1, s. 2021; and f. In relation to recommendation a, provide supporting documents that clearly demonstrate each individual's participation in the suggestions, inventions, superior accomplishments, and other personal efforts, and the direct correlation of these contributions to the generated monetary savings.	Not implemented. Not implemented.
2024 AAR Observation No. 24, page 171	The limitations in the current accounting system used by NDC since CY 2017 require the Accounting personnel to monitor and manually reconcile various accounts, affecting efficiency in the preparation of financial reports and defeating the very purpose of using an accounting system.	Expedite the development and adoption of a new accounting system, with due consideration to various COA Circulars (including the Updated Revised Chart of Accounts), and international standards. Ensure proper transition of financial records and conversion of account codes from Financial Management System to the new accounting system.	Implemented.

REFERENCE	OBSERVATIONS	RECOMMENDATIONS	STATUS OF IMPLEMENTATION
2024 AAR Observation No. 25, page 173	The non-implementation of some Gender and Development (GAD)-related Programs, Activities and Projects (PAPs) and attributed programs resulted in 86.14 per cent underutilization, which affected the agency's efficiency in addressing gender-related issues.	a. Maximize the utilization of the GAD funds, and establish an effective monitoring mechanism to ensure proper implementation of identified GAD PAPs, to attain the objectives for which the funds were allocated for; b. Furnish the resident Auditor a copy of the Philippine Commission on Women-approved Accomplishment Report for CY 2024; c. Recompute the actual costs incurred for GAD-related transactions under the attributed programs; and d. Monitor and ensure that the funds allocated for attributed programs are used for GAD-related activities to justify the attribution.	Not implemented. Reiterated in Observation No. 18 of this Report. Implemented. Implemented. Implemented.
2024 AAR Observation No. 26, page 176	NDC did not create/assign a Responsibility Center (RC) for the GAD Focal Point System (GFPS) to account, monitor, and report GAD expenses and other GAD-related financial transactions, which is not compliant with COA	a. Adhere to the requirements of COA Circular No. 2021-008 dated September 6, 2021, by creating/assigning a Responsibility Center for the GFPS, to ensure proper accounting, monitoring, and	Not implemented. Reiterated in Observation No. 20 of this Report.

REFERENCE	OBSERVATIONS	RECOMMENDATIONS	STATUS OF IMPLEMENTATION
	Circular No. 2021-008 dated September 6, 2021.	reporting of GAD expenses and other GAD-related financial transactions; and b. Reconcile the records of Accounting Unit and Human Resources Unit and revise Note 39 of the Financial Statements, if warranted.	Not implemented. Reiterated in Observation No. 20 of this Report.