ANNUAL REPORT

NATIONAL DEVELOPMENT COMPANY

2020

NDC Building, 116 Tordesillas St., Salcedo Village, Makati City, Philippines 1227
T (632) 840-4838 to 62 – F (632) 840-4862) – E info@ndc.gov.ph

TABLE OF CONTENTS

MESSAGE FROM THE GENERAL MANAGER

Year 2020 was the year the pandemic significantly ruled over the Philippines and the world. Although progress and healing of the country are now in the horizon and the economy is slowly rebounding, we still have to lay down the fundamentals to win.

On NDC's strategic roadmap, NDC shifted its strategies in 2020 to adhere to the priority agenda of the government and to investments that would contribute towards the fight against the pandemic caused by COVID-19

Fortunately for NDC, the company has solid asset possession to back up its operations. Gain from the increase in the fair market value of the investment property and lease income contributed significantly to NDC's financial performance.

MAJOR OPERATIONAL HIGHLIGHTS FOR 2020

Contributory to addressing the need to put a stop to the havoc caused by COVID 19, NDC is involved in the plan to establish vaccine manufacturing facilities in the Philippines. NDC was then and still is a party to discussions with the Department of Science and Technology (DOST), the Board of Investments (BOI), the private sector, in this program.

In response to the National Government's call for funds through dividend remittance of government corporations beyond the provisions of the Dividend Law, NDC responded to the call by remitting ₱ 720 Million to the Bureau of the Treasury. This is pursuant to the "Bayanihan to Heal as One Act" and the "Bayanihan to Recover As One Act," which are intended to accelerate the recovery and bolster the resiliency of the Philippine economy

A significant contribution to address the spread and contamination of COVID 19, the facility of the Manila Exposition Complex, Inc., in which NDC owns 36% of its total shareholdings, was used as one of the quarantine centers for COVID-19 cases. GY Real Estate. Inc.'s property in Las Pinas was also tapped as a Ligtas III, COVID-19 Quarantine Isolation Facility in partnership with the Department of Public Works and Highways and the City of Las Pinas. GYREI is a joint venture between NDC and Goodyear Philippines, Inc.

NDC is likewise working with the private sector to modernize and scale up for the international market the commercialization of diagnostic kits employing the isothermal platform for detection of infectious diseases.

However, resiliency is an NDC virtue. It continued to pursue its investment mandate identified in its strategic roadmap. Complementing the COVID projects is the establishment of Start-up Venture Fund (SVF) which aims to provide equity financing to qualified innovative start-up businesses and start-up enablers.

NDC is also involved in the establishment of the Leyte Ecological Industrial Zone covering an area of about 1,000 hectares to cater to the copper industry and other related manufacturing and service businesses. The project was launched in December 2020.

On Corporate Governance and Best Practices, NDC passed the 3rd repeat audit (re-certification) of its ISO 9001:2015 which was conducted by TUV SUD.

MAJOR FINANCIAL HIGHLIGHTS

NDC has a healthy financial position where NDC's 2020 Total Assets amounted to ₱ 23.205 Billion, Liabilities totaled to ₱ 5.779 Billion while Equity was valued at ₱ 17.426 Billion.

NDC's Total Comprehensive Income for the year 2020 amounted to ₱ 1.64 Billion with Gain from Changes in the Fair Market Value (FMV) of Investment Property, net of deferred tax, accounting for 96.1% of the Comprehensive Income. The Gain refers to the net increase in the fair value of investment properties consisting of 51 parcels of land and 4 buildings located in various cities and municipalities across the country.

NDC's PROTECTION PROGRAM TO EMPLOYEES AGAINST COVID-19

The NDC Management instituted safety protocols in the NDC Building to avoid the contamination of COVID-19. These include the installation of acrylic dividers on employees' workstations / tables, regular disinfection of the building, procurement of face masks and face shields for use of all employees and service personnel, use of Online Apps for meetings, seminar on mental health, and adopting skeleton force and work from home arrangements.

2021 OUTLOOK FOR NDC

NDC will continue to support the priority agenda of the government vis a vis pursue its investment mandate.

NDC has set its sight towards the launching of the Start-up Venture Fund in November 2021. This would provide funding to qualified start-up businesses particularly in the area of technology innovation. A breakthrough for NDC, continuous collaboration and coordination with various interested potential investment partners and start-up beneficiaries are in the offing.

Local vaccine manufacturing_is high in the list of priority ventures of NDC with agreements to be executed with various prospective proponents in 2021. NDC is likewise involved in two industrial projects, the development of its 19.17 ha. Property in Dasmarinas, Cavite and the establishment of the Leyte Ecological Industrial Zone covering an area of 10 sq.km. to cater to the industries seeking an ecological zone.

Also, in NDC's pipeline are the establishment of a commercial multi-purpose gamma irradiation facility, promotion of a clean environment through the conversion of plastic waste to diesel facility, and the production of biomass from napier grass for use of powerplants.

It is in NDC’s strategic plan to optimize the economic value of its land assets thus a road map for the disposition of NDC properties have been developed.

The pandemic can bring out the best in each and everyone of us. I encourage everyone in the organization to exemplify the core values of passion, integrity and commitment to attain NDC’s mission of enabling industry development and spurring local economies.

Ma. Lourdes F. Rebueno
General Manager

CORPORATE PROFILE

HISTORY

The National Development Company (NDC) is one of the oldest companies in the Philippines commencing on March 10, 1919 via Legislative Act 1248. NDC's first name was "Compania de Fomento Nacional".

On November 30, 1936, NDC was made a state-owned company via Commonwealth Act 182, which also gave its present name. It was mandated to function as the government's investment arm. NDC, developed, financed and implemented pioneering projects vital to the sustainability of the government's structural reforms and economic policies.

Two years later on January 9, 1938, Commonwealth Act 311 expanded NDC's power and gave it another 25-year corporate life, while allowing it to engage in the development of natural resources. A P 50-million capital base was allocated. Added to its original objectives was the engagement in enterprises necessary for economic development, or more significantly which private capital was unwilling to venture into.
With its new capital base and objective, NDC was instrumental in the birth and growth of the shipping and aviation industries in the Philippines; it made possible the manufacture of the first light bulbs in the country, invigorated the steel industry, and pioneered copper smelting and phosphate fertilizers among others. NDC opened the nation's first cement firm, practically establishing the industry. It organized the first textile firm, the first sugar refinery, and the first space communications company. It led the way in low-cost housing, established agricultural plantations, built warehouses, set up lumber and paper mills, and conducted groundbreaking surveys of oil, iron ore, guano, marble, coal, and other minerals.

In the '50s and '60s, despite huge organizational losses, it ventured into new industries to pave the way for private enterprises participation. Among these was the exploration of the feasibility of a ceramic sanitary ware plant, expansion of the Philippine merchant marine industry, a urea fertilizer in Negros, a synthetic fiber plant for clothing materials to blend with ramie, laterite ores to be processed on 2,500 hectares of leased lands in Surigao, among others. The decade also marked NDC's entry into pineapple production, the first for the government with the lease of 8,195 hectares of land in Bukidnon to Philippine Packing Corporation. In the '50s, Three Philippine presidents have served on the NDC Board: Sergio Osmeña, Elpidio Quirino, and Manuel Roxas. In the '70s and '80s, it harnessed considerable capital and influence to grow big industries and establish regional endeavors, while funneling investments into the work of small- and medium-sized entrepreneurs. On March 7, 1975, via Presidential Decree 886, its authorized capital was raised to ₱ 200 M and its corporate life extended for 25 more years from January 1976 as well as powers to act in behalf of the government. One of these powers was to acquire, hold, develop and dispose all lands that had been acquired by Americans according to the Laurel-Langley Parity Agreements which expired in 1974.

The reorganization of NDC in 1979 (NDC revised charter, PD 1648) enabled the company to provide capital and managerial expertise for projects and enterprises it has undertaken. PD 1648 increased NDC's capital stock to ₱ 10.0 Billion and empowered the company to exist for 50 years from 1979 and deemed renewed for an equal period. This also realigned NDC's strategic role to the government's priorities in achieving its target of industrial development. The role was based on three (3) premises: First, the company being assisted had to be a viable undertaking; second, with the provision of managerial expertise, NDC was viewed not just a portfolio investor but as an active participant or steward. And third, once the rehabilitation of the company was accomplished, NDC was to sell its interest in the company to the private sector.

Over the years, NDC has evolved and has succeeded in this role, as it has had a hand in establishing several companies which were at the forefront in their respective industry. Some of these are: Philippine Airlines, Philippine Electrical Manufacturing Company, National Power Corporation, Philippine Communication Satellite, Philippine National Lines, Manila Gas Corporation, National Housing Authority, Philippine Packing Corporation and Dole Philippines.

NDC is a resilient organization adapting well to change and new development if demanded by the need for growth and new environment. It embraced the call of Proclamation 50 issued in 1986 by then President Corazon Cojuangco Aquino. NDC's rose to the challenges of the directives through a successful privatization and disposition programs. NDC earned some P 4.0 Billion from the total privatization program proceeds amounting to P 14.0Billion from 22 companies. The aggressive stance of President Fidel V. Ramos' privatization and industrialization was complemented by NDC ventures in the industrial estate which pioneered its development in the country. With the thrust of President Joseph E. Estrada to promote agriculture and self-sufficiency in rice production, NDC embarked on, Economic Recovery through Agricultural Productivity (ERAP) program. NDC's was empowered to generate funds through bonds issuances under Executive Order (EO) No. 83 issued in 1998.

In 2003, NDC was reorganized under EO 184. The reorganization was necessary for NDC to fulfill its new mandate, of providing equity investment in pioneering development-oriented projects. The new mandate paved the way for NDC to become a critical player on the economic team behind President Gloria Macapagal Arroyo's Medium Term Development Program of 2004-2010. NDC's integral role was defined under the program's infrastructure development, expansion of the strong republic nautical highway and alternative fuel development, while giving Filipinos greater access to health care and educational facilities, irrigation systems and other benefits.

For more than a century, NDC has led by example, changing with the times, but never veering away far from its mission. Today, that mission includes identifying the supply chain gaps and reaching out to diversified projects for optimum financial, economic and social benefits. It has been and continues to, be an excellent working environment for competent professionals and economic innovators. And as the pursuit for sustainable economic development takes a new direction anchored on good governance towards inclusive growth.

Today, NDC is working with the private sectors to pursue its investment mandate identified in its strategic roadmap. NDC remains constant, relevant and efficient, playing its key role that is central and yet always subservient to the bigger picture, that is the nation's progress.

MANDATES

PD 1648 (Revised Charter)

NDC is mandated to pursue commercial, industrial, agricultural or mining ventures in order to give the necessary impetus to national economic development. NDC, may on its own, or in joint venture with the private sector, undertake vital projects when necessary or when the private sector is not willing or able to undertake such projects due to high risks or to lack of funds/resources.

Executive Order No. 83

(Strengthening the Enforcement of the Agri-Agra Law and Launching of the NDC "AA" Bonds for Rural Development) – Authorized NDC to undertake the issuance of NDC Agri-Agra Bonds in the total amount of ₱ 50B for the development of the agriculture and agrarian sectors.

Executive Order No. 530

(Authorizing the NDC to Issue Bonds under Executive Order 83, Series of 1998 for the pump-priming activities and other projects of the government) – The EO strengthens NDC's authority to issue bonds under EO 83 Series of 1998, and expanded the utilization of the bond proceeds to include the economic pump-priming activities/projects of the government-owned and controlled corporations (GOCCs) and any other projects designed for economic growth and poverty alleviation.

Executive Order No. 824

Authorizing the National Development Company (NDC) to issue Bonds for Infrastructure Projects.

Executive Order No. 824-A

Amending Executive Order No. 824 authorizing the National Development Company to Issue Bonds for Infrastructure Projects to include projects for Rehabilitation and Reconstruction of Government Infrastructure Facilities damaged or destroyed by Typhoons "Ondoy" and "Pepeng".

OUR VISION

NDC is the Philippine's leading state-owned enterprise investing in diverse industries, serving as an effective catalyst for inclusive growth.

OUR MISSION

Enabling industry development, spurring local economies

CORE VALUES

Passion. Integrity. Commitment. Excellence. Financial Prudence

CORPORATE PHILOSOPHY

We are committed to fulfill NDC's vital role in the over-all economic development of the country.
We advocate excellence, teamwork, and accountability to advance the interests of our stakeholders.
We will invest in our human capital as it is our most valuable resource.

QUALITY POLICY

We are committed to serve as a reliable partner of both public and private sectors in sustaining the country's socio-economic development efforts. To uphold this commitment, we shall:

1. Continuously invest in strategic priority areas that will sustain our fund generation activities;
2. Practice prudence in handling corporate resources to warrant maximum public impact;
3. Establish mechanisms and procedures that reinforces learning, continual improvement and risk-based thinking;
4. Ensure business plan continuity, responsiveness and transparency in accordance with NDC's code of corporate governance;
5. Advocate excellence, accountability, and teamwork to advance the interest of our stakeholders; and;
6. Invest in our human capital as it is our most valuable resource

BOARD OF DIRECTORS

Sec. Ramon M. Lopez
Chairman
Department of Trade and Industry

Sec. Carlos G. Dominguez III
Department of Finance

Gov. Benjamin E. Diokno
Bangko Sentral ng Pilipinas

Sec. Alfonso G. Cusi
Department of Energy

Sec. Roy A. Cimatu
Department of Environment and Natural Resources

Chairman, Alberto G. Romulo
Development Bank of the Philippines

Usec. Ceferino S. Rodolfo
Managing Head
Board of Investments

Sec. Wendel E. Avisado
Department of Budget and Management

Mr. Felicisimo M. Nacino Jr.
Representative
Private Sector

Ms. Ma. Lourdes F. Rebueno
General Manager
National Development Company

MANAGEMENT

Ma. Lourdes F. Rebueno
General Manager

Saturnino H. Mejia
Assistant General Manager

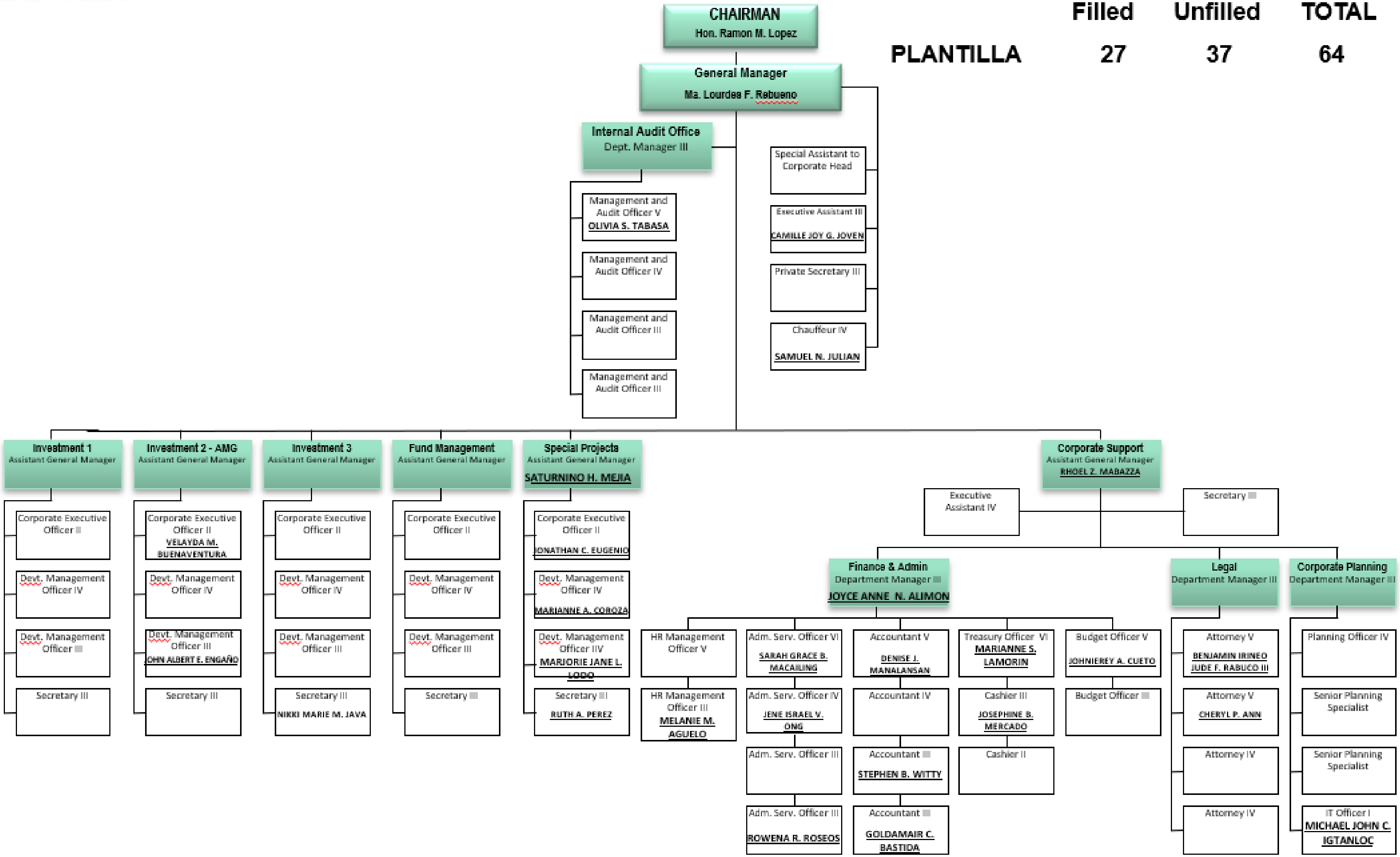
Atty. Rhoel Z. Mabazza
Assistant General Manager
Corporate Secretary

Joyce Anne N. Alimon
Department Manager III

ORGANIZATION STRUCTURE

NDC ORGANIZATIONAL STRUCTURE

	Filled	Unfilled	TOTAL
PLANTILLA	27	37	64



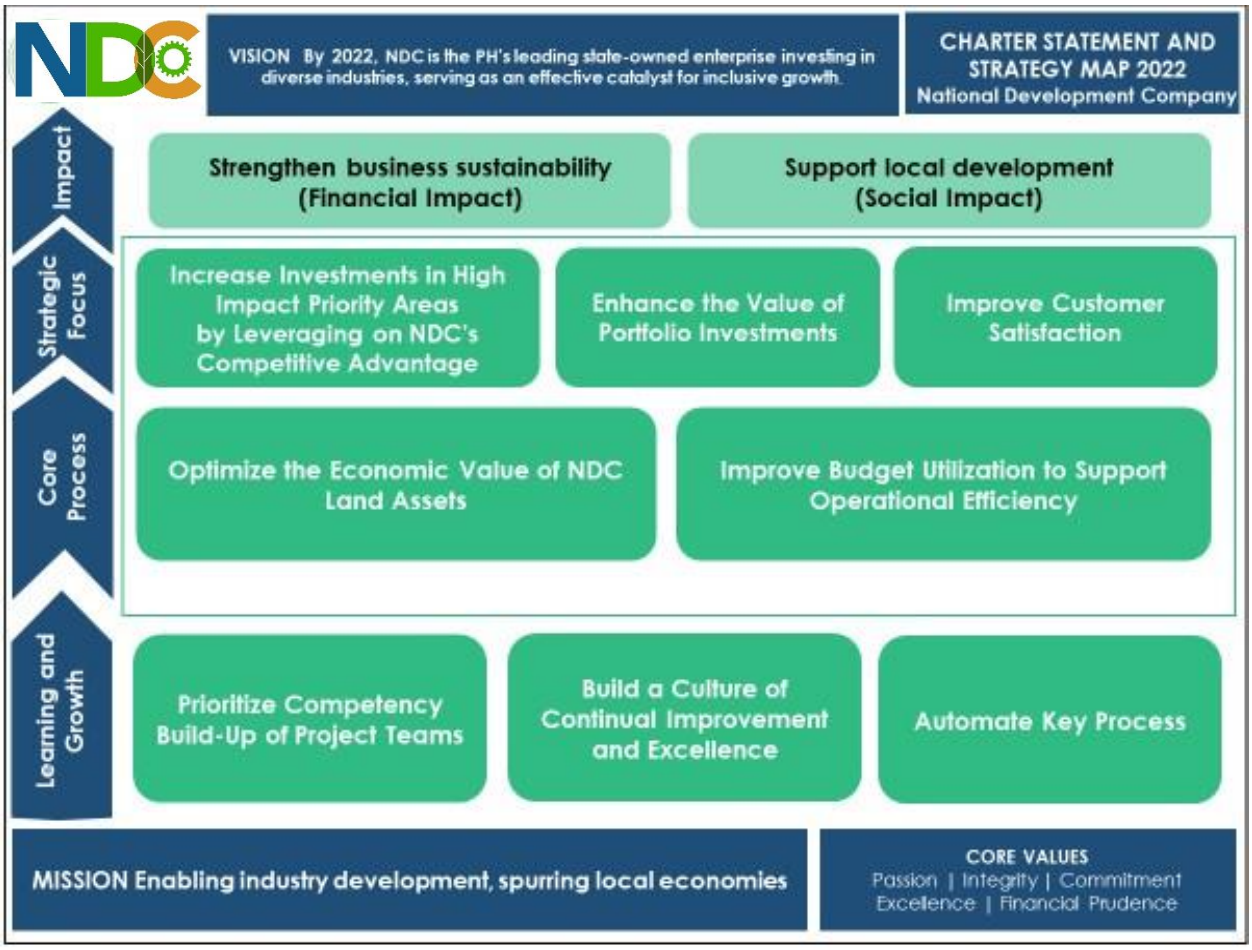
National Development Company

GOVERNANCE STRATEGY

NDC has adopted the Performance Governance System (PGS) and has already passed the third stage, Proficiency. The PGS provided the agency with the framework to re-assess its purpose priority investment areas, processes and the agency as a whole. It likewise articulates the parameters for setting corporate goals, aligned with the those of the various planning platforms of the government including NEDA's Ambisyon 2040 and DTI's plans and programs.

One of these parameters is the agency's strategy map. It shows how NDC creates value by connecting its strategic objectives in explicit cause and effect relationship using the four (4) perspectives of the balanced scorecard: impact, strategic focus, core process, and learning and growth. In the process, the agency clarifies its business proposition determining both its value-added through its core processes, and the value of intangible asset anchored on its strategic themes of investing in development and prioritizing organizational efficiency and governance.

The Strategy Map of NDC has been reviewed and approved by its Board of Directors and the GCG.



For 2020, NDC submitted to the Governance Commission for GOCCs (GCG) an adjusted rating of 99.64% in its 2020 Performance Scorecard. The rating is still subject to evaluation of the GCG.

NATIONAL DEVELOPMENT COMPANY (NDC)
RECALIBRATED

	COMPONENT					ANNUAL TARGET	AS OF DECEMBER 2020	
	STRATEGIC OBJECTIVE (SO) / STRATEGIC MEASURE (SM)		FORMULA	WEIGHT	RATING SYSTEM		ACTUAL	RATING
IMPACT	SO 1	Strengthen Business Sustainability (Financial Impact)						
	SM 1	Return on Equity	Net Income / Stockholder's equity adjusted	25%	(Actual / Target) x Weight	4.19%	5.15%	25%
	SO 2	Support Local Development (Social Impact)						
	SM 2	Cumulative Number of Local Jobs Generated by the Projects / Investment	Number of local jobs generated per operational support	5%	(Actual / Target) x Weight 0% = if less than the 2019 Actual	2019 Actual + 50 new jobs	1,243 new jobs	5%
			Sub-total	*30%*				30%
STRATEGIC FOCUS	SO 3	Increase Investments in High Impact Priority Areas by Leveraging on NDC's Competitive Advantage						
	SM 3	Cumulative value of Investments	Value of projects at the Pre-FS stage approved by MANCOM	15%	(Actual / Target) x Weight	₱ 1.5 Billion	₱ 1.489 Billion	14.89%
	SO 4	Enhance the Value of Investments Portfolio						
	SM 4	Return on Investments	Amount of dividends received / Total Investments excluding companies for dissolution and pre-operating companies	10%	(Actual / Target) x Weight	6.78%	42.72%	10%
	SO 5	Improve Customer Satisfaction						
	SM 5	Percentage of Satisfied Customers	Number of respondents who rated at least Satisfactory / Total number of survey respondents	5%	(Actual / Target) x Weight 0% = if below 80%	100%	95%	4.75%
			Sub-total	*30%*				29.64%

	COMPONENT					ANNUAL TARGETS	AS OF DECEMBER 2020	
	STRATEGIC OBJECTIVE (SO) / STRATEGIC MEASURE (SM)		FORMULA	WEIGHT	RATING SYSTEM		ACTUAL	RATING
CORE PROCESS	SO 6	Optimize the Economic Value of NDC Land Assets						
	SM 6	Income from Asset Management	Amount of Lease Income and Sales Proceeds Collected	15%	(Actual / Target) x Weight	₱ 190.16 Million	₱ 204 Million	15%
	SO 7	Improve Budget Utilization to Support Operational Efficiency						
	SM 7	Budget Utilization Rate	Total amount of cash disbursements / Total budget for the year	10%	92% - 100% = 10% 80% - 91% = 5% Less than 80% = 0% More than 100% = 0%	>91%	97%	10%
			Sub-total	*25%*				25%
LEARNING AND GROWTH	SO 8	Prioritize Competency Build-up of Project Teams						
	SM 8	Improvement in the Competency Level of the Organization	Actual Accomplishment	5%	All or Nothing	Improvement in the Competency Baseline of the Organization	Improved	5%
	SO 9	Build a Culture of Continual Improvement and Excellence						
	SM 9	ISO Certification	Actual Accomplishment	5%	All or Nothing	Recertification to ISO 9001:2015 Standards	Recertified	5%
	SO 10	Automate Key Process						
	SM 10	Information Technology Systems Implemented	Number of projects completed based on the deliverables per ISSP / Total number of 2020 deliverables per 2020 – 2021 ISSP submitted to DICT	5%	(Actual / Target) x Weight	100% Completion of the 2020 ISSP Deliverables as submitted to DICT	100%	5%
			Sub-total	*15%*				15%
			TOTAL	**100%**				**99.64%**

INVESTMENTS

Davao Food Terminal Complex (DFTC) Formerly Agri Pinoy Trading Center (APTC)

NDC and the City Government of Davao (CG-Davao) entered into an agreement for the use of a 5-hectare portion of NDC's property in Barangay Daliao, Toril District, Davao City, as site for the Davao Food Terminal Complex (DFTC) formerly known as the Agri Pinoy Trading Center (APTC).

It is a food terminal facility constructed as venue to ensure timely marketing of wholesale fresh produce, primarily fruits and vegetables that will benefit both the producers and the consumers.

Gamma Irradiation Facility

Multipurpose Gamma Irradiation Facility is a facility used to kill or prevent the multiplication of microorganisms in food, medical products, cosmetic raw materials and packaging.

NDC Industrial Estate

Development of the 19.2-ha. NDC-owned property at Barangay Langkaan, Dasmariñas City, Cavite into an industrial estate to be registered with the Philippine Economic Zone Authority (PEZA) as Special Economic Zone. NDCIE may host both Export Market Enterprises (EMEs) and Domestic Market Enterprises (DMEs) registered with PEZA as locators.

Leyte Ecological Industrial Zone (LEIZ)

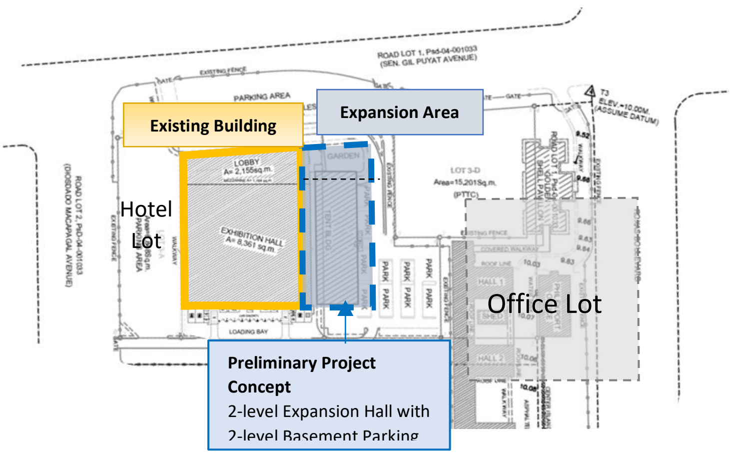
The LEIZ project, formed from the need for expansion given the limited land area within LIDE, is part of the plans in the Copper Industry Roadmap, which aims to develop a copper industry cluster in Leyte. This targets to promote the integrated development and competitiveness of copper and other related industries in the region.

LEIZ is proposed to be established in various towns near Leyte Industrial Development Estate (LIDE) located in Isabel, Leyte, and will comprise three zones – LEIZ Core (Isabel and Merida, Leyte), LEIZ North and LEIZ South. Some potential locators in the zone are those in the field of copper wire rod casting facility, downstream copper industry (i.e. copper wire producers, major industrial concerns that need power) and port facilities (i.e. steel and copper-using industries).

Startup Venture Funding (SVF)

With the passage of the Innovative Startup Act and its IRR, DTI, in coordination with NDC is mandated to create the necessary guidelines that will govern SVF. Said agencies shall also be responsible in facilitating the said funds, ensuring its effective management and utilization.

The program aims to provide equity funding and other necessary assistance for innovative startup businesses in the Seed to Series B stages, by either co-investing with accredited venture capital (VC) partners or through investment in VC Funds.



Manila Exposition Complex, Inc. (MECI)

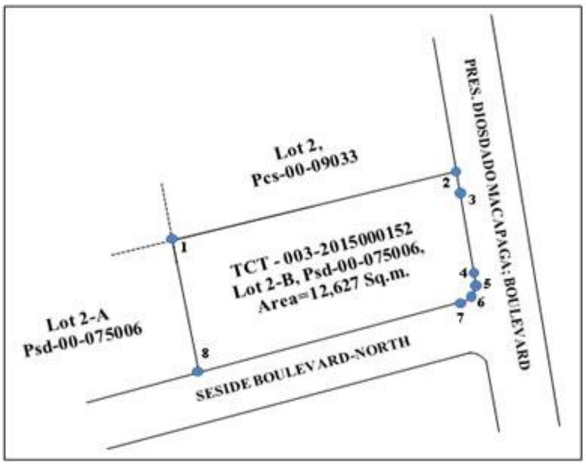
Expansion of the World Trade Center Metro Manila (WTCMM) in Pasay City

Development of a Vaccine Manufacturing Facility

Given the current pandemic, the government and private entities recognize the urgent need to establish a local vaccine manufacturing facility in the country. This does not only ensure that necessary vaccines are readily available when needed since there is a guaranteed local source, but also enables the country to achieve self-sufficiency and less reliance on importation and external supply availability. With this, NDC currently has ongoing discussions with DOST, BOI and the private sector, among others, to explore potential collaborations in establishing fill and finish facilities, and eventually, bulk vaccine production plants.

Macapagal Property

The NACCP Building project is envisioned to accommodate all major functional groups, bureaus, attached agencies and corporations of the Department of Trade and Industry (DTI) currently operating in different buildings within Metro Manila.



Equipped with modern facilities and smart building design, the vision is to facilitate seamless transactions for all DTI clients, either domestic or foreign investors by having all programs and frontline services of different functional groups and bureaus under one roof.

Along with enhanced government trade transactions, the area's efficiency will eventually be boosted by facilities where trading, promotional events and other special activities can be conducted. An area will be reserved to business locators interested to conduct trade alongside showcases of Philippine products promoted by DTI while perennial trade fairs, conferences, and other functions can be accommodated in a strategically located and modern investment/trade hall.

Rizal Hydro Power Project

The Rizal Mini-Hydropower is located at the Pampanga River Irrigation System Main Canal (PRISMC) which is the downstream of the Rizal Diversion Dam in Nueva Ecija. It has a design discharge capacity of 30 cms with an irrigation service area of 12,412 hectares. The project is expected to generate at least 1-MW of power to be supplied to the Luzon Grid.

Solar Hybrid System

Establishment of a hybridized solar photovoltaic (PV) and diesel power plant with battery storage on off-grid, missionary and last mile communities in Palawan. This project aims to support DOE's QTP electrification program to achieve total electrification of remote areas and provide sustainable, stable, secure, sufficient, accessible and reasonably-priced electricity.

NDC SUBSIDIARIES AND AFFILIATES

SUBSIDIARIES

Batangas Land Company, Inc.	6/F NDC Bldg., 116 Tordesillas St., Salcedo Village, Makati City
First Cavite Industrial Estate, Inc.	6/F NDC Bldg., 116 Tordesillas St., Salcedo Village, Makati City
GY Real Estate, Inc.	6/F NDC Bldg., 116 Tordesillas St., Salcedo Village, Makati City
Kamayan Realty Corp.	6/F NDC Bldg., 116 Tordesillas St., Salcedo Village, Makati City
Phil. International Trading Corp.	5/F NDC Bldg., 116 Tordesillas St., Salcedo Village, Makati City
Pinagkaisa Realty Corp.	6/F NDC Bldg., 116 Tordesillas St., Salcedo Village, Makati City

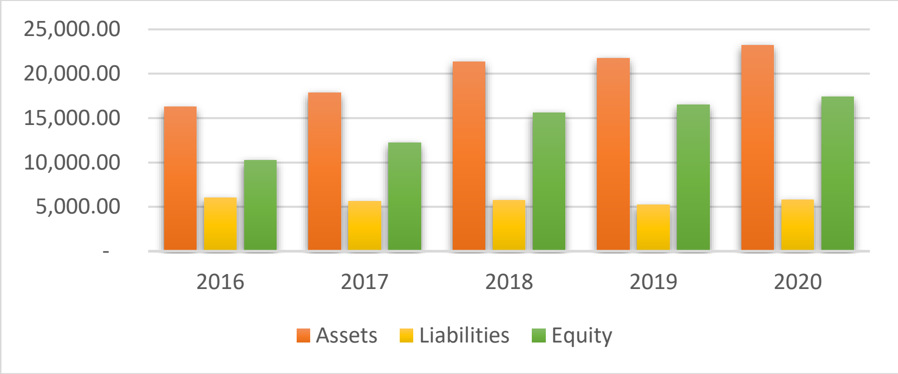
AFFILIATES

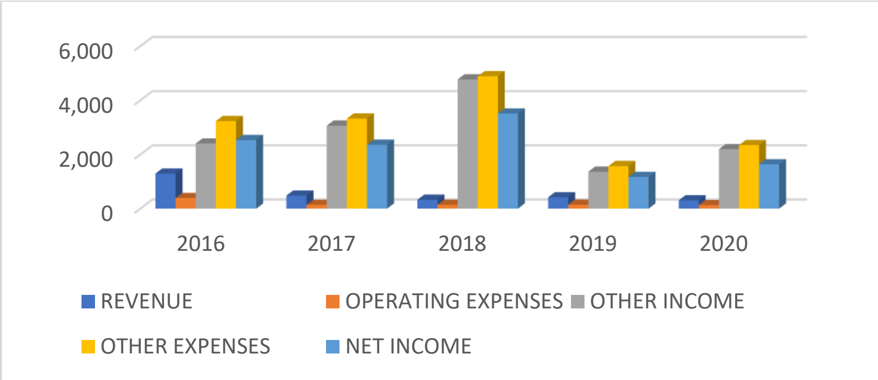
Asean Bintulu Fertilizer	18th KM, TajungnKidurong, PO Box 482, 97008 Bintulu, Sarawak, Malaysia
LIDE Management Corp.	6/F NDC Bldg., 116 Tordesillas St., Salcedo Village, Makati City
Manila Exposition Complex, Inc.	WTCCM Bldg., Sen. Gil Puyat Ave., cor. D. Macapagal, Pasay City
Phil. Mining Development Corp.	2904 B West Tower, Philippine Stock Exchange Center, Pasig City
Philippine Pharma Procurement, Inc.	Penthouse NDC Bldg., 116 Tordesillas St., Salcedo Village, Makati City
San Carlos Bio-Energy, Inc.	1207 Security Bank Center, 6776 Ayala Avenue, Makati City
Science Park of the Phils.	15th/F PS Bank Center, 277 Paseo de Roxas, Makati City

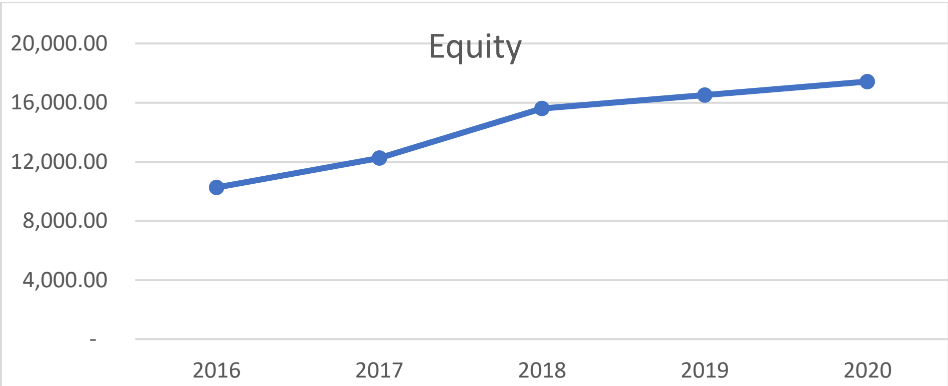
JOINT VENTURE

Rizal Hydro Power Project	Rizal, Nueva Ecija

FINANCIAL PERFORMANCE 2016-2020







Fund Generation

1	Lease Income	₱	187.685 Million
2	Interest Income	₱	115.581 Million
3	Dividend Income	₱	2.847 Million
4	Management Fees	₱	140 Thousand

TRANSPARENCY, GOVERNANCE AND BEST PRACTICES

Corporate Governance

It is the policy of the National Development Company (NDC) to actively promote and pursue corporate governance reforms and to consciously observe principles of accountability and transparency. The Board of the Directors approved its Manual of Corporate Governance on June 11, 2015, as a conscious attempt to significantly enhance the corporate organization of NDC to make it a valuable development partner of the government in national development and to make it a corporation that is competitive both locally and globally.

COMMITMENT TO PRINCIPLES OF GOOD CORPORATE GOVERNANCE

1. **NDC as an active partner of the government in national development**. NDC acknowledges that its corporate organization is essential to the performance of its functions as an active development partner of the government in promoting national socio-economic development. Such functions include equity investments, project financing and fund generation activities in development-oriented projects to catalyze private sector involvement in the creation of wealth necessary to support vital government initiatives and priorities.

2. **Governing principles of good corporate governance of NDC.** NDC corporate governance is governed by the following principles:

   2.2 NDC shall promote transparency, accountability and fairness, and its business shall be conducted strictly in accordance with the rule of law and shall be supportive of the primary goals and objectives of the government.

   2.3 Timely and accurate disclosure shall be made on all material aspects and development regarding NDC.

   2.4 **Commitment to institutionalize the principles of corporate governance**. NDC is committed to institutionalize the principles of good corporate governance in the entire organization. The Board of Directors, Management and Employees of NDC equally commit to the principles contained in this Code and acknowledge that this Code will serve as guide in the achievement of corporate goals.

   2.5 **Promotion of corporate governance**. The Board of Directors, Management and Employees believe that good corporate governance is an integral component of sound strategic business management and of transparency and accountability in public corporate governance, and will therefore undertake every effort necessary to create awareness within NDC.

   2.6 **Commitment to ensure Corporate Sustainability and Accountability**. The Board of Directors, Management and Employees shall ensure that efforts to enhance the value of the Company and the long term viability and optimization of Company resources will at all times be promoted. To this end, a conscious effort shall be observed in reducing all forms of risks, including those that affect the environment and society. A proper asset management, risk management and compliance management system shall be formulated and implemented to ascertain the sustainability of the Company.

The Board of Directors ensures compliance to good corporate governance in NDC. It acts in the interest of NDC and effectively monitors Management actions in performing its mandate in accordance with the NDC Revised Charter.

ISO 9001:2015 Re-Certification

NDC fulfilled the ISO 9001:2015 re-certification requirements on the Provision of Equity Investment, Project Financing, Asset Management, Fund Management and Support Services conducted by TUV SUD on June 17, 2020 valid until 2023-07-17. Please see attached ISO 9001:2015 Certificate.

ZERTIFIKAT ◆ CERTIFICATE ◆ 認證證書 ◆ СЕРТИФИКАТ ◆ CERTIFICADO ◆ CERTIFICAT

CERTIFICATE

The Certification Body
of TÜV SÜD Asia Pacific TÜV SÜD Group

certifies that

NDC
NATIONAL DEVELOPMENT COMPANY
Enabling the future.

NATIONAL DEVELOPMENT COMPANY
NDC Bldg., 116 Tordesillas St., Salcedo Village
PH-1227 Makati City

has established and applies
a Quality Management System for

Provision of Equity Investment, Project Financing, Asset Management, Fund Management and Support Services

An audit was performed, Report No. 724612489.

Proof has been furnished that the requirements according to

ISO 9001:2015

are fulfilled. The certificate is valid from 2020-07-18 until 2023-07-17.

Certificate Registration No.: TUV 100 05 1929

2020-06-24

Certification Body
of TÜV SÜD Asia Pacific
TÜV SÜD Group

JAS-ANZ IAF

TÜV SÜD Korea Ltd. • 29F, Two IFC, 10 Gukjegeumyung-ro, Yeongdeungpo-gu • Seoul, 07326 • Korea

Accreditation by the Joint Accreditation System of Australia and New Zealand, URL www.jas-anz.org/register

TÜV®

Scoreboard Design Contest

A unit scoreboard is an organized set of performance measures, grouped according to various aspects of the execution plan of the Breakthrough Goals. It becomes the means for making success tangible and concrete. It also accounts for two kinds of success in all the workgroups' activities: the operational success on current work and strategic success in preparing for tomorrow.

On February 18, 2020, NDC conducted the Scoreboard Design Contest.

PRAISE Awards

In recognition of innovative, creative and productive performance of NDC's officers and employees for the year 2019 and in accordance with NDC's Enhanced Program on Awards and Incentives for Service Excellence (PRAISE) approved by the Civil Service Commission on September 29, 2016, the PRAISE Committee conducted the PRAISE Awards on March 6, 2020.

Customer Satisfaction Survey

NDC achieved its target of receiving an overall rating of at least satisfactory from 95% of its primary customers. Compared to 2019, there was a slight increase in the average overall level of satisfaction among primary customers brought about by the improvement in the level of satisfaction among lessees.

Qualitative narrative information that were used to support ratings under overall satisfaction are still driven by the positive feedback on interaction with NDC officers and staff due to their responsiveness and prompt action. There were minimal negative feedback which circled on issues of limited manpower, outdated facilities and weak website functionality. It should be noted however that perhaps due to the pandemic at the time of the study, there was an increased attention to the online presence and capability of NDC. Among the cited issues were the online issuance of billing statements and the increase in functionality of the NDC website links and the increase of online presence to promote NDC and market its programs.

The quantitative analysis (through correlation and scatterplot) confirm that maintenance or improvement of staff performance, facilities and communication from NDC are the highest rated (core strength of NDC) which also happen to be the most significant contributors to overall level of client satisfaction.

When it came to stakeholders other than the primary customers, NDC received an even higher level of average overall satisfaction ratings. Based on the results of ratings on the service attributes determined by NDC, the higher rating can be attributed to the transparent and responsive interaction with the stakeholder that is focused on the development stage of a JV investment or Leasing engagement.

GENDER AND DEVELOPMENT

National Women's Month

On March 6, 2020, NDC Celebrated the National Women's Month under the banner theme, "We Make Change for Women".

ANNUAL GAD PLAN AND BUDGET
Accomplishment Report

FY 2020

Organization: National Development Company					**Organization Category:** National Government, GOCC with Budgetary Support
Organization Hierarchy: Department of Trade and Industry, National Development Company					
Total Budget / GAA of Organization:	231,087,305.89				
Total GAD Budget	1,803,000.00	**Primary Sources**	1,803,000.00		
		Other Sources	0		
% of GAD Allocation:	0.78%				

GENERAL COMMENTS Philippine Commission on Women December 19, 2019	Dear NDC, Kindly see comments in Row 5. I suggest that you consider the recommendations cited in the comments. Kindly also identify the signatories of this document at the bottom part of this document. Please note that your GAD Allocation is way below the minimum 5% of your GAA. Hence, may I recommend that you include Gender Analysis trainings especially the application of the Harmonized GAD Guidelines (HGDG) under the Organization Focused section of your GAD Plan. Kindly return this document to PCW within 15 days. Thank you.

	Gender Issue / GAD Mandate -1	Cause of Gender Issue -2	GAD Result Statement / GAD Objective -3	Relevant Organization MFO / PAP or PPA -4	GAD Activity -5	Performance Indicators / Targets -6	GAD Budget -7	Source of Budget -8	Responsible Unit Office -9
CLIENT-FOCUSED ACTIVITIES									
1	RA 9710 Section 12 on Protection from Violence	Lack of awareness by stakeholders on issues on violence against women	To increase awareness of stakeholders on issues on violence against women.	Gender and Development Awareness and Advocacy	Participation in celebration of the 18-Day Campaign to End Violence Against Women	Hanging of tarpaulin in celebration of the 18-Day Campaign to End Violence Against Women- Hanging of tarpaulin during campaign period - Increased awareness by stakeholders on issues on violence against women	3,000.00	GAA	GFPS, GAD Secretariat, HR Unit

2	RA 9710 Section 26 on Right to Livelihood, Credit, Capital and Technology and Section 30 No. 4 on Social Protection, DOLE, DTI and their attached agencies, DSWD, LGUs and other similar agencies shall sustain labor market programs to create employment and alternative livelihood following decent work standards as provided in the rules and regulations with adequate resources to prevent or mitigate effects of sudden loss of income such as emergency employment	Lack of awareness of women's association investors/stakeholders on their role to nation-building and development through Gender and Development Programs	To continuously educate women's association investors/stakeholders on their role to nation-building and development through Gender and Development Programs	Gender and Development Awareness / Advocacy	Conduct of Livelihood Training for Women's association/Investors/Stakeholders in areas where NDC has property i.e. Davao and Palawan, etc.	At least 80% of the women's association / NDC investors/stakeholders participate in the livelihood training in coordination with DTI Regional Office, PCW and other line agencies in Davao and Palawan - To continously educate women's association investors/stakeholders on their role to nation-building and development through Gender and Development Programs	1,000,000.00	GAA	GFPS, GAD Secretariat, HR Unit
				ORGANIZATION-FOCUSED ACTIVITIES					
3	Difficulty in identification of gender issues/concerns and in preparation of GAD Plan and Budget.	Lack of awareness of NDC Officers and Employees about Gender and Development Programs	To enhance knowledge of NDC Officers and Employees about Gender and Development Programs	Gender and Development Awareness / Advocacy	Attendance/ participation to various GAD Activities by other government agencies (Gender Sensitivity Training Level II, Gender Mainstreaming)	At least 80% of NDC employees will participate and join the programs and activities initiated by PCW, CSC, DTI and other government agencies - To enhance knowledge of NDC Officers and Employees about Gender and Development Programs	200,000.00	GAA	GFPS, GAD Secretariat, HR Unit
4	Conduct of activities in observance of the National Women's Month Celebration	Lack of awareness of the NDC Employees on women's issues and concerns	To increase awareness of the NDC Employees on women's issues and concerns	Gender and Development Awareness and Advocacy	Observance of the Women's Month Celebration	Observance of the Women's Month celebration - Increase awareness of the NDC Employees on women's issues and concerns	100,000.00	GAA	GFPS, GAD Secretariat, HR Unit
5	Semestral GAD Focal Point System Executive Committee Meeting & GAD Point System TWG Meeting	Lack of monitoring of GAD Plan and Accomplishments	To monitor GAD Plan and Accomplishments To discuss GAD-related issues related	Semestral Conduct of Meeting, HGDG	Conduct of Meetings	Number of meetings conducted, issues discusss and resolve plans and accomplishments discussed - Monitoring of GAD Plan and Accomplishments Discussion of GAD-related issues related to programs and organizations	100,000.00	GAA	GFPS, GAD Secretariat, HR Unit

			to programs and organizations						
6	Awareness about the latest GAD Budget and Programs	NDC's lack of knowledge on GAD Budget and Programs	To enhance NDC's knowledge about GAD Budget and Programs	Gender and Development Awareness / Advocacy	5th GAD Budget Forum & Annual GAD Convention	Number of employees who will attend the forum - To enhance NDC's knowledge about GAD Budget and Programs	50,000.00	GAA	GFPS, GAD Secretariat, HR Unit
7	Section 3.6 letter A of the Magna Carta for Women on planning, budgeting, monitoring and evaluating for GAD	Need to prepare for GAD Plan and Budget to provide for inclusive and gender responsive programs for women and men.	To make NDC Officials and employees gender-sensitive and gender advocates	Gender and Development Awareness / Advocacy	GAD Planning and Budgeting Workshop for CY 2021-2022	Approved GAD Plan for 2021-2022 and implementation thereof - To make NDC Officials and employees gender-sensitive and gender advocates	300,000.00	GAA	GFPS, GAD Secretariat, HR Unit
						SUB-TOTAL	1,753,000.00	GAA	
						TOTAL GAD BUDGET	1,753,000.00		

DIVIDENDS

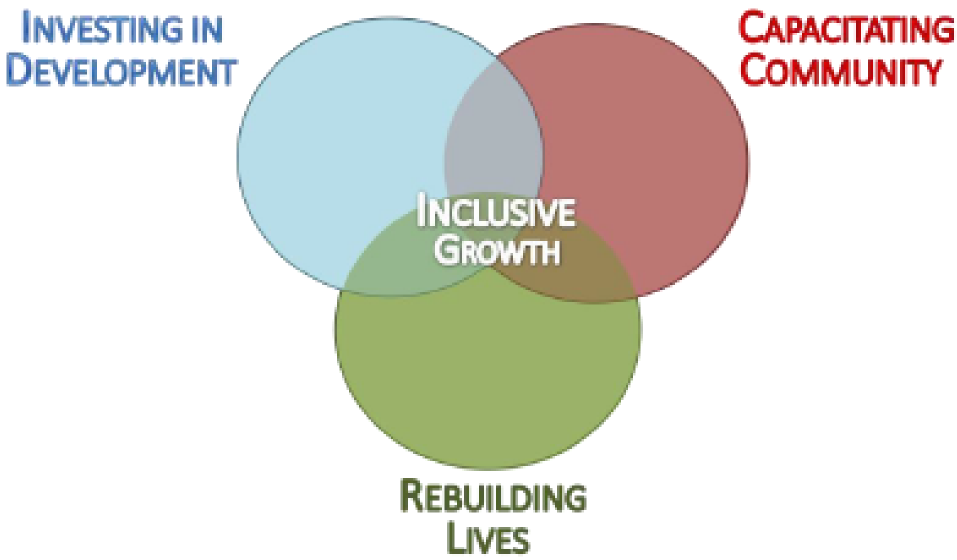
Pursuant to Republic Act (RA) No. 11469, otherwise known as the “Bayanihan to Heal as One Act” and RA 7656, otherwise known as the “Dividend Law”, the Department of Finance requested NDC to remit a total amount of Seven Hundred Twenty Million Pesos (₱ 720 Million) in 2020. In compliance with the requests of the Department of Finance and to contribute to the government’s effort to fight the pandemic, NDC remitted dividends to the Bureau of Treasury in the amount of Two Hundred Twenty Million Pesos (₱ 220 Million) on April 6, 2020 and additional Five Hundred Million (₱ 500 Million) on December 15, 2020.

CORPORATE SOCIAL RESPONSIBILITY

The National Development Company is dedicated to deliver its Corporate Social Responsibility through conducting outreach program, educational activities and enabling highly sustainable and economically relevant projects in identified locations in the country. The company has high regards for the underprivileged communities as its one of its main motivation to develop projects that will not only bring profits for the national government but to make way for projects that will uplift the overall living conditions of the Filipino people.

The National Development Company is a socially responsible corporate citizen. It commits to contribute in the attainment of the country's pursuit of inclusive growth.

NDC's Corporate Social Responsibility Model



We Heal as One Center, Las Piñas City

The Department of Public Works and Highways in partnership with City of Las Piñas and in coordination with the National Development Company built a Ligtas III, COVID-19 Quarantine Isolation Facility at the GYREI owned property in Las Pinas City. GYREI is a joint venture between NDC and Goodyear Philippines.

The quarantine/isolation facility is composed of 24 units – 40-footer container vans that has 4 rooms each with complete healthcare amenities, toilets, utilities, and 2 units 20-footer container van that serves as nurse stations, and 1 unit 20-footer container van for x-ray facilities.

This will augment the existing healthcare facilities in Las Piñas City which will definitely help in controlling the spread of COVID-19 in the locality.

COVID-19 RESPONSE

Institution of Safety Protocols Against COVID-19

The NDC Management has instituted safety protocols in the NDC Building to avoid the contamination of COVID-19 as follows:

1. Issuance of Interim Guidelines on Workplace Prevention and Control of COVID-19 in NDC.

2. Procurement of face masks and face shields for use of all employees and service personnel to protect the personnel from COVID-19 and comply with the Makati City Ordinance on mandatory wearing face masks / face shields outside the residence and common areas in the building.

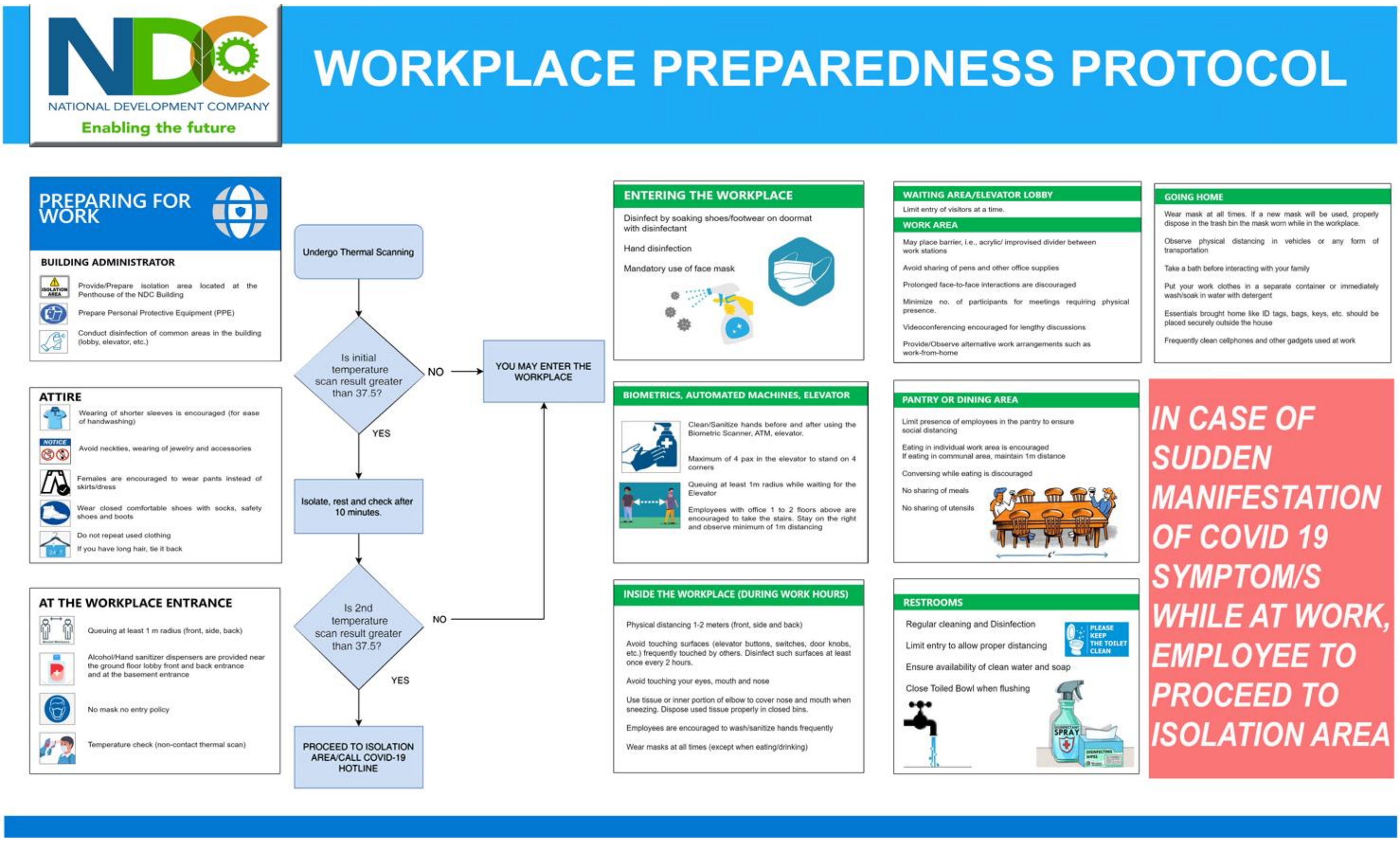
3. Installation of acrylic dividers on employees' workstations / tables.

4. Use of thermal scanners and foot baths at all entry points of the NDC Building to prevent persons with fever and other symptoms of COVID-19 and virus from entering the NDC Building.

5. Regular disinfection of the building (every 2 months), and as necessary.

6. Use of Online Apps for meetings / seminars.

7. Provision of shuttle services for employees during community quarantine.



Membership in Barangay Bel-Air COVID- 19 Quick Response Group (Interaction with the Community)

The Building Administrator of NDC Building joined the Barangay Bel-Air COVID-19 Quick Response Group for Salcedo Village. The group is composed of Building Administrators, Property Managers, Heads of Security, Condominium Board of

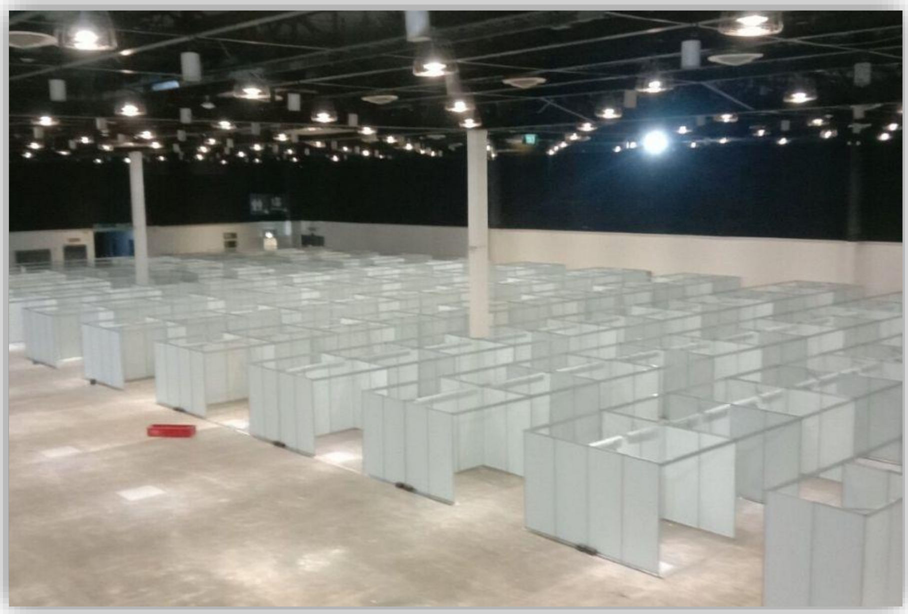
Directors and Barangay Kagawads. The community group was formed as a means for the Barangay to disseminate advisories, discuss issues for resolution, and problem management related to COVID-19. Clusters per locality are formed to handle the current crisis and future disasters.

On September 22, 2020, while the NCR is under GCQ, the group coordinated with Easytrip for the installation of RFID Stickers for the vehicles of companies and residents in Barangay Bel-Air.

Skeleton Force and Work from Home Arrangements

In compliance with the directives of the National Government, NDC Employees including those under contracts of service are on skeleton force and work from home arrangements. Salaries are still paid on time during the community quarantine.

Manila Exposition Complex, Inc. (MECI)



The Manila Exhibition Center Inc., owner of World Trade Center is an affiliate of NDC. The Word Trade Center has opened up its facilities for quarantine of COVID-19 victims.

RISK MANAGEMENT

The risks faced by the National Development Company (NDC) as the investment arm of the government cover a wide range of categories: strategic, financial and operational risks.

Strategic risks	Financial risks	Operational risks
• Funding and Liquidity • Political • Industry	• Investment • Market	• People • Process • Systems • Legal and Regulatory

These risks may become more pronounced in challenging economic and social development contexts.

Risk taking is part and parcel of NDC's business as an investor.

The NDC Management determines the objectives and overall direction of its risk management framework and functions which are approved by its Board of Directors.

The Board of Directors reviews the company's material controls and risk management systems to ensure NDC's adequacy to manage its risks.

AUDITED FINANCIAL STATEMENTS

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

ANNUAL AUDIT REPORT

on the

NATIONAL DEVELOPMENT COMPANY

For the Years Ended December 31, 2020 and 2019

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 (DTI).

The Corporation'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 approved by the President of the Philippines directing the reorganization and streamlining of 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 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 government's shareholder value and adopt control mechanisms to effectively monitor the performance of the subsidiaries.

The Corporation 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, 2020, NDC has 27 permanent employees and 15 contractual employees.

FINANCIAL HIGHLIGHTS

Comparative Financial Position

	2020	2019 (as restated)	Increase (Decrease)
Assets	23,204,484,714	21,740,947,060	1,463,537,654
Liabilities	5,778,791,360	5,230,531,362	548,259,998
Equity	17,425,693,354	16,510,415,698	915,277,656

Comparative Results of Operations

	2020	2019 (as restated)	Increase (Decrease)

Income	306,254,759	418,862,777	(112,608,018)
Expenses	129,723,120	143,600,801	(13,877,681)
Income from operations	176,531,639	275,261,976	(98,730,337)
Other income (expenses), net	2,168,330,041	1,294,654,338	873,675,703
Income before income tax	2,344,861,680	1,569,916,314	774,945,366
Income tax expense	709,972,559	415,472,518	294,500,041
Net Income	1,634,889,121	1,154,443,796	480,445,325

SCOPE AND OBJECTIVES 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, 2020 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, 2020 and 2019. 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 OPINION ON THE FINANCIAL STATEMENTS

We rendered an unmodified opinion on the fairness of presentation of the financial statements of the Corporation for the years 2020 and 2019.

SUMMARY OF SIGNIFICANT OBSERVATIONS AND RECOMMENDATIONS

1. Receivables amounting to P1.240 billion which was already provided with 100 per cent allowance for impairment, remained dormant and have been outstanding in the books for more than 10 years were classified as current assets which is not compliant with Paragraph 66 of Philippine Accounting Standard (PAS) 1 and COA Circular No. 2016- 005 dated December 19, 2016.

   We recommended that Management:

   a. Reclassify Due from subsidiaries/associates/affiliates/National Government and loans and interest receivables to non-current assets in order to comply with the provisions of Paragraph 66 of PAS 1;

   b. Intensify effort to collect/recover the dormant accounts; and

   c. Require the Accounting Department in collaboration with the Legal Department to file requests for write-off of dormant accounts with the COA, duly supported with documents pursuant to COA Circular No. 2016-005 dated December 16, 2016 on the proper disposition/closure of the dormant accounts.

2. Investment properties amounting to P58.970 million with an aggregate area of 30,930 square meters are not titled in the name of NDC thereby negating management's assertion on its rights and obligations pertaining thereto.

   We recommended that Management take appropriate action to expedite titling of these land in NDC's name.

3. The validity and reliability of the Rental Receivable account amounting to P57.927 million is doubtful due to: a) existence of dormant and past due accounts of P21.297 million which have been outstanding

for several years; and b) variance between the balance per books and confirmed balances in the amount of P14.427 million.

We recommended that Management:

a. Coordinate with the inactive lessees whose accounts are not yet deemed dormant and discuss the settlement of their long outstanding balances;

b. Document all the efforts exerted to collect/recover the dormant accounts and collate all available documents in case request for approval for write-off pursuant to COA Circular No. 2016-005 on the proper disposition/closure of the dormant accounts is warranted;

c. Coordinate with the representatives of Department of Trade and Industry, Lepanto Mining Corporation, Governance Commission for GOCCs, and San Miguel Yamamura Packaging Corporation to discuss the settlement of their outstanding obligations;

d. Coordinate and reconcile with Phil. Associated Smelting and Refining Corp., LIDE Management Corporation, and Panay Railways, Inc. to determine the cause of the large discrepancy in the recorded rental receivables and adjust the balances accordingly;

e. Gather supporting documents on the accounts of Al Amanah Islamic Bank of the Phils., Senate of the Philippines, and Spectrum Engineering & Consultancy and request for write-off, if warranted; and

f. Analyze the variances noted from the confirmation, reconcile with the corresponding lessees and prepare adjusting entry, if necessary.

3. NDC had already incurred P23.542 million for various expenses on three projects which are under project development stage since 2009. Delay in the implementation of the projects could result in continuous incurrence and piling up of expenses and wastage of government funds and resources in the event that these projects will not materialize.

We recommended that Management:

a. Revisit and update existing guidelines on the conduct of project development to include applicable procedures where NDC intends to implement the project on its own. It is suggested that timetable for each process be provided to ensure accomplishment/completion of projects within the targeted period;

b. Fast track the conduct of activities/works relative to the project development of the NDC Administrative and Commercial Complex and Davao Food Complex as basis of NDC Board and Management in arriving at sound decisions on the implementation of the said projects which are still on hold; and

c. Expedite the pending review of bid evaluation and award of contract to the winning bidder of NDC Industrial Estate project.

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

As at December 31, 2020, the unsettled Notices of Disallowance amounted to P20.845 million. Of this amount, P1.717 million is with Petition for Review on Certiorari filed with the Supreme Court on May 9, 2011. The amount of P15 million was not settled despite issuance of COA Order of Execution dated February 6, 2014, P0.725 million is with Petition for Review dated October 5, 2017 with the COA Commission Proper, P2.822 million is pending resolution by the Commission Proper pursuant to Rule V, Section 7 of the 2009 Revised Rules of Procedure of the Commission on Audit and P0.581 million is with Corporate Government Sector Cluster 4 Decision No. 2020-07 dated June 19, 2020.

STATUS OF IMPLEMENTATION OF PRIOR YEARS' AUDIT RECOMMENDATIONS

Of the 25 audit recommendations embodied in prior years' Annual Audit Reports, 8 were fully implemented, 11 were partially implemented and 6 were not implemented. Details are presented in Part III of this Report.

PART I

AUDITED FINANCIAL STATEMENTS

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

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, 2020 and 2019, 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, 2020 and 2019, 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 Responsibility for the Audit of the Financial Statements* section of our report. We are independent of NDC in accordance with the Code of Ethics for Government Auditors (Code of Ethics) together with the ethical requirements that are relevant to our audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements 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 35 to the financial statements which describes the uncertainty related to the outcome of the various civil and tax cases pending before the appellate courts, the lower courts and the Supreme Court. Our opinion is not modified in respect of these matters.

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 PFRS, 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 is not a guarantee that an audit conducted in accordance with ISSAIs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 in Note 37 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

MYRNA T. PETALIO
OIC – Supervising Auditor

July 5, 2021

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, 2020 and 2019, 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. RAMON M. LOPEZ
NDC Chairman of the Board

MA. LOURDES F. REBUENO
General Manager

JOYCE ANNE N. ALIMON
Department Manager III-Finance and Administrative Department

July 5, 2021

NDC Building, 116 Tordesillas St., Salcedo Village, Makati City, Philippines
T(632) 840-4838 to 62 - F (632) 840-4862

ISO 9001 Certified

NATIONAL DEVELOPMENT COMPANY
STATEMENTS OF FINANCIAL POSITION
December 31, 2020 and 2019
(In Philippine Peso)

	Note	2020	2019 (as restated)	January 1, 2019 (as restated)
ASSETS				
Current Assets				
Cash and cash equivalents	7	**121,621,670**	159,216,594	13,045,623
Other investments	8	**2,007,064,957**	2,689,648,463	2,346,662,392
Receivables, net	9	**204,631,740**	229,107,345	240,689,759
Inventories	10	**1,603,499**	1,562,720	1,273,226
Other current assets	11	**35,727,514**	30,496,014	31,091,394
Total Current Assets		**2,370,649,380**	3,110,031,136	2,632,762,394
Non-Current Assets				
Financial assets	12	**1,094,593,267**	1,094,204,732	1,234,337,197
Investments in associates/affiliates	13	**185,523,209**	234,924,097	228,668,296
Investments in subsidiaries	14	**402,315,129**	402,315,129	402,315,129
Other investments	15	**196,446,890**	196,446,890	196,446,890
Receivables, net	9	**52,531,332**	53,647,419	1,361,883,595
Investment property	16	**18,806,661,041**	16,553,383,211	15,217,319,681
Property and equipment, net	17	**47,074,176**	47,833,587	44,273,242
Other non-current assets and deferred charges	18	**48,690,290**	48,160,859	43,942,763
Total Non-Current Assets		**20,833,835,334**	18,630,915,924	18,729,186,793
TOTAL ASSETS		**23,204,484,714**	21,740,947,060	21,361,949,187
LIABILITIES AND EQUITY				
Current Liabilities				
Financial liabilities	19	**484,571,363**	489,862,502	473,572,297
Loans payable	20	**144,051,930**	260,334,787	1,273,624,400
Inter-agency payables	21	**8,891,350**	13,933,499	6,882,352
Trust liabilities	22	**37,860,467**	36,625,643	33,548,441
Deferred credits/unearned income	23	**6,052,332**	8,914,587	9,312,199
Provisions	24	**308,469,747**	303,243,706	299,543,350
Total Current Liabilities		**989,897,189**	1,112,914,724	2,096,483,039
Non-Current Liabilities				
Deferred tax liability	30	**4,747,503,817**	4,078,480,941	3,779,019,533
Trust liabilities	22	**41,390,354**	39,135,697	44,568,631
Total Non-Current Liabilities		**4,788,894,171**	4,117,616,638	3,823,588,164
Equity		**17,425,693,354**	16,510,415,698	15,441,877,984
TOTAL LIABILITIES AND EQUITY		**23,204,484,714**	21,740,947,060	21,361,949,187

The notes on pages 9 to 60 form part of these financial statements.

NATIONAL DEVELOPMENT COMPANY
STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended December 31, 2020 and 2019
(In Philippine Peso)

	Note	2020	2019 (as restated)
INCOME			
Dividend income	25	**2,847,410**	6,675,535
Lease income	26, 16	**187,685,556**	191,423,834
Interest income		**115,581,793**	220,623,408
Management fees		**140,000**	140,000
		306,254,759	418,862,777
OPERATING EXPENSES			
Personnel services	27	**33,697,898**	34,586,367
Maintenance and other operating expenses	28	**96,025,222**	109,014,434
		129,723,120	143,600,801
INCOME FROM OPERATIONS		**176,531,639**	275,261,976
OTHER INCOME (EXPENSES), NET	29	**2,168,330,041**	1,294,654,338
INCOME BEFORE INCOME TAX		**2,344,861,680**	1,569,916,314
INCOME TAX EXPENSE	30		
Current tax		**40,949,681**	116,011,110
Deferred tax		**669,022,878**	299,461,408
NET INCOME		**1,634,889,121**	1,154,443,796
Other comprehensive income	12	**388,535**	14,667,535
COMPREHENSIVE INCOME		**1,635,277,656**	1,169,111,331

The notes on pages 9 to 60 form part of these financial statements.

NATIONAL DEVELOPMENT COMPANY
STATEMENTS OF CHANGES IN EQUITY
For the Years Ended December 31, 2020 and 2019
(In Philippine Peso)

	Note	Share Capital (Note 31)	Share in Revaluation Increments of Associates	Accumulated Other Comprehensive Income	Retained Earnings (Note 32)	Total
Balances, December 31, 2018		**8,602,803,483**	**28,883,100**	**8,138,800**	**6,799,638,634**	**15,439,464,017**
Correction of prior years' errors	32	0	0		2,413,967	2,413,967
Restated balance, January 1, 2019		8,602,803,483	28,883,100	8,138,800	6,802,052,601	15,441,877,984
Changes in Equity for 2019						
Net income for the year, as restated	32	0	0		1,154,443,796	1,154,443,796
Dividends	34	0	0		(100,573,617)	(100,573,617)
Other comprehensive income for the year						
Unrealized gain on financial assets at FVOCI		0	0	14,667,535		14,667,535
Balances, December 31, 2019		**8,602,803,483**	**28,883,100**	**22,806,335**	**7,855,922,780**	**16,510,415,698**
Changes in Equity for 2020						
Net income for the year		0	0		1,634,889,121	1,634,889,121
Dividends	34	0	0		(720,000,000)	(720,000,000)
Other comprehensive income for the year						
Unrealized gain on financial assets at FVOCI	12	0	0	388,535		388,535
Balances, December 31, 2020		**8,602,803,483**	**28,883,100**	**23,194,870**	**8,770,811,901**	**17,425,693,354**

The notes on pages 9 to 60 form part of these financial statements.

NATIONAL DEVELOPMENT COMPANY
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2020 and 2019
(In Philippine Pesos)

	Note	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Collection of rentals		**192,105,188**	227,558,008
Collection of interest		**28,069,985**	29,083,007
Dividends received		**3,219,637**	18,992,201
Miscellaneous collections		**2,873,341**	5,089,260
Collection of receivables		**2,508,300**	16,074,184
Payment of taxes and licenses		**(95,877,153)**	(188,535,124)
Payment to suppliers and service providers		**(66,925,730)**	(73,631,552)
Payment of salaries and benefits to officers and employees		**(26,788,352)**	(31,657,098)
Net cash provided by operating activities		**39,185,216**	2,972,886
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds/placements on investments		**759,167,490**	(89,255,162)
Collection of loans		**341,051**	1,502,841,314
Proceeds from disposal of assets		**1,575**	92,929
Equity investment		**0**	(60,000,000)
Net cash provided by investing activities		**759,510,116**	1,353,679,081
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of dividends	34	**(720,000,000)**	(100,573,617)
Payment of loans		**(116,282,858)**	(1,109,897,875)
Net cash used in financing activities		**(836,282,858)**	(1,210,471,492)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**(7,398)**	(9,504)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**(37,594,924)**	146,170,971
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**159,216,594**	13,045,623
CASH AND CASH EQUIVALENTS AT END OF YEAR	7	**121,621,670**	159,216,594

The notes on pages 9 to 60 form part of these financial statements.

1. CORPORATE INFORMATION

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. It was authorized to engage in commercial, industrial and other enterprises essential to the economic development of the country.

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, for the purpose of implementing the economic policies of the National Government and to 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 NDC to be the government's investment arm under the Department of Trade and Industry (DTI). The Corporation'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 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 government's shareholder value and adopt control mechanisms to effectively monitor the performance of the subsidiaries.

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

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

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

The accompanying financial statements as of December 31, 2020 and 2019 were approved and authorized for issue by the Management on July 5, 2021.

2. GOING CONCERN

The coronavirus disease (COVID-19) outbreak is a serious and unprecedented public health threat. On March 11, 2020, the World Health Organization officially declared COVID-19 as a pandemic.

On March 8, 2020, the President of the Philippines signed Proclamation No. 922 declaring a State of Public Health Emergency throughout the country upon the recommendation of the Department of Health following the confirmed local transmission of the COVID-19. Subsequently, on March 16, 2020, Proclamation No. 929 was signed by the President declaring a State of Calamity throughout the Philippines for a period of six months, unless earlier lifted or extended as circumstances may warrant, and imposed an Enhanced Community Quarantine throughout Luzon.

The effects of community quarantine due to the COVID-19 pandemic in the operation of the Corporation are as follows:

1. In compliance with the directives of the National Government, NDC employees including those under contracts of service are on skeletal force and work from home arrangements.

2. Management has instituted safety protocols in the NDC building to avoid the spread of COVID-19, this includes issuance of interim guidelines on workplace prevention and control of COVID-19, procurement of face mask and face shields for use of all employees and service personnel to protect the personnel from the virus, installation of acrylic dividers on employees' work stations, regular disinfection of the building, use of online applications for meetings and provisions of shuttle services for employees during community quarantine.

3. In compliance to Republic Act (RA) No. 11469, otherwise known as the Bayanihan to Heal as One Act and RA 7656, otherwise known as the Dividend Law, the Department of Finance requested NDC to remit a total amount of P720 million in 2020.

Management assessed that the COVID-19 pandemic brought moderate impact to NDC's operations but cannot be considered enough reason to close down its operation in the succeeding years.

3. FINANCIAL REPORTING FRAMEWORK AND BASIS OF PREPARATION AND PRESENTATION

Statement of Compliance

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

Basis of Preparation

The financial statements of the Corporation were prepared using historical cost basis unless otherwise indicated. 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 a liability, the Corporation takes into account the characteristics of the asset or liability if market participants would take those characteristics 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 Corporation operates. All values represent absolute amounts except when otherwise indicated.

4. NEW AND REVISED ACCOUNTING STANDARDS

Adoption of New and Amended PFRS

a. Effective in 2020 that are relevant to the Corporation

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 Corporation adopted effective for annual periods beginning on or after January 1, 2020:

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*, Definition of Material – The new definition states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general-purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.

The adoption of the foregoing new and amended PFRS did not have any material effect on the financial statements. Additional disclosures have been included in the notes to financial statements, as applicable.

b. Effective in 2020 that are not relevant to the Corporation

- Amendments to PFRS 3, *Business Combinations*, Definition of a Business – The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2020 and to asset acquisitions that occur on or after the beginning of that period. Earlier application is permitted. The amendment defines business as an integrated set of activities and assets that is capable of being conducted and managed for the purpose of providing goods or services to customers, generating investment income (such as dividends or interest) or generating other income from ordinary activities. A business consists of inputs and processes applied to those inputs that have the ability to contribute to the creation of outputs.

- Amendments to PFRS 16, *Leases*, COVID-19-related Rent Concessions – The amendment exempts lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications. It applies to COVID-19-related rent concessions that reduce lease payments due on or before June 30, 2021.

c. 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, 2020 and have not been applied in preparing the financial statements are summarized below.

Effective for annual periods beginning on or after January 1, 2021:

- PFRS 17, *Insurance Contracts* – This standard will replace PFRS 4, *Insurance Contracts.* It requires insurance liabilities to be measured at current fulfillment value and provides a more uniform measurement and presentation approach to achieve consistent, principle-based accounting for all insurance contracts. It also requires similar principles to be applied to reinsurance contracts held and investment contracts with discretionary participation features issued.

Effective for annual periods beginning on or after January 1, 2022:

- Amendments to PFRS 3, *Business Combinations*, Reference to the Conceptual Framework – Reference to the 1989 Framework in paragraph 11 of PFRS 3 Business Combinations was updated to 2018 Framework. Potential conflicts occur as the definition of assets and liabilities in the 2018 Framework differ from those in the 1989 Framework potentially leading to day 2 gains or losses post-acquisition for some balances recognized.

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

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

- Amendments to PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards*, Subsidiary as a first-time adopter – The amendment permits a subsidiary that applies paragraph

D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by its parent, based on the parent's date of transition to PFRS.

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

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

- Amendments to PAS 41, *Agriculture,* Taxation in fair value measurements – The amendment removes the requirement in paragraph 22 of PAS 41 for entities to exclude taxation cash flows when measuring the fair value of a biological asset using a present value technique. This will ensure consistency with the requirements in PFRS 13.

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

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

- 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, 2023 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, 2023.

  - Additional scope exclusion for credit card contracts and similar contracts that provide insurance coverage as well as 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 at initial recognition 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.

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 financial statements of the Corporation.

5. 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 Corporation's financial statements when the Corporation 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 Corporation'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 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 Corporation classifies financial assets as at FVTPL when the financial asset is held for trading; designated upon initial recognition; either held for trading or designated upon initial recognition.

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 Corporation 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 asset other than a financial asset 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 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 Corporation'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 to be designated as at fair value through profit or loss.

Financial assets 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 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 Corporation does not have financial assets that are classified as fair value through profit or loss.

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 an integral part of the effective interest rate. Gains and losses are recognized in profit or loss when the financial assets are reclassified to FVTPL, impaired or derecognized, as well as through the amortization process.

Cash and cash equivalents, short-term investments, investments in retail treasury bonds 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 cashflows 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 Corporation 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 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 cost of the investment. 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 12.

Impairment of financial assets- starting January 1, 2019

The Corporation applies an “expected credit loss” (ECL) model to its financial assets measured at amortized cost and debt investment at FVOCI, but not to investment 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 Corporation 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 Corporation has elected to measure loss allowances for receivables at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Corporation 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 Corporation's historical experience, informed credit assessment including current conditions and forecast of future economic conditions.

The Corporation assumes that the credit risk on a financial asset has increased significantly if it is more than two years past due.

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

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

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

Measurement of ECLs

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

At each reporting date, the Corporation 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, 2019

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

Derecognition of financial assets

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

On derecognition of 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 Corporation retains an option to repurchase part of a transferred asset), the Corporation 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 on the basis of 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 on the basis of the relative fair values of those parts.

Financial Liabilities and Equity Instruments

Classification as Debt or Equity

Debt and equity instruments issued by the Corporation are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Financial Liabilities

Initial recognition

Financial liabilities are recognized in the Corporation's financial statements when the Corporation 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 Corporation'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 are classified at FVTPL when the financial liability is held for trading; designated upon initial recognition; either held for trading or designated upon initial recognition.

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 Corporation 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

Corporation’s documented risk management or investment strategy, and information about the Corporation is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and PAS 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 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 of 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 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 being contigent 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 Corporation derecognizes financial liabilities when, and only when, the Corporation’s obligations are discharged, cancelled or they expire. 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 Corporation are recognized at the proceeds received, net of direct issue costs.

Retained earnings

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

Investment in Subsidiary

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

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

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

Investment in Joint Venture

A joint venture (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 in respect of 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, are 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 Corporation has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee 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 Corporation'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 Corporation'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 in which measured at lower of carrying amount and fair value less cost to sell. Under the equity method, investments in associates or joint venture are carried in the statements of financial position at cost and adjusted thereafter to recognize the Corporation's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Corporation's share of losses of an associate exceeds the Corporation's interest in that associate, the Corporation discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Corporation has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

The Corporation’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 Corporation’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 Corporation discontinues to use 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 Corporation retains interest in the former associate and the retained interest is a financial asset, the Corporation measured 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 disposal of the associate. In addition, the Corporation 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 Corporation 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 they have 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 are made to or from investment property 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 change. If owner-occupied property becomes an investment property, the Group accounts 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 Group, 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 (major 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.

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 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 the assets are disposed of or when no future economic benefits are expected from these assets. 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 relationship exists when one party has the ability to control, directly, or indirectly through one or more intermediaries, the other party or exercises significant influence over the other party in making financial and operating decisions. Such relationships also exist between and/or among entities which are under common control with the reporting enterprise, or between, and/or among the reporting enterprise and its key management personnel, directors, or its shareholders. In considering each possible related party relationship, attention is directed to the substance of the relationship, and not merely the legal form.

Revenue Recognition

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

Dividend Income

Dividend income is recognized when the Corporation's rights to receive payment have been established, provided that it is probable that the economic benefits will flow to the Corporation 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 decrease in future economic benefit related to a decrease in an asset or an increase in a liability has arisen that can be measured reliably. Expenses are recognized in profit or loss: on the basis of a direct association between the costs incurred and the earning of specific items of income; on the basis of 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 Corporation as Lessor

The Contract of Lease entered into by the Corporation does not transfer substantially all the risks and benefits of ownership of the asset. The Corporation is engaged in a lease with pre- termination clause of which in case the Contract of Lease is terminated by the Lessor at any time prior to 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 prior to its expiration, the amount representing the unearned portion of the rental will be deemed forfeited in favor of the

Lessor. The lease income from the Contract of Lease is recognized in the statement of comprehensive income.
The Corporation determines whether an arrangement is, or contains a lease based on the substance of the arrangement. It makes an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and 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 expense 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 liability in the statement of financial position is based on the employees' salary grade as of the reporting dates.

Income Tax

Income tax expense represents the sum of the current tax and deferred tax expense.

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 Corporation 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 tax are also recognized in other comprehensive income or directly in equity respectively.

Borrowing Costs

Borrowing costs are interest and other costs that the Corporation 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 Corporation 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 Corporation 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 pretax 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 consolidated 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. Non-monetary 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. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined.

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

Events after 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 period end (non-adjusting events) are disclosed in the notes to the financial statements.

6. JUDGMENTS AND ESTIMATES

The preparation of the financial statements in accordance with Philippine Financial Reporting Standards requires the Corporation 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 assumption 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.

Estimated allowance for impairment of receivables

The Corporation maintains allowance for impairment losses at a level considered adequate to provide for potential uncollectible receivables. This amount is evaluated based on such factors that affect the collectability of the accounts. These factors include, the age of the receivables, the length of the Corporation'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 Corporation made different judgments or utilized different estimates.

At the end of 2020 and 2019, the Corporation has recognized allowance for impairment of receivables in the amount of P3.501 million and P11.610 million, respectively.

Estimating useful lives of property and equipment

The Corporation 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

7. CASH AND CASH EQUIVALENTS

This account consists of:

	2020	2019
Cash with collecting/disbursing officer	**42,069**	30,506
Cash in banks	**1,148,534**	5,187,100
Cash equivalents	**120,431,067**	153,998,988
	121,621,670	159,216,594

Cash in banks earn interest at the prevailing bank deposit rates. Interest earned on cash in banks amounted to P16,736 and P77,404 in 2020 and 2019, respectively.

Cash equivalents pertains to investment in time deposits in Land Bank of the Philippines (LBP) and Development Bank of the Philippines (DBP) with interest rate ranging from 1.675 to 4.000 per cent and with maturity dates of three months or less.

8. OTHER INVESTMENTS

This account consists of money market placements in LBP and DBP in the total amount of P2.007 billion and P2.690 billion in 2020 and 2019, respectively. Interest earned on these investments amounted to P75.345 million and P119.560 million in 2020 and 2019, respectively.

9. RECEIVABLES

This account consists of:

	2020	2019 (as restated)
Current		
Loans receivable	**1,053,675,195**	1,053,675,195
Interest receivables	**73,487,165**	98,898,900
Rental receivables	**57,926,943**	36,742,070
Due from subsidiaries/associates/affiliates	**1,143,744,206**	1,143,744,206

	2020	2019 (as restated)
Due from officers and employees	**6,542,333**	5,981,886
Due from National Government	**3,252,978**	3,252,978
Other receivables	**308,849,765**	326,300,908
	2,647,478,585	2,668,596,143
Allowance for impairment losses	**(2,442,846,845)**	(2,439,488,798)
	204,631,740	229,107,345
Non-Current		
Loans receivable	**47,913,127**	47,913,127
Due from officers and employees	**4,618,205**	5,734,292
	52,531,332	53,647,419
	257,163,072	282,754,764

Loans receivable - current included restructured loan to Philippine Mining Development Corporation (PMDC), which is due to be settled within one year after the reporting date with 10 years term starting July 30, 2013. In 2019, PMDC requested for re-computation of its outstanding restructured loan and filed an arbitration case against NDC. The Office of the Government Corporate Counsel (OGCC) noted the comment filed by NDC in September 2020; the latter is waiting for further Order from OGCC.

Interest receivables pertains to interests from various investments and income-generating activities which were already earned as of reporting date, but which were not yet actually received.

Rental receivables consists of collectibles from lease of real properties covered by lease agreements between the Corporation and lessees (Notes 16 and 26). During the implementation of the Enhanced Community Quarantine (ECQ), the Corporation observed the guidelines under the Bayanihan to Heal as One Act or RA No. 11469 on the concessions of commercial rents for Micro, Small and Medium Enterprises (MSMEs). The 30-day grace period is granted on commercial rents falling upon MSMEs without incurring interests, penalties, fees and other charges. The cumulative amount of rents shall be equally amortized in the next six months following the end of the quarantine and shall be added to the rents due on those succeeding months without interest, penalties, fees and charge.

Due from subsidiaries/associates/affiliates consists of advances made to the Corporation's various subsidiaries and affiliates.

Due from officers and employees pertains to loans granted by the Corporation to its officers and employees.

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

Other receivables includes management fees, guarantee fees, commitment fees, NDC's 50 per cent share from Rizal Hydro Project trade receivables and other receivables.

Loans receivable - non-current pertains to the restructured loan of PMDC with terms of up to 10 years. On June 19, 2019, the Department of Budget and Management issued Special Allotment Release Order No. SARO-BMB-C-19-0005079 amounting to P1.498 billion for full settlement of the National Irrigation Administration's loan to NDC of P1.409 billion (principal of P975.000 million and interest of P434.178 million), the said amount was used to settle its loans to NG amounting to P1.103 billion.

A reconciliation of the allowance for impairment losses at the beginning and end of 2020 and 2019 is shown below:

	2020	2019
Beginning balance	**2,439,488,798**	2,470,978,631
Impairment loss during the year		
Rental receivables	**3,501,044**	11,610,155
Allowance for impairment-rental receivables (reversal)	**(142,997)**	(43,099,988)
	2,442,846,845	2,439,488,798

10. INVENTORIES

This account consists of the following:

	2020	2019
Inventory Held for Consumption:		
Carrying Amount, January 1	**1,562,720**	1,273,226
Additions/Acquisitions during the year	**1,748,083**	1,468,208
Expensed during the year	**(1,707,304)**	(1,178,714)
Carrying Amount, December 31	**1,603,499**	1,562,720

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.

11. OTHER CURRENT ASSETS

This account consists of:

	2020	2019 (as restated)
Prepayments	**22,848,051**	19,545,644
Restricted fund (held-in-trust)	**9,525,890**	8,165,560
Deposits	**3,353,573**	2,739,810
Advances	**0**	45,000
	35,727,514	30,496,014

Prepayments includes amounts advanced for insurance of properties, contractor for various projects, input tax and creditable withholding tax.

Restricted fund (held-in-trust) refers to Mintex escrow fund invested in treasury bills with maturity dates of three months or less than one year. The distribution of the fund is governed by a deed of undertaking among Human Settlements Development Corporation, Southern Philippines Development Authority and NDC. The purpose of the fund includes the full settlement and liquidation of liabilities which were assumed by the shareholders of the old Mintex and eventual distribution of the remaining trust assets. This account also pertains to hydropower project with 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 PRIS MC 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 with capacity of 1 MW. The plant started commercial operation on July 1, 2016. Cash and cash equivalents from Rizal Hydro Power amounted to P11.009 million as of December 31, 2020. NDC recognized 50 per cent share amounting to P5.504 million, these are funds reserved for the operation of the project.

Deposits consists mainly of refundable deposits made to various companies for the supply of communication, water, electric and other similar deposits.

Advances pertains to unliquidated cash advances granted to officers and employees for their official travel, various special events and payment of operating expenses.

12. FINANCIAL ASSETS

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

	2020	2019 (as restated)
Financial assets at amortized cost	**1,001,769,072**	1,001,769,072
Financial assets at fair value through other comprehensive income	**92,824,195**	92,435,660
	1,094,593,267	1,094,204,732

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 3.250 per cent to 4.875 per cent. No additional or withdrawal of placement was made in 2020 while placement in 2019 amounted to P1.002 billion.

Interest earned on these investments amounted to P34.873 million and P34.777 million in 2020 and 2019, respectively.

Financial assets at fair value through other comprehensive income

This account consists of investments in the following:

	2020	2019
Manila Golf and Country Club	**76,000,000**	63,000,000
Philippine Long Distance Telephone Company	**14,155,660**	14,068,125
Makati Sports Club	**2,200,000**	620,000
Philippine Columbian Association	**80,000**	80,000
	92,435,660	77,768,125
Market adjustment	**388,535**	14,667,535
	92,824,195	92,435,660

13. INVESTMENTS IN ASSOCIATES/AFFILIATES

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

		% of Ownership	2020	2019 (as restated)
Cost				
Refractories Corporation of the Phils.	RCP	33.00	**193,620,979**	193,620,979
San Carlos Bio-Energy, Inc.	SCBI	25.00	**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
PITC Pharma, Inc.	PPI	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
Accumulated equity in net earnings (losses)				
Balance at beginning of year			**(275,464,843)**	(321,821,270)
Share in net profit for the year			**(49,028,661)**	58,673,093
Dividends received			**(372,227)**	(12,316,666)
Balance at end of year			**(324,865,731)**	(275,464,843)
Share in revaluation increment of an associate			**28,883,100**	28,883,100
Share in prior period adjustment of associates			**(104,467,149)**	(104,467,149)
			390,009,925	439,410,813
Allowance for impairment losses			**(204,486,716)**	(204,486,716)
			185,523,209	234,924,097

Refractories Corporation of the Philippines (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 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 will be converted into common shares. As a result, NDC's shareholdings in RCP will be diluted from 33 per cent to 11 per cent. The corporation is undergoing court litigation on its corporate rehabilitation plan. A court hearing was held on February 26, 2016 at the Pasig Regional Trial Court. The Court has not yet issued an order on the issues of the case, to date.

14. INVESTMENTS IN SUBSIDIARIES

This account consists of the following investment in subsidiaries which the Corporation exercises control over the financial and operating policy decisions of the investee.

		% of Ownership	**2020**	2019
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
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 Luzon Stevedoring Corporation had ceased operations in 1999. The records and books of accounts were not turned over to NDC.

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

The dividend income earned by the Corporation from its investment in subsidiaries amounted to P2.404 million for the year 2019. There was no divided income from investment in subsidiaries in 2020.

15. OTHER INVESTMENTS

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

		% of Ownership	**2020**	2019
Common Shares				
Operational				
Asean Bintulu Fertilizer Sdn. Bhd.	ABFSB	9.50	**158,895,989**	158,895,989
Science Park of the Philippines	SPP	5.18	**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
Pre-operating				
Asean Potash Mining Corporation	APMC	1.00	**12,598,944**	12,598,944
Under receivership				
National Steel Corporation	NSC	12.50	**622,305,756**	622,305,756
Preferred Shares				
Under receivership				
National Steel Corporation	NSC	12.50	**1,196,967,152**	1,196,967,152
Other Investments				
Investments in project (NDC Rattan)			**62,406,520**	62,406,520
Others			**99,455,145**	99,455,145
			2,315,961,526	2,315,961,526
Allowance for impairment losses			**(2,119,514,636)**	(2,119,514,636)
			196,446,890	196,446,890

Update on National Steel Corporation (NSC)

The NSC Liquidation Plan involves, among others, the disposition of the NSC plant assets as an integral facility in order to allow a prospective buyer to resume the operation thereof within a short period of time from 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, 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 which sets 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, titles and interests in and to, including the ownership of the NSC plant assets. 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 GOCC 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 (BSP), 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 of April 15, 2004.

The Corporation's primary consideration in consenting to the sale is twofold. Firstly, the national interest was taken into account given the government's commitment to reopen NSC at the soonest time possible and the mandate given to the Department of Trade and Industry to facilitate the same. Secondly, NDC's corporate interest was also considered with the opportunity to recover partially its investments in NSC that was unlikely in the first place given the liquidation status of NSC.

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 from the time the NSC plant assets were turned over to it in 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 stand-by letters of credit as required under the APA and the Omnibus Agreement.

Global Steel filed an action with the Regional Trial Court 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 Asset Purchase Agreement and Purchase Price Sharing Agreements) of the sale of NSC assets. While NDC has signed the Accession Agreement, a document which 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 US$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 US$1.043 billion with respect to the Lost Land Claim. 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") which set aside the arbitral Award in its entirety. In addition, the High Court granted the Secured Creditors' claims for the payment of its legal costs for the proceedings in the court, 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 in part and dismissed in part Global Steel's appeals. 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 findings of the Tribunal in the Award that the Liquidator and the Secured Creditors breached the APA in failing to transfer clean title over 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 National Steel Corporation (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 Regional Trial Court 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 the intent of Platinum Paramount Pacific Group of Companies Inc. to acquire the National Steel Corporation. 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.

The dividend income earned by the Corporation from its investment in stocks amounted to P2.847 million and P4.271 million for the years 2020 and 2019, respectively.

16. INVESTMENT PROPERTY

The Corporation’s investment properties consist of 51 parcels of land and four buildings located in various cities and municipalities across the country with an aggregate area of 32,230,207.15 square meters. These properties include land and buildings that are held to earn rentals under operating leases, capital appreciation and project development. Details are as follows:

Investment Properties with lease

Location of the Property	**2020**	2019
Land		
Philphos Assets-LIDE	**2,413,460,280**	1,723,900,200
Pandacan, Manila	**2,082,000,000**	1,535,770,000
M Fortich/Libona, Bukidnon	**1,300,090,000**	1,299,990,000
Isabel, Leyte	**853,082,550**	758,295,600
Sen. Gil Puyat, Makati City	**815,738,000**	1,036,758,000
Lapu-Lapu City, Cebu	**759,170,000**	754,140,000
Barangka, Mandaluyong City	**545,000,000**	454,800,000
Tordesillas St., Salcedo Village, Makati City	**386,970,000**	635,268,000
P.Tamo & Dela Rosa Sts., Makati City	**370,670,000**	349,450,000
San. Juan St., Bacolod City	**299,570,000**	211,152,000
Diliman, Quezon City	**234,900,000**	202,500,000
Bagong Ilog, Pasig City	**156,560,000**	153,840,000
San Andres & E. Quirino Ave. Manila	**146,960,000**	139,710,000
BugoDist., Cagayan De Oro City	**135,870,000**	48,690,000
Meycauyan, Bulacan	**41,850,000**	32,960,000
San Roque, Tarlac	**28,410,000**	24,830,000
Aguinaldo & Luna St., Iligan City	**24,580,000**	24,420,000
San Fernando, Pampanga	**12,850,000**	12,220,000
	10,607,730,830	9,398,693,800
Buildings		
Industry & Investment Building	**138,767,000**	121,365,000
NDC Building	**96,870,000**	113,594,000
Manila Luxury Condominium	**15,340,000**	11,610,000
Leyte Port Complex	**1,110,000**	1,136,000

Location of the Property	2020	2019
	252,087,000	247,705,000
	10,859,817,830	9,646,398,800

Investment Properties without lease

Location of the Property	2020	2019
Land		
Macapagal Blvd., Pasay City	**4,686,580,000**	3,882,220,000
Sucat, Muntinlupa	**1,553,680,000**	1,365,110,000
Dasmarinas, Cavite	**547,930,000**	592,770,000
Toril, Davao City	**464,247,000**	449,270,000
Kamagong & SampalocSts., Makati City	**206,990,000**	160,768,000
Lacson & Rizal Sts, Bacolod City	**102,900,000**	95,770,000
San Dionisio, Paranaque	**44,060,000**	40,500,000
Hermosa, Bataan	**40,000,000**	40,000,000
Sta. Fe, Bantayan, Cebu	**37,610,000**	34,960,000
San Francisco Del Monte, Quezon City	**37,190,000**	35,200,000
Sambag, Cebu	**36,900,000**	36,110,000
Bo. San Juan &Sto. Nino Pampanga	**30,670,000**	28,930,000
Los Baños, Laguna	**28,860,000**	28,860,000
Baliwasan, Zamboanga City	**25,240,000**	20,190,000
Bo Bia-an, Mariveles, Bataan	**18,650,000**	17,650,000
Sta. Mesa, Manila	**14,996,211**	14,996,211
Dao, Tagbilaran, Bohol	**13,030,000**	12,650,000
Poblacion, Parang,Cotabato	**8,980,000**	8,980,000
Bo. Langhian, Butuan City	**7,890,000**	5,200,000
Puerto, Cagayan de Oro City	**7,710,000**	7,710,000
Sta. Rosa, Laguna	**7,150,000**	7,030,000
Suyong, Echangue, Isabela	**6,920,000**	6,340,000
Cagayan, de Oro City	**3,140,000**	2,410,000
Guadalupe, Cebu City	**3,040,000**	2,620,000
Bonot, Legaspi City	**2,880,000**	2,400,000
Calatagan, Batangas	**2,490,000**	2,490,000
Bongabon, Nueva Ecija	**1,610,000**	1,340,000
Tanay, Rizal	**990,000**	950,000
Mariveles, Bataan	**980,000**	880,000
San Jose, Antipolo City	**950,000**	780,000
Talakag, Bukidnon	**810,000**	680,000
San Isidro, Antipolo City	**740,000**	690,000
Pueblocillo Village, Dasmarinas Cavite	**480,000**	112,200
Porac, Pampanga	**310,000**	220,000
	7,946,603,211	6,906,786,411
Building		
Pueblocillo Village, Dasmarinas Cavite	**240,000**	198,000
	240,000	198,000
	7,946,843,211	6,906,984,411
	18,806,661,041	16,553,383,211

The Corporation uses the Fair Value Model for its investment properties. Fair market value of investment properties as of December 31, 2020 was appraised by Cal-Fil Appraisal and Management, Inc.

The lease income earned and the operating expenses of the Corporation arising from these investment properties are as follows:

Investment Properties with lease

	2020	2019 (as restated)
Lease income	**187,685,556**	191,423,824
Operating Expenses	**31,261,838**	29,056,218

Investment Properties without lease

	2020	2019
Operating Expenses	**23,895,028**	22,646,647

Operating expenses consist of real property taxes, security services and repairs and maintenance of the properties.

17. PROPERTY AND EQUIPMENT

This account consists of the following:

	Land and Improvements	**Buildings & Building Improvements**	**Furniture & Equipment**	**Rizal Hydro Power Plant**	**Total**
December 31, 2020					
Cost					
At January 1, 2020	611,010,268	14,356,376	666,094,724	34,147,886	1,325,609,254
Additions	0	275,286	3,392,192	0	3,667,478
Adjustments	0	(658,673)	0	0	(658,673)
At December 31, 2020	611,010,268	13,972,989	669,486,916	34,147,886	1,328,618,059
Accumulated depreciation					
At January 1, 2020	608,138,401	5,870,099	658,864,890	4,902,277	1,277,775,667
Depreciation for the year	357,773	0	2,067,284	1,343,159	3,768,216
At December 31, 2020	608,496,174	5,870,099	660,932,174	6,245,436	1,281,543,883
Net carrying amount, December 31, 2020	**2,514,094**	**8,102,890**	**8,554,742**	**27,902,450**	**47,074,176**

	Land and Improvements	**Buildings & Building Improvements**	**Furniture & Equipment**	**Rizal Hydro Power Plant**	**Total**
December 31, 2019					
Cost	611,010,268	14,356,376	666,094,724	34,147,886	1,325,609,254
Accumulated Depreciation/ Adjustment	(608,138,401)	(5,870,099)	(658,864,890)	(4,902,277)	(1,277,775,667)
Net carrying amount, December 31, 2019	**2,871,867**	**8,486,277**	**7,229,834**	**29,245,609**	**47,833,587**

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 50 per cent share of NDC to Rizal Hydro Power Plant Facility located at Rizal, Nueva Ecija.

18. OTHER NON-CURRENT ASSETS AND DEFERRED CHARGES

This account consists of:

	2020	2019 (as restated)
Other non-current assets		
Restricted fund (held-in-trust)	**19,985,661**	19,456,230
Lands not used in operation	**6,614,104**	6,614,104
Others	**982,971,125**	982,971,125
Allowance for impairment loss	**(961,708,905)**	(961,708,905)
	47,861,985	47,332,554
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
	48,690,290	48,160,859

Restricted fund (held-in-trust) refers to Mintex escrow fund invested in retail treasury bonds with maturity date of more than one year (see Note 11).

Lands not used in operation pertains 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 Landbank of the Philippines (LBP) have 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.

Others principally includes assets acquired from the former International Corporate Bank (ICB) amounting to P962.11 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 Memorandum of Agreement 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 interest to the Coal Operating Project from Vulcan Industrial and Mining Corporation (VIMC). The project, however, did not commence commercial operations and the account had been outstanding since 1980. The amount of the project, which was provided with a full allowance for non-recovery, is part of the accounts requested for write-off from the Commission on Audit. 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:

	2020	2019 (as restated)
Interest payable	**461,158,311**	461,158,311
Accounts payable	**23,076,283**	28,315,102
Due to officers and employees	**336,769**	389,089
	484,571,363	489,862,502

Interest payable pertains to the interest on advances from Bureau of Treasury (BTr) and domestic loans from DOLE Philippines, Inc.

Accounts payable consists of various expenditures already incurred but remained unpaid as of statement of financial position date.

Due to officers and employees represents various unpaid personnel services, terminal leave and claims of former NDC employees who are already retired/resigned.

20. LOANS PAYABLE

This account consists of guarantee fees amounting to P140 million for the 2nd tranche bond floatation of NDC Agri-Agra bonds and outstanding loan amounting to P4.052 million from DOLE Philippines, Inc.

The decrease in the account was due to the settlement made by NDC to BTr amounting to P116.283 million pertaining to the remaining balance of an interest-bearing Spanish loan to National Steel Corporation to finance the importation of goods and services used by the former in its operation and return of overpayment from the full settlement of the National Irrigation Administration's loan.

21. INTER-AGENCY PAYABLES

This account consists of:

	2020	2019 (as restated)
Income tax payable	**4,395,372**	9,497,101
Withholding taxes	**3,982,721**	3,827,891
Due to GSIS	**427,518**	532,906
Due to Pag-IBIG	**47,093**	41,809
Due to Philhealth	**38,646**	33,792
	8,891,350	13,933,499

This account includes income tax payable, taxes withheld from officers and employees, premium payments and other payables for remittance to GSIS, Pag-IBIG and Philhealth.

22. TRUST LIABILITIES

This account consists of:

	2020	2019
Current	**37,860,467**	36,625,643
Non-current	**41,390,354**	39,135,697
	79,250,821	75,761,340

Current account refers to an escrow account for the shareholders of a former affiliate, bid bonds and performance security received from bidders and suppliers.

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

23. DEFERRED CREDITS/UNEARNED INCOME

This account pertains mainly to advance rental received from various lessees amounting to P6.052 million and P8.915 million in 2020 and 2019, respectively.

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

24. PROVISIONS

This account consists of the following:

	2020	2019
Settlement of legal cases	**302,542,641**	298,777,620
Leave benefits	**5,927,106**	4,466,086
	308,469,747	303,243,706

The settlement of legal cases represents payable to Sta. Ines Melale Forest Products Corporation (Sta. Ines), et al., involving a case filed for collection of 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., and ordered NDC to pay the total amount of P61.89 million with interest of six per cent per annum from date of the filing of the case in 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 with 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 satisfaction of the judgment award. NDC filed a Motion for Reconsideration

of the said Decision. The CA, on July 21, 2010, 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 SC Resolution, dated December 12, 2011, requiring NDC to file its comment to 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 Motion to Consolidate Case.

On February 1, 2017, the SC rendered Decision affirming the March 24, 2010 Decision and 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 Motion to Refer Case to the Court En Banc.

On July 1, 2020, OGCC forwarded 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 motion to refer 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.

Leave benefits pertains to the accrual of money value of leave credits earned by NDC employees as of December 31, 2020 and 2019, respectively.

25. DIVIDENDS

This account consists of dividends from the following:

	2020	2019
Subsidiaries and other investments:		
Science Park of the Philippines, Inc.	**2,847,410**	4,271,115
Kamayan Realty Corporation	**0**	1,754,410
Pinagkaisa Realty Corporation	**0**	343,723
NDC-Philippines Infrastructure Corp.	**0**	306,287
	2,847,410	6,675,535
Associates accounted for using equity method	**372,227**	12,316,666
	3,219,637	18,992,201

The total dividends received for the years 2020 and 2019 amounted to P3.220 million and P18.992 million, respectively.

26. LEASE INCOME

The Corporation leases out its investment properties located in various parts of the country under an operating lease agreement with various private entities and government agencies.

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

The lease income earned by the Corporation from its investment properties under operating leases amounted to P187.686 million and P191.424 million in 2020 and 2019, respectively. Meanwhile, direct operating expenses consisting of real property taxes, security services and repairs and maintenance of the properties incurred from these investment properties amounted to P31.262 million and P29.056 million in 2020 and 2019, respectively (see Note 16).

27. PERSONNEL SERVICES

This account consists of the following:

	2020	2019 (as restated)
Salaries and wages	**22,060,058**	22,694,082
Other compensation	**7,012,357**	6,649,861
Personnel benefit contributions	**2,959,305**	2,955,068
Other personnel benefits	**1,666,178**	2,287,356
	33,697,898	34,586,367

28. MAINTENANCE AND OTHER OPERATING EXPENSES

This account consists of the following:

	2020	2019 (as restated)
Taxes, insurance premiums and other fees	**40,829,956**	37,378,068
General services	**27,414,202**	27,340,958
Professional services	**10,831,355**	12,721,750
Impairment loss	**3,501,044**	11,610,155
Depreciation	**2,425,056**	2,348,462
Utility	**2,350,612**	2,802,975
Repairs and maintenance	**2,008,797**	3,829,584
Supplies and materials	**1,707,304**	1,178,714
Confidential, intelligence and extraordinary	**1,170,776**	2,701,908
Communication services	**1,103,156**	1,147,697
Training and scholarship	**574,008**	1,043,336
Traveling	**127,347**	649,220
Other maintenance and operating expenses	**1,981,609**	4,261,607
	96,025,222	109,014,434

29. OTHER INCOME (EXPENSES)

This account consists of the following:

	2020	2019 (as restated)
Gain/(Loss) from changes in fair market value of investment property, net	**2,248,279,814**	1,333,958,698
Miscellaneous income	**8,060,872**	76,653,312
Share in net profit/(loss) of associates	**(49,028,661)**	(41,427,533)
Financial expenses	**(25,997,357)**	(66,392,354)
Gain/(Loss) on foreign exchange, net	**(11,018,400)**	(6,740,246)
Share in the profit/(loss) of joint venture	**(1,966,227)**	(1,397,539)
	2,168,330,041	1,294,654,338

Gain/(Loss) from changes in fair value of investment property pertains to the net increase in fair value of investment properties based on the appraisal conducted in 2020 and 2019.

Miscellaneous income includes income arising from excess of standard input value added tax (VAT) for sales of goods and services to government over actual input VAT as required by Bureau of Internal Revenue, assessment charges from lessees and reversal of impairment losses provided for rental receivables.

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

Financial expenses pertain to interest charges paid for the use of borrowed money, bank and financial charges.

Gain/(Loss) on foreign exchange represents the foreign exchange differential arising from the translation of foreign currency denominated items.
Share in the profit/(loss) of joint venture pertains to proportionate share of Philippine National Oil Company – Renewables Corporation and NDC in the profit or loss of Rizal Hydro Power Project.

30. INCOME TAX EXPENSE

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

	2020	2019 (as restated)
Current	**40,949,681**	116,011,110
Deferred	**669,022,878**	299,461,408
	709,972,559	415,472,518

Reconciliation between statutory tax and effective tax is as follows:

	2020	2019 (as restated)
Income tax at statutory rate	**703,458,504**	470,974,894
Dividend income not subject to income tax	**(854,223)**	(2,002,661)
Impairment/share in net loss of affiliates	**14,708,598**	12,428,260
Income subjected to final tax	**(33,070,282)**	(46,971,285)
Other reconciling items	**25,729,962**	(18,956,690)
	709,972,559	415,472,518

An analysis of deferred tax asset and deferred tax liabilities follows:

	2020	2019 (as restated)
Deferred tax assets on:		
Allowance for impairment	**732,854,053**	731,846,639
Unrealized foreign exchange gain	**3,305,520**	(1,471,094)
Deferred tax liabilities on:		
Rental receivables	**(17,378,083)**	(11,023,670)
Interest receivables	**(22,046,150)**	(29,754,037)
Investment property	**(5,444,239,157)**	(4,768,078,779)
Net deferred tax liability	**(4,747,503,817)**	(4,078,480,941)

The net current tax payable after applicable creditable withholding taxes is as follows:

	2020	2019 (as restated)
Tax due	**40,949,681**	116,011,110
Creditable withholding tax	**(8,022,865)**	(10,412,106)
Income taxes paid for first three quarters	**(28,531,445)**	(96,101,903)
	4,395,371	9,497,101

31. SHARE CAPITAL

This account represents the capital infusion of the National Government (NG) from 1937 to 2002 aggregating to P8.600 billion. The Corporation 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.

32. RESTATEMENT OF ACCOUNTS

The 2019 financial statements were restated to reflect the following transactions/adjustments:

CY 2018 errors discovered in 2019 and 2020

	December 31, 2018 (As previously restated)	Restatements/ Adjustments	January 1, 2019 (As restated)
STATEMENT OF FINANCIAL POSITION			
Receivables, net-current	**238,440,423**	**2,249,336**	**240,689,759**
Under accrual of rental receivables		*2,152,588*	
Recognition of rental rate adjustment		*239,226*	
Under accrual of assessment charges		*3,498*	
Reclass of housing loan receivable		*(145,976)*	
Inventories	**0**	**1,273,226**	**1,273,226**
Recognition of inventories held for consumption		*1,273,226*	
Other current assets	**47,602,754**	**(16,511,360)**	**31,091,394**
Reclassification of restricted fund (held-in-trust)-non-current asset		*(15,238,134)*	
Reclassification of inventories held for consumption		*(1,273,226)*	
Investments	**2,061,767,512**	**(2,061,767,512)**	**0**
Reclassification of investments		*(2,061,767,512)*	
Financial assets	**0**	**1,234,337,197**	**1,234,337,197**
Reclassification of investments		*1,234,337,197*	
Investments in associates/affiliates	**0**	**228,668,296**	**228,668,296**
Reclassification of investments		*228,668,296*	
Investments in subsidiaries	**0**	**402,315,129**	**402,315,129**
Reclassification of investments		*402,315,129*	
Other investments	**0**	**196,446,890**	**196,446,890**
Reclassification of investments		*196,446,890*	
Receivables, net-non-current	**1,362,026,164**	**(142,569)**	**1,361,883,595**
Reclass of housing loan receivable		*(142,569)*	
Investment property	**15,217,009,481**	**310,200**	**15,217,319,681**
Reclass of repossessed house and lot from housing loan receivable		*310,200*	
Other non-current assets and deferred charges	**28,704,629**	**15,238,134**	**43,942,763**
Reclassification of restricted fund (held-in-trust)-non-current asset		*15,238,134*	
Restatement on total assets- net increase		2,416,967	
Accounts payable	**43,319,734**	**(43,319,734)**	**0**
Reclassification of accounts payable		*(43,319,734)*	
Interest payable	**430,249,563**	**(430,249,563)**	**0**
Reclassification of Interest payable		*(430,249,563)*	
Financial liabilities	**0**	**473,572,297**	**473,572,297**
Reclassification of Interest payable		*430,249,563*	
Reclassification of accounts payable		*43,319,734*	
Over and under accrual of various maintenance and other operating expenses		*3,000*	
Add: Restatement on total liabilities- increase		3,000	
Restatement on statement of financial position- net increase		**2,413,967**	

CY 2019 errors discovered in 2020

	December 31, 2019 (As previously reported)	Restatements/ Adjustments	December 31, 2019 (As restated)
STATEMENT OF FINANCIAL POSITION			
Receivables, net- current	**211,999,879**	**17,107,466**	**229,107,345**
Under accrual of rental receivables		*15,180,906*	
Recognition of rental rate adjustment		*239,226*	
Under accrual of interest receivable		*1,874,812*	
Under accrual of assessment charges		*3,498*	
Reclass of housing loan receivable		*(145,976)*	
Reclassification of advances to officers and employees		*(45,000)*	
Inventories	**0**	**1,562,720**	**1,562,720**
Recognition of inventories held for consumption		*1,562,720*	
Other current assets	**51,699,910**	**(21,203,896)**	**30,496,014**
Reclassification of restricted fund (held-in-trust)-non-current asset		*(19,456,230)*	
Reclassification of inventories held for consumption		*(1,562,720)*	
Adjustments on 50% interest in the joint operation with PNOC RC		*(229,946)*	
Recognition of advances to officers and employees		*45,000*	
Investments	**2,027,991,474**	**(2,027,991,474)**	**0**
Reclassification of investments		*(2,027,991,474)*	
Financial assets	**0**	**1,094,204,732**	**1,094,204,732**
Reclassification of investments		*1,094,204,732*	
Investments in associates/affiliates	**0**	**234,924,097**	**234,924,097**
Reclassification of investments		335,024,723	
Adjustment on investments related to equity share under investment in associates		*(100,100,626)*	
Investments in subsidiaries	**0**	**402,315,129**	**402,315,129**
Reclassification of investments		*402,315,129*	
Other investments	**0**	**196,446,890**	**196,446,890**
Reclassification of investments		*196,446,890*	
Receivables, net-non-current	**53,789,988**	**(142,569)**	**53,647,419**
Reclass of housing loan receivable		*(142,569)*	
Investment property	**16,553,073,011**	**310,200**	**16,553,383,211**
Reclass of repossessed house and lot from housing loan receivable		*310,200*	
Other non-current assets and deferred charges	**28,704,629**	**19,456,230**	**48,160,859**
Reclassification of restricted fund (held-in-trust)-non-current asset		*19,456,230*	
Restatement on total assets- net decrease		(83,010,475)	
Accounts payable	**28,640,375**	**(28,640,375)**	**0**
Reclassification of accounts payable		*(28,640,375)*	
Interest payable	**461,158,311**	**(461,158,311)**	**0**
Reclassification of Interest payable		*(461,158,311)*	
Financial liabilities	**0**	**489,862,502**	**489,862,502**
Reclassification of Interest payable		*461,158,311*	
Reclassification of accounts payable		*28,640,375*	
Over and under accrual of various maintenance and other operating expenses		*63,816*	
Inter-agency payables	**13,931,572**	**1,927**	**13,933,499**

	December 31, 2019 (As previously reported)	Restatements/ Adjustments	December 31, 2019 (As restated)
Adjustment on premium payments to GSIS		*1,927*	
Deferred tax liability	**4,073,214,579**	**5,266,362**	**4,078,480,941**
Adjustment of deferred tax due to restatement of 2019 accounts		*5,266,362*	
Add: Restatement on total liabilities- net increase		5,332,105	
Restatement on statement of financial position- net decrease		**(88,342,580)**	
STATEMENT OF COMPREHENSIVE INCOME			
Lease Income	**178,395,516**	**13,028,318**	**191,423,834**
Over and under accrual of rental receivables		*13,028,318*	
Interest income	**218,467,374**	**2,156,034**	**220,623,408**
Under accrual of interest receivables		*2,156,034*	
Personnel services	**34,584,440**	**1,927**	**34,586,367**
Under accrual of personnel benefit expenses		*1,927*	
Maintenance and other operating expenses	**108,953,618**	**60,816**	**109,014,434**
Over and under accrual of various maintenance and other operating expenses		*60,816*	
Other income (expenses), net	**1,395,266,132**	**(100,611,794)**	**1,294,654,338**
Adjustment on investments related to equity share under investment in associates		*(100,100,626)*	
Adjustment on 50% interest in the joint operation with PNOC RC		*(229,946)*	
Adjustment on tax on money market placements		*(281,222)*	
Income tax expense-deferred tax	**294,195,046**	**5,266,362**	**299,461,408**
Adjustment of deferred tax due to restatement of 2019 accounts		*5,266,362*	
Restatement on profit or loss- net decrease		**(90,756,547)**	
Total restatement on 2019 financial statements		**(179,099,127)**	

The Corporation 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.

33. RELATED PARTIES

Key Management includes the board of directors, all members of Management and other Corporation officers. Key Management compensation totaled P9.897 million and P9.605 million in 2020 and 2019, respectively. A breakdown of these amounts follows:

	2020	2019
Salaries and allowances	**8,259,726**	8,203,196
Other benefits	**1,637,714**	1,401,608
	9,897,440	9,604,804

34. COMPLIANCE WITH REPUBLIC ACT 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 National Government, NDC remitted to the Bureau of the Treasury P720.000 million and P100.574 million in CYs 2020 and 2019, respectively. Similarly, the following NDC subsidiaries remitted total dividends of P2.404 million in 2019, which represent NDC's share in the dividends, broken down as follows:

	2020	2019
Kamayan Realty Corporation	**0**	1,754,410
Pinagkaisa Realty Corporation	**0**	343,723
NDC-Philippines Infrastructure Corp.	**0**	306,287
	0	2,404,420

35. CONTINGENT ASSETS/CONTINGENT LIABILITITES

The Corporation, in the normal course of business, became party to litigations. Cases/petitions were filed for or against NDC and are now pending before the appellate courts, the lower courts and certain administrative bodies. These cases involve civil actions for collection of sum of money, reconveyance of property/title, payment of just compensation, specific performance and action for refund of taxes withheld.

Since the ultimate outcome of the cases cannot presently be determined, claims for assets and provision for any liability that may result have not been recognized in the financial statements.

The details of NDC pending cases as of December 31, 2020 are as follows:

Title of Case	Nature	Amount	Status
Mero Structures, Inc. vs. Asian Construction FCCC and NDC. (CA-GR CV No. 98844 Civil Case No. 02-206 RTC Makati, Branch 145).	Sum of money	P5 million	On May 23, 2016, Office of the Government Corporate Counsel (OGCC) filed Comment on the Petition for Review. On September 17, 2020, OGCC received Supreme Court's (SC) August 24, 2020 Resolution directing the Court of Appeals (CA) to elevate the complete records of CA GR CV 98844 within 10 days from notice.
NDC vs. JAO & Company. (CA-GR CV No. 50087 Civil	Sum of money	P7.520 million plus six per cent interest	The court granted NDC's Motion for Execution on September 22,

Title of Case	Nature	Amount	Status
Case No. R-81-1226 RTC-Manila, Br. 38).		per annum and liquidated damages of five per cent for the principal obligation and interest.	2014. To date, the court has not issued the Writ of Execution.
Victoria Corcelles Abunda, et al. vs. NDC, et al. (DARAB Case No. X-678-SC-2000).	Reconveyance	No amount involved as the issue to be resolved is ownership.	Awaiting Order from Regional Trial Court for the submission of position paper. As of December 2020, no other related documents have been received.
Liwanag L. Cruz, et al. vs. Juanito F. Galumo and Register of Deeds of South Cotabato. (Civil Case No. 12-436, RTC-Br. 39, Polomolok, South Cotabato).	Annulment of deed of sale, reconveyance of real properties, damages with prayer for preliminary mandatory injunction	No amount involved as the issue to be resolved is ownership.	In the Order dated December 2, 2020, the court granted plaintiff's and DARBCI's Motion for Reconsideration and declared null and void the deed of sale allegedly executed by Cruz in favor of Galumo and that the properties to be reconveyed to DARBCI. NDC filed a Partial Motion for Reconsideration praying that the properties be reconveyed instead to NDC.
Primo Gelacio vs. NDC-Guthrie Plantations, Inc. & NDC Luzviminda Gelacio-Bahala vs. NDC 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 Writ of Execution, 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. 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).	Reconveyance	No amount involved as the issue to be resolved is ownership.	On September 17, 2020, OGCC received a copy of SC's July 13, 2020 Resolution noting the comments of Dolefil Agrarian Reform on NDC's Motion for Reconsideration (MR) dated July 11, 2018 and awaiting for the comments of respondents DAR and Register of Deeds of South Cotabato on NDC's MR.
NDC vs. DAR & LBP. (Civil Case No. 7172 RTC-Branch I, Balanga, Bataan)	Determination of just compensation	P2.737 million	The SC remanded the case to RTC for the determination of just compensation.

Title of Case	Nature	Amount	Status
LBP vs. NDC. (CA-GR-SP No. 99765 15th Division).			
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 involving 80,000 sq. m. or approximately P3.2 million (principal only)	On January 20, 2020, OGCC received a copy of Plaintiff's Motion for Writ of Execution dated January 1, 2020. On December 7, 2020, OGCC received a copy of the Plaintiff's Third Request for Hearing of the Motion for Writ of Execution dated January 1, 2020.
NDC vs. Commissioner of Internal Revenue. (DOJ Case No. 91-06).	Refund of taxes	P0.660 million	Submitted for Department of Justice'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 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 GM 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 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, Recovery of Possession Cancellation of Title of Lot No. 65 (1161) PLS 247-D	No amount involved as the issue to be resolved in this case is ownership.	Filed Answer with Compulsory Counterclaim on August 20, 2009. As of December 31, 2020, no further court order or any related document has been received.

Title of Case	Nature	Amount	Status
Teodora Denila vs. NDC/DOLE, DARBCI (RTC Br. 36, Gen San City)	Action for annulment of title	- P2.541 million as back rentals - Rental from 1996 up to the present - 20 per cent Attorney's fees	The RTC denied the Motion for Reconsideration filed by NDC. A notice of appeal was filed by NDC to CA on March 2018. 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.	In February 2020, NDC filed its Formal Offer of Evidence. The case is now submitted for Resolution.

36. GENDER AND DEVELOPMENT

The Company allotted P1.803 million for Gender and Development (GAD) program for CY 2020. The GAD fund was utilized for programs that are cognizant of the strict austerity and expenditure-efficiency measures being observed among government agencies, in accordance with the purpose of GAD Plans and Programs. Various activities were undertaken by the Company.

37. SUPPLEMENTARY INFORMATION ON TAXES

In compliance with the requirements set forth by BIR Revenue Regulations 15-2010, hereunder are the information on taxes, duties and license fees paid during the year:

a. Taxes and licenses (National and Local):

Real estate tax	37,860,598
Mayor's permit	1,463,145
Community tax certificate	10,500
Annual registration-BIR	500
	39,334,743

b. Withholding taxes paid:

Tax on compensation	4,222,377
Creditable withholding taxes	2,419,483
	6,641,860