



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

**ANNUAL AUDIT REPORT**

on the

**NATIONAL DEVELOPMENT COMPANY**

**For the Year Ended December 31, 2014**

## **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 2873. On November 13, 1936, it became a public corporation through Commonwealth Act 182, as amended by Commonwealth Act 311 dated June 9, 1938. Pursuant to Presidential Decree No. 1648, NDC was reorganized on October 25, 1979 to be the government's investment arm under the Department of Trade and Industry.

The Company'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 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 company 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.

### **Scope and Objectives of Audit**

The audit covered the accounts, transactions and operations of NDC for calendar year 2014. It was aimed at expressing an opinion as to whether the financial statements present fairly the Company's financial position, results of operations and cash flows and at determining its compliance with pertinent laws, rules and regulations, as well as the efficiency and effectiveness of operations.

## Financial Highlights

### Comparative Financial Position

	2014	2013	Increase (Decrease)
Assets	12,910,006,872	13,208,759,455	(298,752,583)
Liabilities	9,837,611,282	8,529,552,011	1,308,059,271
Equity	3,072,395,590	4,679,207,444	(1,606,811,854)

### Comparative Results of Operations

	2014	2013	Increase (Decrease)
Income	788,219,455	867,596,112	(79,376,657)
Expenses	373,259,536	362,110,091	11,149,445
Net profit	414,959,919	505,486,021	(90,526,102)

## Independent Auditor's Report on the Financial Statements

We rendered an unqualified opinion on the fairness of presentation of the financial statements of the Company.

### Audit Observations and Recommendations

1. NDC's failure to fill up positions in the Internal Audit Office (IAO) resulted in the incurrence of expenses for deficiency taxes, surcharges and interests/penalties in the total amount of P3.018 million.

We recommended that Management continue to exert efforts to fill up the plantilla positions in the Internal Audit Office pursuant to DBM Circular Letter No. 2008-5 and the DBM approved organization structure of NDC. In the meantime that positions in IAO have not been filled up, we suggested that a Compliance Unit be created from its existing manpower to review financial reports and monitor compliance with the rules and regulations of the BIR, SEC and other regulatory agencies.

2. The activities for the Gender and Development (GAD) were not in accordance with the activities endorsed by the Philippine Commission on Women (PCW) and not in consonance with CSC Memorandum Circular No. 05, series 2014 dated February 25, 2014 on Women's Month Celebration.

We recommended that Management:

- a. Follow-up the Budget and Plan of GAD activities being endorsed by PCW in the earlier part of the year to avoid conducting activities that are not approved and endorsed by PCW;
- b. Conduct GAD activities which will address gender issues and concerns; and
- c. Provide and record GAD expenses appropriately in the GAD account classification.

#### **Statement of Total Suspensions, Disallowances and Charges as of Year-end**

As at December 31, 2014, the unsettled Notices of Disallowance amounted to P19.51 million. Of this amount, P1.72 million is with Petition for Review on Certiorari filed with the Supreme Court on May 9, 2011 and P1.38 million is under appeal with the Director of Cluster 4, Corporate Government Sector.

#### **Status of Implementation of Prior Years' Audit Recommendations**

Of the 23 audit recommendations embodied in the Annual Audit Reports for CYs 2006-2013, six were fully implemented, 11 were partially implemented, four were not implemented and two were reconsidered.



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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 Financial Statements***

We have audited the accompanying financial statements of National Development Company (NDC), which comprise the statement of financial position as at December 31, 2014, and the statement of profit or loss, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with state accounting principles generally accepted in the Philippines, 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.

***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of National Development Company as at December 31, 2014, and its financial performance and its cash flows for the year then ended in accordance with state accounting principles generally accepted in the Philippines.

*Emphasis of Matter*

We draw attention to Note 24 to the financial statements which describes the uncertainty related to the outcome of the various civil and tax cases pending before the lower courts and the Supreme Court. Our opinion is not modified in respect of this matter.

***Report on Supplementary Information Required  
Under BIR Revenue Regulation No. 15-2010***

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on taxes, duties and license fees in Note 26 to the financial statements is presented for purposes 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. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

**COMMISSION ON AUDIT**



**FELISA M. DALOPE**  
Supervising Auditor

May 5, 2015

**PART I**  
**AUDITED FINANCIAL STATEMENTS**



**NATIONAL DEVELOPMENT COMPANY**  
**STATEMENT OF FINANCIAL POSITION**

December 31, 2014

(With comparative figures as of December 31, 2013)

(In Philippine Peso)

	Note	2014	2013 (as restated)
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	4	67,083,023	835,435,371
Short-term investments	5	113,108,041	79,903,949
Receivables, net	6	116,095,161	1,994,609,500
Other current assets	7	84,017,503	80,551,301
Total Current Assets		380,303,728	2,990,500,121
<b>Non-Current Assets</b>			
Investments	8	1,550,200,967	1,534,749,587
Receivables, net	6	7,536,702,945	5,285,245,933
Investment property	9	2,865,970,504	2,872,722,642
Property and equipment	10	21,953,108	24,412,084
Other non-current assets and deferred charges	11	554,875,620	501,129,088
Total Non-Current Assets		12,529,703,144	10,218,259,334
<b>TOTAL ASSETS</b>		<b>12,910,006,872</b>	<b>13,208,759,455</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Accounts payable and accrued expenses	12	712,898,217	666,348,173
Current portion of loans payable	13	6,963,064,930	3,873,469,542
Other current liabilities	15	31,746,059	69,419,334
Total Current Liabilities		7,707,709,206	4,609,237,049
<b>Non-Current Liabilities</b>			
Loans payable, net of current portion	13	308,098,946	308,098,946
Bonds payable	14	0	3,500,000,000
Dividends payable	24	1,788,939,261	0
Other non-current liabilities	15	32,863,869	112,216,016
Total Non-Current Liabilities		2,129,902,076	3,920,314,962
<b>Equity</b>		<b>3,072,395,590</b>	<b>4,679,207,444</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>12,910,006,872</b>	<b>13,208,759,455</b>

See accompanying Notes to Financial Statements.

**NATIONAL DEVELOPMENT COMPANY**  
**STATEMENT OF PROFIT OR LOSS**

For the Year Ended December 31, 2014

(With comparative figures for the year ended December 31, 2013)

(In Philippine Peso)

	Note	2014	2013 (as restated)
<b>OPERATING INCOME</b>			
Interest on loans		476,929,866	474,146,085
Dividends	20	160,175,601	159,617,609
Rental and leasehold		95,726,266	86,633,723
Interest on deposits		29,242,046	48,079,560
Interest on receivables		730,479	1,201,403
Management fees		84,000	84,000
Guarantee income		36,150	499,356
		<b>762,924,408</b>	<b>770,261,736</b>
<b>OPERATING EXPENSES</b>	21	<b>367,411,288</b>	<b>355,533,467</b>
		<b>395,513,120</b>	<b>414,728,269</b>
<b>OTHER INCOME</b>			
Share in net profit from associates		24,771,105	21,739,091
Gain from sale of assets		223,955	54,320,260
Foreign exchange gain		4,874	21,272,460
Miscellaneous income		295,113	2,565
		<b>25,295,047</b>	<b>97,334,376</b>
<b>PROFIT BEFORE INCOME TAX</b>		<b>420,808,167</b>	<b>512,062,645</b>
<b>INCOME TAX EXPENSE</b>	22	<b>5,848,248</b>	<b>6,576,624</b>
<b>NET PROFIT</b>		<b>414,959,919</b>	<b>505,486,021</b>

*See accompanying Notes to Financial Statements.*

**NATIONAL DEVELOPMENT COMPANY**

**STATEMENT OF CHANGES IN EQUITY**

For the Year Ended December 31, 2014

(With comparative figures for the year ended December 31, 2013)

(In Philippine Peso)

	Note	Capital Stock	Donated Capital	Share in Revaluation Increments of Associates	Deficit	Total
<b>Balances, December 31, 2012</b>		<b>8,602,803,483</b>	<b>112,739,868</b>	<b>28,883,100</b>	<b>(4,860,783,752)</b>	<b>3,883,642,699</b>
Correction of prior year income	18	0	0	0	390,078,724	390,078,724
Restated balance, January 1, 2013		8,602,803,483	112,739,868	28,883,100	(4,470,705,028)	4,273,721,423
<b>Changes in Equity for 2013</b>						
Net profit for the year, as restated	19	0	0	0	505,486,021	505,486,021
Dividends	23	0	0	0	(100,000,000)	(100,000,000)
<b>Balances, December 31, 2013</b>		<b>8,602,803,483</b>	<b>112,739,868</b>	<b>28,883,100</b>	<b>(4,065,219,007)</b>	<b>4,679,207,444</b>
<b>Changes in Equity for 2014</b>						
Net profit for the year		0	0	0	414,959,919	414,959,919
Dividends	23	0	0	0	(2,021,771,773)	(2,021,771,773)
<b>Balances, December 31, 2014</b>		<b>8,602,803,483</b>	<b>112,739,868</b>	<b>28,883,100</b>	<b>(5,672,030,861)</b>	<b>3,072,395,590</b>

See accompanying Notes to Financial Statements.

**NATIONAL DEVELOPMENT COMPANY**
**STATEMENT OF CASH FLOWS**

For the Year Ended December 31, 2014

(With comparative figures for the year ended December 31, 2013)

(In Philippine Peso)

	Note	2014	2013
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Dividends received		169,225,873	162,617,609
Collection of rentals		109,447,344	125,078,463
Collection of receivables		51,840,510	26,450,988
Interest received		35,254,177	16,472,314
Miscellaneous collections		5,767,794	2,365,397
Loans granted		(577,956)	(21,926,444)
Payment of salaries and benefits to officers and employees		(17,861,303)	(18,877,508)
Payment of taxes and licenses		(37,631,322)	(37,122,713)
Payment to suppliers and service providers		(56,817,324)	(58,503,767)
Payment of interest		(186,379,365)	(186,126,837)
Net cash provided by operating activities		72,268,428	10,427,502
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from disposal of assets		506,936	55,826,624
Net proceeds (transfer to short-term investments) from money market placements		(25,599,047)	29,285,335
Investment in project		(45,000,000)	0
Acquisition of assets		(127,293,992)	(43,862,563)
Net cash provided by (used in) investing activities		(197,386,103)	41,249,396
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from net lending		3,090,185,764	89,687,500
Payment of loans payable		(590,376)	(2,490,723)
Payment of dividends		(232,832,512)	(100,000,000)
Redemption of bonds payable		(3,500,000,000)	0
Net cash used in financing activities		(643,237,124)	(12,803,223)
<b>EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>			
		2,451	78,652
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>(768,352,348)</b>	<b>38,952,327</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>		<b>835,435,371</b>	<b>796,483,044</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	4	<b>67,083,023</b>	<b>835,435,371</b>

See accompanying Notes to Financial Statements.



**NATIONAL DEVELOPMENT COMPANY  
NOTES TO FINANCIAL STATEMENTS**

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**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 Company'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 company 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 Company 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 No. 184 was promulgated and approved by the DTI Secretary on August 28, 2003 under DTI Department Order No. 70. With the implementation of EO No. 184, new employees were hired to work and implement the mandate of NDC as the government's investment arm.

The Company'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, 2014 and 2013 were approved and authorized for issue by the General Manager on May 5, 2015.

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## 2. SIGNIFICANT ACCOUNTING POLICIES

### Basis of preparation

The financial statements of NDC are presented in conformity with state accounting principles generally accepted in the Philippines. These are prepared under the historical cost basis, except for investment properties which are measured at fair value.

### Functional and presentation currency

The financial statements are presented in Philippine peso, the Company's functional currency.

### Recognition of financial assets and liabilities

Financial assets or financial liabilities are recognized when the Company becomes a party to the contractual provisions of the instrument. Financial assets and liabilities are recognized initially at fair value. Transaction costs are included in the initial measurement of all financial assets and liabilities.

### Derecognition of financial assets and liabilities

The Company derecognizes a financial asset when it no longer controls the contractual rights that comprise the financial instrument and a financial liability when the obligation is extinguished or cancelled.

*Financial assets.* A financial asset (or, where applicable, a part of a financial asset or part of group of financial assets) is derecognized where:

- the rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the assets and either (a) has transferred substantially all the risks and rewards of ownership or (b) when it has neither transferred nor retained substantially all the risk and rewards but it no longer has control over the asset or a portion of the asset.

*Financial liabilities.* A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of the existing liability are substantially modified, such an exchange or modification is treated as a derecognition of original liability and recognition of new liability.



### Disclosure and presentation of financial instruments

Financial instruments are to be classified as debt or equity in accordance with their substance and not their legal form.

### Cash and cash equivalents

Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash, with original maturities of three months or less from the date of acquisition and are subject to insignificant risk of change in value.

### Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Allowance for doubtful accounts is provided based on an evaluation of the estimated collectability of receivables with respect to aging of accounts, past loss experience and specific identification of uncollectible accounts. The Company's receivables consist of loans, rental, accrued interest, and other receivables and advances to related parties.

Interests and penalties on non-performing loans are not accrued but are taken up as income only when actual payments thereon are received.

### Investments

In preparing the Parent Company's financial statements, investments in subsidiaries and joint venture companies are recorded at cost less allowance for impairment.

Investments in associates are accounted for under the equity method of accounting. An associate is an entity over which the Company exercises significant influence.

### Investment property

Investment property consists of lands that are held to earn rentals and are measured at fair market value.

Investment properties are derecognized on disposal or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from their disposal. Any gain or loss on the disposal of investment properties is recognized in profit or loss in the year of disposal.

### Property and equipment

Property and equipment are stated at cost less accumulated depreciation.

The initial cost of property and equipment comprises its purchase price, including import duties and taxes, and any costs that are directly attributable to bringing the asset to its working condition and location for intended use. Expenditures incurred after the property and equipment have been put into operation, such as maintenance and repairs, are normally charged to expense in the period in which 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 an additional cost of property and equipment.

When an asset is sold or retired, or otherwise disposed of, the cost and related accumulated depreciation or amortization, if any, are removed from the accounts. Any gain or loss resulting from the disposal is recognized in profit or loss for the period.

#### Foreign currency transactions and translation

Transactions in foreign currencies (principally related to foreign currency liabilities) are initially recorded in Philippine peso based on the reference rates prevailing at the dates of the transactions. Foreign currency denominated monetary assets and liabilities are translated at the exchange rates prevailing at reporting dates. Exchange gains or losses arising from foreign exchange transaction are recognized in profit or loss for the period.

#### Deferred income tax

Deferred tax assets and liabilities are recognized for future tax consequences attributable to differences between the financial reporting bases of assets and liabilities and their related tax bases. Deferred tax assets and liabilities are measured using the tax rates applicable to the taxable income in the periods in which the temporary differences could be recovered or settled. The net effect on the deferred tax assets and liabilities arising from any change in the applicable income tax rates is included in the computation of the provision for deferred income tax for the year.

#### Revenue and expense recognition

Revenue is recognized to the extent that it is probable that the economic benefit will flow to the Company and the revenue can be reliably measured. On the other hand, expenses are recognized when there is a decrease in future economic benefit related to a decrease in an asset or an increase in liability.

An expense is recognized immediately in profit or loss 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 as an asset, or in those cases when a liability is incurred without recognition of an asset.

#### Contingencies

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 when an inflow of economic benefits is probable.



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### 3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The Company's financial statements were prepared in accordance with state accounting principles generally accepted in the Philippines, which require the Company to make estimates and assumptions that affect amounts reported in the financial statements and related notes.

#### Judgments

- Distinction between property and equipment and investment property

The Company determines whether a property qualifies as property and equipment or investment property. In making its judgment, the Company considers whether the assets are held for rental to others, for administrative purpose or capital appreciation and whether they are expected to be used during more than one period.

- Operating lease

The Company has entered into various operating leases on its investment property portfolio, retaining all significant risks and rewards of ownership on these properties.

#### Estimates and assumptions

- Allowance for doubtful accounts

Allowance for doubtful accounts is maintained at a level considered adequate to provide for potentially uncollectible receivables. Management's judgment is required in the estimation of the amount and timing of cash flows when determining the level of allowance required.

Such estimates are based on assumptions on a number of factors and actual results may differ resulting in the future changes of allowance. The provision is recognized in profit or loss.

- Estimated useful lives of property and equipment

The Company estimates the useful lives of property and equipment based on their economic lives. The estimated useful lives are reviewed periodically and updated if expectations differ materially from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of the property and equipment. It is possible that future results or operations could be materially affected by changes in the estimates brought about by changes in factors mentioned earlier. The amounts and timing of recorded expenses for any period would be affected by changes in these factors and circumstances.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets as follows:

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

#### 4. CASH AND CASH EQUIVALENTS

This account consists of:

	2014	2013
Cash in banks	8,342,495	5,751,467
Cash with collecting/disbursing officer	4,026,784	4,026,679
Money market placements	54,713,744	825,657,225
	67,083,023	835,435,371

Cash in banks earn interest at the prevailing bank deposit rates. The money market placements consist of placements with interest rates per annum ranging from 1.05 per cent to 1.40 per cent with maturity period of three months or less.

#### 5. SHORT-TERM INVESTMENTS

This account consists of money market placements in the Land Bank of the Philippines and the Development Bank of the Philippines in the total amount of P113,108,041 and P79,903,949 in 2014 and 2013, respectively.



## 6. RECEIVABLES

This account consists of:

	2014	2013 (as restated)
Current		
Loans receivable	47,776,311	268,497,096
Accrued interests	79,851,939	2,536,749,640
Rental receivables	69,951,251	83,249,838
Due from subsidiaries and affiliates	300,000	26,948,260
Due from officers and employees	5,240,962	4,985,864
Due from National Government	3,252,978	3,252,978
Other receivables	240,804,702	393,583,955
	447,178,143	3,317,267,631
Allowance for impairment	(331,082,982)	(1,322,658,131)
	116,095,161	1,994,609,500
Non-Current		
Loans receivable	5,961,583,709	5,842,043,793
Accrued interests	2,282,765,270	0
Due from subsidiaries and affiliates	123,643,901	121,995,641
Due from officers and employees	14,182,952	16,218,379
Other receivables	1,020,331,439	107,700,174
	9,402,507,271	6,087,957,987
Allowance for impairment	(1,865,804,326)	(802,712,054)
	7,536,702,945	5,285,245,933
	7,652,798,106	7,279,855,433

*Accrued interests* 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 Company and lessees.

*Due from subsidiaries and affiliates* consists of advances made to the Company's various subsidiaries and affiliates.

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

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

*Other receivables* includes management fees, guarantee fees, commitment fees, and other receivables.

*Loans receivable - non-current* represents the loan granted to the National Irrigation Administration (NIA), which loan was funded from the proceeds of Agri-Agra bonds, and to the restructured loan of PITC Pharma, Inc.

*Accrued interest - non-current* represents the interest earned from the loan granted to NIA.

## 7. OTHER CURRENT ASSETS

This account consists of:

	2014	2013
Short-term investments (held-in-trust)	80,209,082	76,093,332
Deposits	1,757,555	2,006,418
Prepaid assets	1,292,444	1,806,704
Others	758,422	644,847
	<b>84,017,503</b>	<b>80,551,301</b>

*Short-term investments (held-in-trust)* consists of the principal and accumulated interest of the Housing and Car Fund for the Company's employees and an escrow account for the shareholders of a former affiliate.

## 8. INVESTMENTS

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

	2014	2013 (as restated)
Investments in stocks and other securities		
Common shares	2,167,084,054	2,167,084,054
Preferred shares	1,837,467,152	1,837,467,152
Affiliates accounted under equity	351,645,917	335,925,084
Venture capital	4,000,000	4,000,000
	<b>4,360,197,123</b>	<b>4,344,476,290</b>
Allowance for impairment	<b>(3,334,413,341)</b>	<b>(3,334,413,341)</b>
	<b>1,025,783,782</b>	<b>1,010,062,949</b>
Money market placements	<b>523,842,185</b>	<b>524,111,638</b>



Other investments		
Investments in projects	62,406,520	62,406,520
Others	100,030,145	100,030,145
	162,436,665	162,436,665
Allowance for impairment	(161,861,665)	(161,861,665)
	575,000	575,000
	1,550,200,967	1,534,749,587

The Company's gross investments in common shares and preferred shares, carrying values of investment in affiliates, and venture capital are presented below:

		% of Ownership	2014	2013
<b>Common Shares</b>				
Operational				
Philippine International Trading Corp.	PITC	99.50	199,000,000	199,000,000
Asean Bintulu Fertilizer Sdn. Bhd.	ABFSB	9.50	158,895,989	158,895,989
Batangas Land Company, Inc.	BLCI	60.00	55,659,300	55,659,300
Science Park of the Philippines	SPP	5.18	24,951,957	24,951,957
Paper Industries Corp. of the Phils.	PICP	0.28	15,000,000	15,000,000
G.Y. 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
Semirara Mining Corporation	SMC	3.83	1,136,462	1,136,462
Non-operational				
First Centennial Clark Corporation	FCCC	60.00	400,000,000	400,000,000
Manila Gas Corporation	MGC	91.70	111,282,000	111,282,000
NDC-Philippine Infrastructure Corp.	NPIC	100.00	80,000,000	80,000,000
Menzi Development Corporation	MDC	5.20	10,000,000	10,000,000
San Jose Oil Company	SJOC	20.00	1,716	1,716
For dissolution				
Luzon Stevedoring Corporation	LSC	100.00	330,987,000	330,987,000
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
			2,167,084,054	2,167,084,054

		% of Ownership	2014	2013
<b>Preferred Shares</b>				
Operational				
San Carlos Bio-Energy, Inc.	SCBE	25.00	38,850,000	38,850,000
Non-operational				
First Centennial Clark Corporation	FCCC	60.00	500,000,000	500,000,000
Philippine Dockyard Corporation	PDC	35.00	101,650,000	101,650,000
Under receivership				
National Steel Corporation	NSC	12.50	1,196,967,152	1,196,967,152
			1,837,467,152	1,837,467,152
<b>Affiliates Accounted Under Equity</b>				
Cost				
Alabang-Sto. Tomas Development, Inc.	ASDI	49.00	245,000,000	245,000,000
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	60,000,000	60,000,000
Philippine Mining Development Corp.	PMDC	20.00	25,000,000	25,000,000
PITC Pharma, Inc.	PPI	40.00	15,000,000	15,000,000
Triad Asia, Ltd.	TAL	50.00	65,435,000	65,435,000
Phividec Industrial Estate	PIE	23.95	17,000,000	17,000,000
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
LIDE Management Corporation	LMC	20.00	20,000	20,000
			812,375,979	812,375,979
Accumulated equity in net earnings (losses)				
Balance at beginning of year			(404,685,896)	(423,425,381)
Share in net income for the year			24,771,105	21,739,485
Dividends received			(9,050,272)	(3,000,000)
Balance at end of year			(388,965,063)	(404,685,896)
Share in revaluation increment of an affiliate			28,883,100	28,883,100
			452,294,016	436,573,183
Allowance for impairment			(100,648,099)	(100,648,099)
			351,645,917	335,925,084
<b>Venture Capital</b>				
Non-operational				
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
PNB Venture Capital Corporation	PVCC	20.00	1,000,000	1,000,000
Veterans Venture Capital Corporation	VVCC	20.00	1,000,000	1,000,000
			4,000,000	4,000,000
			4,360,197,123	4,344,476,290



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 the failure of FCCC to pay the rental fees. Prior to such termination, FCCC and CDC entered into a Management Agreement whereby CDC operated the FCCC leasehold area. However, CDC simultaneously cancelled the said Memorandum of Agreement and the 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 original stock certificates representing NDC's shareholdings in San Carlos Bio-Energy, Inc. (SCBI) were pledged as collateral security for the P1.778 billion syndicated loan of SCBI from a consortium of banks participated by the Development Bank of the Philippines (DBP), Land Bank of the Philippines (LBP), Banco de Oro (BDO) and China Banking Corporation (CBC). The stock certificates are in the care and safekeeping of the Collateral Agent of the Lenders, which is BDO.

Refractories Corporation of the Philippines (RCP) is a minority-owned affiliate of NDC at 33 per cent (4.3 million shares equivalent to P108.2 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. To date, the rehabilitation process has not yet been finalized. Moreover, the RCP Board has not called a stockholders' meeting since the company underwent corporate rehabilitation in 2009.

#### 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 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, the 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 the Company, GIHL and Global Steel Corporation. As soon as the Accession Agreement is signed by all Parties, the Company shall withdraw the escrow fund held by PNB and recognize the sale accordingly.

The Company, 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 Company's primary consideration in consenting to the sale is twofold. Firstly, the national interest was taken into account given the government 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.

*Money market placements* primarily consists of funds invested in Retail Treasury Bonds (RTBs).

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## 9. INVESTMENT PROPERTY

*Investment property* includes land and buildings which are held to earn rentals under operating leases. The carrying amounts recognized in the statement of financial position reflect the fair values based on the appraisal conducted in 2010.

This account consists of parcels of land and buildings held by the Company under Contract of Lease to earn rentals, as follows:

	2014	2013
<b>Land</b>		
Pandacan, Manila	726,340,000	726,340,000
Lapu- lapu, Cebu	703,860,000	703,860,000
Sen. Gil Puyat, Makati	335,270,000	335,270,000
M Fortich/Libona, Bukidnon	222,860,000	222,860,000
Tordesillas, Salcedo Vill., Makati	200,400,000	200,400,000
Barrangca, Mandaluyong	113,700,000	113,700,000
San. Juan St., Bacolod	98,980,000	98,980,000
P.Tamo & Dela Rosa Sts., Makati	91,560,000	91,560,000
Bugo Dist., Cagayan De Oro	83,530,000	83,530,000
Kamagong & Sampaloc Sts., Makati	62,800,000	62,800,000
Isabel, Leyte	47,681,847	47,681,847
Lacson & Rizal Sts, Bacolod	39,575,000	39,575,000
Bagong Ilog, Pasig	37,080,000	37,080,000
Diliman, Quezon City	36,450,000	36,450,000
San Roque, Tarlac	17,330,000	17,330,000
Sta. Fe, Bantayan, Cebu	10,590,000	10,590,000
	<b>2,828,006,847</b>	<b>2,828,006,847</b>
<b>Buildings</b>		
Industry & Investment Building	18,726,778	22,490,964
Leyte Port Complex	8,743,146	11,447,709
NDC Building	10,493,733	10,777,122
	<b>37,963,657</b>	<b>44,715,795</b>
	<b>2,865,970,504</b>	<b>2,872,722,642</b>

Fair value and accumulated depreciation of buildings are shown below:

	Industry & Investment Bldg.	NDC Building	Leyte Port Complex	Total
Fair value	151,600,000	56,320,000	50,426,000	258,346,000
Accumulated depreciation	(132,873,222)	(47,576,854)	(39,932,267)	(220,382,343)
Net book value	18,726,778	8,743,146	10,493,733	37,963,657

Except for lands located at 1) Isabel, Leyte, 2) Sen. Gil Puyat, Makati, 3) Tordesillas, Salcedo Village, Makati, 4) Cagayan de Oro, and 5) Bukidnon, the rest are covered by Second Lease Agreement entered into by and between National Development Company and Caltex (Philippines), Inc. (now Chevron) for a period of 25 years effective May 27, 2000 until May 26, 2025.

The Leyte Port Complex at Leyte Industrial Development Estate (LIDE), Isabel, Leyte, is being leased to the Philippine Phosphate Fertilizer Corporation (PHILPHOS) under a Contract of Lease commencing on January 1, 1986 until December 31, 2030.

The rental income earned by the Company from its investment properties, all of which are under operating leases, amounted to P95.73 million and P86.64 million for the year 2014 and 2013, respectively. All the investment properties generated rental income.



## 10. PROPERTY AND EQUIPMENT

This account consists of the following:

	Land and Improvements	Buildings & Building Improvements	Furniture & Equipment	Total
Cost:				
At January 1, 2014	607,879,546	49,909,576	668,833,846	1,326,622,968
Additions	0	5,920,554	603,521	6,524,075
Disposals	0	0	(1,141,746)	(1,141,746)
Adjustments	0	(4,304,030)	(765,828)	(5,069,858)
At December 31, 2014	607,879,546	51,526,100	667,529,793	1,326,935,439
Accumulated depreciation:				
At January 1, 2014	606,647,990	34,115,716	661,447,196	1,302,210,902
Additions	115,231	2,856,905	1,706,843	4,678,979
Disposals	0	0	(1,141,746)	(1,141,746)
Adjustments	0	0	(765,804)	(765,804)
At December 31, 2014	606,763,221	36,972,621	661,246,489	1,304,982,331
Net carrying amount, December 31, 2014	1,116,325	14,553,479	6,283,304	21,953,108
	Land and Improvements	Buildings & Building Improvements	Furniture & Equipment	Total
December 31, 2013				
Cost	607,879,546	49,909,576	668,833,846	1,326,622,968
Accumulated Depreciation / Adjustment	606,647,990	34,115,716	661,447,178	1,302,210,884
Net carrying amount, December 31, 2013 (as restated)	1,231,556	15,793,860	7,386,668	24,412,084

Included in the Improvement and Equipment accounts are the properties at the Leyte Port Complex at Isabel, Leyte, which are being leased to PHILPHOS under a Contract of Lease commencing on January 1, 1986 until December 31, 2030.

## 11. OTHER NON-CURRENT ASSETS AND DEFERRED CHARGES

This account consists of:

	2014	2013 (as restated)
Lands not used in operation	484,713,839	484,713,839
Others	1,019,300,568	965,554,036
Allowance for impairment	(955,801,564)	(955,801,564)
	548,212,843	494,466,311
Deferred charges		
Coal Operating Contract	42,000,000	42,000,000
Miscellaneous	828,308	828,308
	42,828,308	42,828,308
Allowance for impairment	(42,000,000)	(42,000,000)
	828,308	828,308
Deferred tax	5,834,469	5,834,469
	6,662,777	6,662,777
	554,875,620	501,129,088



*Lands not used in operation* account includes the land located at Block D, CBP-1A Macapagal Blvd., Pasay City, with an area of 12,687 square meters covered by Transfer Certificate of Title No. 150251 which was acquired in January 2009 for P355.236 million.

*Others* account principally includes assets acquired from the former International Corporate Bank (ICB) amounting to P962.08 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 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 972 (Coal Development Act of 1976). NDC acquired the rights, titles and interest to the Coal Operating Project from Vulcan Industrial and Mining Exploration 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 being requested for write-off from the Commission on Audit.

*Deferred charges – deferred tax* represents the excess Minimum Corporate Income Tax (MCIT) over Regular Corporate Income Tax (RCIT) to the extent that it is probable that future taxable profit will be available against which the deferred income tax assets can be utilized.

## 12. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

This account consists of:

	2014	2013 (as restated)
Accounts payable for:		
Settlement of legal cases	156,876,221	156,876,221
Guarantee fees	39,891,506	39,891,506
Various service providers	27,884,535	20,582,559
	<b>224,652,262</b>	<b>217,350,286</b>
Accrued interest on:		
Net lending	483,707,795	427,518,755
Domestic loan - DOLE Phils.	4,538,160	4,538,160
Bondholders (AA Bonds)	0	16,940,972
	<b>488,245,955</b>	<b>448,997,887</b>
	<b>712,898,217</b>	<b>666,348,173</b>

*Accounts payable for 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 trial court 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. The Court of Appeals, in its Decision dated March 24, 2010, upheld the Decision of the RTC and increased the interest rate from 6 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 Court of Appeals, 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 a SC Resolution dated December 12, 2011, requiring NDC to file its comment to DBP's 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 comment with Motion to Consolidate Case.

*Accounts payable for guarantee fees* represents payables to the Bureau of the Treasury (BTr) as a result of the sovereign guaranty issued by the National Government (NG) to the Company in favor of the bond holders relative to the issuance of NDC Agri-Agra Bonds and in favor of the lending institutions for the loans obtained by NDC for the account of the subsidiaries.

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### 13. LOANS PAYABLE

This account consists of:

	2014	2013
Domestic loans	7,271,163,876	4,181,568,488
Current portion	6,963,064,930	3,873,469,542
Non-current portion	308,098,946	308,098,946

*Domestic loans* includes the P1.5 billion loan granted by the NG to NDC under the Net Lending Program of the Department of Finance (DOF), in settlement of NDC's loan obligations to the Social Security System (SSS), Government Service Insurance System (GSIS), and Land Bank of the Philippines (LBP). These loan obligations are related to NDC's additional equity infusion and relending to the First Centennial Clark Corporation. The account also includes advances made by the NG for the payment of interest due to bondholders as well as the principal due relative to the redemption of the fourth tranche of NDC Agri-Agra Bonds on November 26, 2014.

The Net Lending Program is a program by the NG, through the DOF, wherein the BTr makes payments for servicing loans obtained by or guaranteed by government-owned or controlled corporations, including government financial institutions, when for valid reasons, such institutions are unable to pay.



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#### 14. BONDS PAYABLE

The Company was authorized to issue P50 billion NDC Agri-Agra "AA" Bonds (formerly NDC Agri-Agra Economic Recovery through Agricultural Productivity "ERAP" Bonds) under Executive Order No. 83 dated December 25, 1998. The issuance of NDC "AA" Bonds is primarily aimed to fund projects which would increase productivity of the agriculture and agrarian sectors for economic growth under a revitalized rural development program in cooperation with other government agencies and private sector. The NDC "AA" bonds also served as alternative compliance by the banking sector to P.D. 717 (Agri-Agra Law), which required banks to allocate at least 25 per cent of their loanable funds for agriculture and agrarian reform purposes.

The Company auctioned on April 15, 1999 the first tranche of the NDC "AA" Bonds amounting to P5 billion, with maturity date of five years and interest rate of 7.875 per cent. The second tranche was auctioned on December 26, 2002 amounting to P2 billion, with maturity date of seven years and interest rate of 6.875 per cent. These bonds were subsequently redeemed in April 2004 and December 2009, respectively.

The third tranche was auctioned on July 19, 2006 amounting to P2 billion, with maturity date of five years and interest rate of 5.875 per cent. This was subsequently redeemed in July 2011.

The fourth tranche was auctioned on November 26, 2009 amounting P3.5 billion, with maturity date of five years and interest rate of 5.125 per cent. This was redeemed on November 26, 2014.

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#### 15. OTHER LIABILITIES

##### Current

This account primarily consists of advance rental, trust liabilities and deferred income amounting to P31.75 million and P69.42 in 2014 and 2013 respectively.

##### Non-current

This account represents the security deposits of lease property of the Company amounting to P32.86 million and P28.02 million in 2014 and 2013, respectively.

On November 14, 2014, the same balance of the amount payable to the Philippine Reclamation Authority (PRA) amounting to P84.20 million for the acquisition of land located at Macapagal Blvd., Pasay City, was paid in advance by the Company (Note 11).



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## 16. CAPITAL STOCK

This account represents the capital infusion of the NG from 1937 to 2002 aggregating P8.60 billion. The Company 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.

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## 17. DONATED CAPITAL

This account consists mainly of the value of lands donated by American companies to the Company upon the termination of the American Parity Agreement on July 3, 1974 and the value of certain reparation goods transferred pursuant to the Memorandum of the President of the Philippines dated September 29, 1977.

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## 18. DEFICIT

The deficit at January 1, 2013 was restated as follows:

As previously reported	(4,860,783,752)
Adjustment due to restructuring of PPI loan	283,604,207
Adjustment due to restructuring of PMDC loan	94,389,333
Reversal of previously impaired accounts due to collection	37,441,681
Collection of prior years rental	23,397,736
Others	4,802,402
Adjustment on interest	(5,216,542)
Closing of unused MCIT	(10,400,588)
Adjustment on share in prior period adjustments of associates	(37,939,505)
As restated	(4,470,705,028)

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## 19. NET PROFIT

The 2013 net profit was restated as follows:

As previously reported	484,005,721
Adjustments:	
Operating income- interest income	21,126,870
Maintenance & other operating expenses	358,969
Share in net profit from associate	(394)
Personnel services	(5,145)
As restated	505,486,021

## 20. DIVIDENDS

This account consists of dividends received from the following:

	2014	2013
Semirara Mining Corporation	136,375,918	136,375,918
Manila Gas Corporation	13,750,000	0
Batangas Land Company, Inc.	6,755,069	18,633,804
MBTCI Venture Capital Corp.	1,728,073	0
Philippine International Trading Corp.	733,728	413,073
Kamayan Realty Corporation	507,975	1,365,570
Pinagkaisa Realty Corp.	324,838	304,967
Science Park of the Philippines, Inc.	0	2,524,277
	160,175,601	159,617,609

The total dividends received for the years 2014 and 2013 amounted to P169,225,873 and P162,617,609, respectively, as reflected in Statement of Cash Flows.

The difference between the dividends income and dividends received for the years 2014 and 2013 in the total amount of P9,050,272 and P3,000,000, respectively, was due to the accounting treatment of dividends from affiliates, which was accounted as reduction to the cost of investments from affiliates (Note 8).

## 21. OPERATING EXPENSES

The Company's operating expenses are broken down as follows:

	2014	2013 (as restated)
Personal services		
Salaries and wages	15,529,573	16,260,084
Bonus and incentives	3,369,110	1,563,800
Social security benefits	1,947,010	2,003,923
Non-commutable allowances	390,000	390,000
Other benefits	1,773,398	1,478,010
	23,009,091	21,695,817

	2014	2013 (as restated)
Maintenance and other operating expenses		
Interest expense and financial charges	227,622,641	254,570,761
Impairment loss	36,570,330	3,398,784
Other services and legal fees	25,814,928	24,777,462
Taxes and licenses	21,491,686	17,711,633
Depreciation	11,431,116	10,945,237
Auditing services	3,927,747	4,367,267
Light and water	3,306,310	3,157,529
Meeting/planning and conference	2,518,044	2,834,568
Consultancy fees	2,365,297	2,517,944
Traveling	1,461,461	854,650
Rentals	1,423,434	1,267,456
Communication services	1,218,319	1,121,675
Training and personal development	1,194,926	1,033,107
Supplies and materials	656,951	595,004
Repairs and maintenance	426,005	1,460,069
Miscellaneous	2,973,002	3,224,504
	<b>344,402,197</b>	<b>333,837,650</b>
	<b>367,411,288</b>	<b>355,533,467</b>

## 22. INCOME TAX EXPENSE

The reconciliation of pre-tax income computed at the statutory tax rate to provision for (benefit from) income is as follows:

	2014	2013
Tax at statutory tax rate	126,242,451	147,174,704
Additions / deductions to income resulting from:		
Income tax (tax benefit)	41,529,354	30,662,781
Income subjected to final tax	(2,924,366)	(4,262,874)
Dividend income not subject to income tax	(47,534,259)	(47,885,283)
Impairment/share in net loss (income) of affiliates	3,539,768	(5,502,211)
Others-net	(115,004,700)	(113,610,493)
	<b>5,848,248</b>	<b>6,576,624</b>

The Company is subject to the two per cent MCIT or normal income tax, whichever is higher. The excess of MCIT over the normal income tax is carried forward and credited against the normal income tax for three consecutive years.



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**23. COMPLIANCE WITH REPUBLIC ACT No. 7656**

Pursuant to Republic Act (RA) No. 7656, requiring government-owned or controlled corporations (GOCCs) 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 P233 million and P100 million in CYs 2014 and 2013, respectively. Similarly, the following NDC subsidiaries remitted total dividends of P21.34 million and P20.30 million in 2014 and 2013, respectively, which represent NDC's share in the dividends, broken down as follows:

	2014	2013
Manila Gas Corporation	13,750,000	0
Batangas Land Company, Inc.	6,755,070	18,633,804
Kamayan Realty Corporation	507,975	1,365,570
Pinagkaisa Realty Corporation	324,838	304,967
	21,337,883	20,304,341

On July 30, 2014, the Company's Board of Directors approved the recognition and payment schedule of dividends amounting to P1.789 billion due to the National Government from net earnings prior to 2013.

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**24. CONTINGENT ASSETS /CONTINGENT LIABILITIES**

The Company, 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, 2014 are as follows:

Title of Case	Nature	Amount	Status
Mero Structures, Inc. vs. Asian Construction FCCC and NDC. (Civil Case No. 02-206 RTC Makati, Branch 145).	Sum of money	P5 million	On May 27, 2013, OGCC filed Appellee's Brief.

Title of Case	Nature	Amount	Status
NDC vs. JAO & Company. (CA-GR CV No. 50087 Civil Case No. R-81-1226 RTC-Manila, Br. 38),	Sum of money	Involved: P7.520 million plus 6 per cent interest per annum and liquidated damages of 5 per cent for the principal obligation and interest.	Awaiting RTC's Order on NDC's Motion for the issuance of 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 in this case is ownership.	Awaiting Order from RTC for the submission of position paper.
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).	Reconveyance	No amount involved as the issue to be resolved in this case is ownership.	The DARBCI will present evidence on May 14, 2015
Primo Gelacio vs. NDC-Guthrie Plantations, Inc. & NDC Luzviminda	Reconveyance	P100,000 more or less (principal only)	Awaiting Supreme Court decision on NDC's Motion for Reconsideration.
Gelacio-Bahala vs. NDC GR No. 138736 (CA-GR CV No. 43924).			
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 in this case is ownership.	Received on April 5, 2010, copy of the respondent appellee DARBCI's opposition to NDC's MR dated January 25, 2010.

Title of Case	Nature	Amount	Status
NDC vs. DAR & LBP. (Civil Case No. 7172 RTC-Branch I, Balanga, Bataan) LBP vs. NDC. (CA-GR-SP No. 99765 15 <sup>th</sup> Division).	Determination of just compensation	P2.737 million	Supreme Court remanded the case back to RTC for the determination of just compensation.
Heirs of Pacabis vs. NDC. (Civil Case No. 3442-0 Br. 35, Ormoc City).	Determination of just compensation	Per Commissioner's Report P40 per sq. meter involving 80,000 sq. meters or approximately P3.2 million (principal only)	OGCC sent to Branch Clerk of Court, RTC Ormoc City blue print copy of the amended plan of Leyte Sub. A Basin Development Authority as Exhibit I as per Court's notice.
NDC vs. Commissioner of Internal Revenue. (DOJ Case No. 91-06).	Refund of taxes	of P 660,001.94	Submitted for DOJ'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 Montaña) s. Pascual Boada, NDC represented by its GR or President and DOLE Phils.). RED CLAIM NO. 038-2003 CENRO CLAIM NO. 84 LOT NO. 13-Gss-390]	Petition for Certiorari with TRO or Preliminary Injunction	No amount involved as the issue to be resolved in this case is ownership.	CA denied private respondents' MR for want of merit.
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	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 November 2012,



Title of Case	Nature	Amount	Status
	Cancellation of Titles of Lot No. 65 (1161) PLS 247-D		no further court order or any related document has been received.

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## 25. GENDER AND DEVELOPMENT (GAD)

The Company allotted P900,000 for Gender and Development (GAD) program for CY 2014. 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.

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## 26. SUPPLEMENTARY INFORMATION ON TAXES

In compliance with the requirements set forth by BIR Revenue Regulation No. 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	15,096,840
Documentary Stamp Tax	5,328,540
Mayor's permit	678,927
Community tax certificate	10,500
Annual registration-BIR	500
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	21,115,307

b. Withholding taxes paid:

Tax on compensation	3,532,881
Creditable withholding taxes	2,901,700
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	6,434,581