111182014001844

SECURITIES AND EXCHANGE COMMISSION

SECBuilding,EDSA,Greenhills,MandaluyongCity,MetroManila,Philippines
Tel:(632)726-0931 to 39 Fax:(632)725-5293 Email: mis@sec.gov.ph

Barcode Page
The following document has been received:

Receiving Officer/Encoder : Julius N. Salustiano
Receiving Branch : SEC Head Office
Receipt Date and Time : November 18, 2014 03:27:01 PM
Received From : Head Office

Company Representative

Doc Source

Company Information

SEC Registration No.	0000030939
Company Name	PHIL. NATL. CONS. CORP.
Industry Classification	
Company Type	Stock Corporation

Document Information

Document ID	111182014001844
Document Type	17-A (FORM 11-A:AANU)
Document Code	17-A
Period Covered	December 31, 2013
No. of Days Late	0
Department	CFD
Remarks	

COVER SHEET

3 0 9 3 9

S.E.C. Registration Number

PHILIPPINE NATIONAL
CONSTRUCTION CORPORATION

(Company's Full Name)

PNCC COMPLEX KM 15 EAST SERVIC
E ROAD BICUTAN PARANAQUE CITY

(Business Address: No. Street City / Town / Province)

ATTY. HENRY B. SALAZAR

Contact Person

846-2906

Company Telephone Number

1 2 | 3 1
Month | Day
Fiscal Year

17-A

FORM TYPE

0 3 | 4th Tuesday
Month | Day
Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number / Section

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel Concerned

File Number

LCU

Document ID

Cashier

STAMPS

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-A

ANNUAL REPORT PURSUANT TO SECTION 17
OF THE REVISED SECURITIES ACT SECTION 141
OF CORPORATION CODE OF THE PHILIPPINES

1. For the fiscal year ended December 31, 2013

2. SEC Identification Number 30939

3. BIR Tax Identification No. 410-000-058-V

4. Exact name of registrant as specified in its charter
PHILIPPINE NATIONAL CONSTRUCTION CORPORATION

5. Metro Manila, Philippine
Province, Country or other jurisdiction

6. (SEC Use Only)
Industry Classification Code:

7. PNCC Complex, KM. 15, East Service Road, Bicutan, Parañaque City

8. (02) 846-3045 Fax: 846-1395
Registrant's telephone number, including area code

9. ______________________________
Former name, former address and former year, if changed last report

10. Securities registered pursuant to Sections 4 and 8 of the RSA

Title of Each Class	*Number of Shares*
Common	75,000,000
Special Common	10,000,000
Preferred	10,000,000
	95,000,000

Note:

The Philippine Construction Corporation (PNCC) has 141,519,380 shares (99,444,759 common shares and 42,074,621 preferred shares) issued without prior registration. The PNCC, however, had already filed an application for registration of the said shares on August 2000 to the Commission and had engaged the services of Feria, Feria, Lao Noche Law Offices for the purpose.

11. Are any or all of these securities listed on the Philippines Stock Exchange?

Yes [x] No [ ]

12. Check whether the registrant:

(a) has filed all reports required to be filed by section 11 of the Revised Securities Act (RSA) and RSA Rule 11 (a) thereunder and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding 12 months (or for such shorter period that the registrant was required to file such report(s);

Yes [x] No [ ]

(b) has been subject to such filing requirements for the past 90 days.

Yes [x] No [ ]

13. Aggregate market value of the stock held by non-affiliates:

PMO (Preferred D)	25,500,000
Republic of the Philippines thru PMO	79,271,024
GSIS	47,490,383
Land Bank of the Philippines	657,836
RM Cuenca & Family	2,786,248
Universal Holding Corporation	24,780,746
Independent Realty Corporation	39,605
Others	19,418,917
Total	199,944,759
Par Value	x 10.00
	₱ 1,999,447,590

EXHIBITS AND SCHEDULES

Exhibits and Reports on SEC Form 17-C

(a) Exhibit – none

(b) Reports on SEC Form 17 – C

REPUBLIC OF THE PHILIPPINES)
City of Parañaque)

CERTIFICATION

I, JANICE DAY E. ALEJANDRINO, the duly designated Compliance Officer of Philippine National Construction Corporation ("the Corporation"), a corporation duly organized and existing under the laws of the Philippines, with business address at PNCC Compound, Km. 15 East Service Road, Bicutan, Parañaque City, after having been sworn to in accordance with law, do hereby certify that the information contained in the submitted hardcopy and softcopy of the 2013 Annual Report pursuant to Section 11 of the Revised Securities Act and Section 141 of Corporation Code of the Philippines are one and the same.

IN WITNESS WHEREOF, I have hereunto set my hands this 18th day of November 2014 in Parañaque City.

JANICE DAY E. ALEJANDRINO
Compliance Officer

SUBSCRIBED AND SWORN to before me this 18th day of November 2014, City of MANILA, affiant exhibiting to me her SSS ID No. 03-3911310-5.

Doc. No. 340;
Page No. 84;
Book No. 48;
Series of 2014.

ATTY. BELGIN N. AGDAGILI JR.
NOTARY PUBLIC
UNTIL DECEMBER 31, 2014
PTR NO. 2413105 / 2014 MLA.
IBP NO. 943989 / 2014 MLA.
ROLL NO. 24655/TIN NO. 144-519-066
MCLE III 0013521
COM.NO.- 2013-023

PHILIPPINE NATIONAL
CONSTRUCTION CORPORATION

2013 ANNUAL REPORT

Table of Contents

PHILIPPINE NATIONAL
CONSTRUCTION CORPORATION

PRESIDENT'S REPORT TO STOCKHOLDERS

FELLOW STOCKHOLDERS:

The year 2013 was clearly the period when the resolve of Management and the Board was brought to the fore in fighting for the right of PNCC to enter into solid and profitable joint venture partnerships with investors, with due regard to the interests of the government and its other stakeholders. Management's struggle to exercise that right was persistent and continuous. And it paid off. Citra Central Expressway Corporation and Central Metro Manila Skyway Corporation where PNCC is a partner were finally granted a Supplemental Toll Operation Agreement (STOA) by the Republic of the Philippines thru the Toll Regulatory Board. The STOA granted both the right to build and to operate the Metro Manila Skyway Stage 3 (S3) project which will link the SLEX to the NLEX in Balintawak.

The Stage 3 Projec involves the interconnection of the SLEX and NLEX from Buendia end of the Skyway to Balintawak. The Stage 4 Project of the Metro Manila Expressway (MME) is also called the C-6 Project. It will stretch from Bicutan to San Jose Del Monte and will connect to the proposed MRT7 Project which extends to the NLEX.

We can declare without any doubt that no other development in the infrastructure world of the Philippines has thrilled business and the public more that these two projects, inspite of the inconvenience that projects may cause to the motoring public in the three years or so they will take to build. Yes, we are proud to be a critical partner in these big infrastructure proects as these contribute to less travel time between pints in Metro Manila, and between points in Metro Manila, and between regions in Luzon. EDSA will be decongested, there will be less vejicle operating costs; less pollution; improved safety and security during travel, and reduced economic losses due too traffic congestion. Business expansion and tourism promotion will not and cannot be far behind.

In regard to the Annual Stockholders' Meeting (ASM), I am pleased to report that there has been genuine effort to finally hold it in 2013. In fact, as early December 12, 2012, the PSE and SEC were notified that we intended to hold the ASM on March 26, 2013. However, the meeting was postponed several times for valid reasons. The 2012 Audited Financial Statements were not ready prior to the aforesaid date, and the much awaited meeting was rescheduled to May 22, 2013. Again, there was postponement of this meeting to July 9, 2013 because the results of the review by the Commission on Audit of the 2012 AFS had not been released as yet to be ready for presentation to the shareholder.

The July 9, 2013 meeting was again postponed to July 30, 213, for the same reason. However, while the AFSs were already available on July 30, 2013, the meeting was postponed once more to Setember 24, 2013 in order for PNCC to respond to the COA findings on the AFS. It was decied that the September 24, 2013 in order for PNCC to respond to the COA findings on the AFS. It was decided that the September 24, 2013 be set at a date to address the going concern issues raised by COA ont eh 2012 AFS.

In the realty department, I am pleased to report that there was an increase in the rental rates of our Diosdado Macapagal property, as follows:

Year	Rental Income	Increase
2011	₱ 23,669,015	
2012	₱ 47,576,344	201%
2013	₱ 66,223,596	139%
2014	₱ 91,229,013	38%

I am also pleased to report that the Writs of Attachment on the Diosdado Macapagal, Bicutan, Tagaytay, and Antipolo properties arising from the Radstock case were lifted in 2013 while that of the Sta. Rita and Tabang properties are on its way to finally being cancelled.

Overall, the Management considers 2013 as a year of transition, from unclear directions to clearer outcomes. With the resolve and persistence of the Management and the Board of Directors, 2014 may yet be the best year of PNCC.

BUSINESS DEVELOPMENT

PNCC

A distinguished partner in Philippine progress and economic development, the now Philippine National Construction Corporation (PNCC) is proudly known for its vision, expertise and landmark projects.

On November 22, 1966 as a consortium of well known contractor firms. It was originally incorporated under the name of Construction Development Corporation of the Philippines (CDCP) for a term of fifty (50) years. CDCP's entry into the construction field was a big break-away from tradition. For the first time, the concept of private financing for the construction of government infrastructure projects was introduced in the Philippines. Since its establishment, CDCP had constructed billions pesos worth of engineering and construction projects. This covered a broad range of projects, from the construction of highways, bridges and industrial facilities, even land development.

On August 14, 1968, the 28 km. Manila North Expressway (MNEX), a fully fenced limited access highway consisting of a four-lane divided roadway was opened as a tollway facility, with CDCP managing its operations and maintenance. It was originally a project of the Department of Public Highways (now DPWH), but the completion of the major portion of the project fell on CDCP to pioneer the toll concept of funding infrastructure. It was carried out under the private financing scheme provided for under RA 3741. This first big success in public works construction gave way to CDCP's rise in the road building industry. The construction of the Manila South Expressway (MSEX), the second major roadway project completed by CDCP, was opened on December 16, 1969. It provided a vital artery to Southern Luzon stretching 15 kilometers from Makati to Alabang.

On March 31, 1977, PD 1113 granted CDCP the franchise to operate, construct, and maintain the above toll facilities for a period of 30 years. From May 1, 1977 these roadways already then called the North and South Luzon Tollways, were operated and maintained under the franchise granted to CDCP (now PNCC). The franchise expired on April 30, 2007.

While the terms of the franchise provided under PD 1113 for the North Luzon Expressway and the South Luzon Expressway which is thirty (30) years from May 1, 1977 shall remain the same, the franchise granted for the Metro Manila Expressway and all extensions, linkages, stretches and diversions that may be constructed after the date of approval of this decree shall also have a term of thirty (30) years commencing from the date of completion of the project. On December 22, 1983, PD 1894 was issued further granting PNCC a franchise over the Metro Manila Expressway (MMEX), and the expanded and delineated NLEX and SLEX. PNCC was granted the *"right, privilege and authority to construct, maintain and operate any and all such extensions, linkages or stretches, together with the toll facilities appurtenant thereto, from any part of the North Luzon Expressway, South Luzon Expressway and/or Metro Manila Expressway and/or to divert the original route and change the original end-points of the North Luzon Expressway and/or South Luzon Expressway as may be approved by the TRB."*

In 1981, in order to strengthen the financial structure of the Corporation, LOI 1136 was issued mandating the National Development Company (NDC) to invest the sum of ₱250 million in CDCP at par value.

In 1983, LOI 1295 was issued directing lender/guarantor government financial institutions to convert PNCC debts into equity in PNCC. However, only P1.4 billion of the estimated ₱7 billion debt was converted to equity and the balance of ₱5.5 billion remain unconverted due to Central Bank intervention. Whether conversion should still be pursued after all these years has been put before the Department of Justice for arbitration.

The accomplished conversion in 1983 gave the Government a majority shareholding, and pursuant to this substantial change in ownership, the corporate name was changed from CDCP to Philippine National Construction Corporation (PNCC) in the same year. The increase in the company's capital stock was approved by SEC on December 7, 1983. By virtue of LOI 1136 and PD 1295, 76.96% of the PNCC's voting equity has been held by the then Asset Privatization Trust (APT), now the Privatization and Management Office (PMO). The PMO was created on December 8, 1986 by virtue of Proclamation No. 50 that authorized the privatization program of government. The program is guided by the Committee on Privatization (COP) that was also created under Proclamation No. 50, and is now called the Privatization Council (PrC). As a result of the aforesaid PMO holdings, only 12.09% of the Corporation's voting equity is considered as under private ownership.

From 1987 to 2001, PNCC still implemented selected construction projects, but this resulted in losses. Since 2002, the Corporation has refrained from actively engaging in the construction business, and focused more on the operation and maintenance of its tollways. Earlier in 1995, PNCC entered into Joint Venture Agreements (JVAs) that resulted in the division of the Tollways into 3 portions, the North Luzon Expressway (NLEX), the Skyway, and the South Luzon Expressway (SLEX). The objective was to improve the manner by which the tollways were operated and maintained.

The NLEX JVA was entered into originally with First Philippine Infrastructure Development Corporation (FPIDC) together with Leighton Contractor Asia Ltd. and Egis Project Systems, which formed the JV company, Manila North Tollways Corporation (MNTC). The operation of the NLEX was officially turned over to MNTC on February 10, 2005, where PNCC had 20% shareholding. PNCC's inability to respond to succeeding capital calls limited its participation to 2.5% in MNTC. FPIDC was acquired by the Pangilinan (MVP) Group in November 2008. In the O&M company for NLEX, the Tollway Management Corp. however, PNCC is a 20% shareholder.

For the South Luzon Tollways, PNCC entered into a partnership with Indonesia's P.T. Citra Lamtoro Gung Persada to build the elevated toll road or Skyway System from Nichols to Alabang and to upgrade the at-grade portion for the same stretch. Citra Metro Manila Tollways Corporation (CMMTC) is the Joint Venture Company and concessionaire, and has been running these segments since 1999. The PNCC Skyway Corporation (PSC) originally managed the operation and maintenance of the Skyway System and its corresponding at-grade section, but due to operational inefficiencies, PSC suffered financial losses. The Skyway Operation and Maintenance Corporation (SOMCO) took over the operations and maintenance of the Skyway Systems in 2008. PNCC has 11% share in CMMTC (also diluted from 20%) and a 20% share in SOMCO, which up to this day remains unissued to PNCC because of legal difficulties with CMMTC.

For the Alabang to Calamba stretch, PNCC entered into a JVA with the Malaysian Corporation, MTD Manila Expressways, Inc. (MTDME) under the corporate name of South Luzon Tollway Corporation (SLTC). Under this JVA, are the following South Luzon Expressway (SLEX) Projects: the rehabilitation and upgrading of the Alabang Viaduct, the expansion and rehabilitation of the Alabang to Calamba segment, and the construction of a 7.8 km. toll road extension from Calamba to Sto. Tomas, Batangas. The O&M company for the said stretch is the Manila Toll Expressway Systems, Inc. (MATES). PNCC owns 20% of SLTC and 40% of MATES.

San Miguel Corporation and its partner Citra Group of Indonesia had acquired an 80% indirect equity interest in SLTC and 60% in MATES. The acquisition was made by its wholly-owned subsidiary San Miguel Holdings Corporation (SMHC) and Atlantic Aurum Inc., the joint venture corporation of SMHC and the Citra Group. SMHC has accepted the invitation of the Citra Group of Indonesia to invest in Atlantic Aurum Inc, the corporate vehicle of the Citra Group which has a controlling equity interest in CMMTC, the concession holder and operator of the Skyway project.

Although the original franchise of PNCC expired on April 30, 2007, the Toll Regulatory Board (TRB) issued a Toll Operations Certificate (TOC) dated April 27, 2007 to PNCC, for the Operation and Maintenance of the SLEX. The said authority from the TRB, pursuant to its powers under PD 1112, allowed PNCC to operate and maintain the SLEX and to collect toll fees, in the interim. The effective date of the TOC commenced on May 1, 2007, but in no case to exceed the date of substantial completion of the SLEX Project Toll Roads under the STOA dated February 1, 2006, or unless sooner revoked by the Board. On April 8, 2010, the TRB issued the Certificate of Substantial Completion for Project Toll Roads 1 and 2, and accordingly issued the Toll Operation Permit (TOP) over the said Project Toll Roads to MATES. On May 2, 2010, the operation and maintenance of the SLEX was officially turned over to SLTC and MATES.

A Subscription Agreement was also executed by and among the Alabang-Sto. Tomas Development Inc. (ASDI), the NDC, and the PNCC on November 14, 2008, wherein PNCC subscribed to 12,500 shares from the unissued portion of the 150,000 shares authorized capital stock (with par value of ₱1,000 per share) of ASDI. ASDI is a joint venture company between PNCC and NDC and incorporated to undertake the Daang Hari-SLEX connector road (DHLRP). In 2009, as the construction activities of the DHSLRP was underway, PNCC infused additional equity to total ₱255 million, thereby increasing its ownership share to 51%.

On December 15, 2009, a Memorandum of Agreement (MOA) for the Advance Works on the Daang Hari-SLEX Link Road Project (DHSLRP) was entered into by and among the ASDI and PNCC. The Corporation was designated as the Main Turnkey Contractor responsible for undertaking the Advance Works and to implement of the design and construction of the Road Project, which consists of a toll road facility connecting Daang Hari Road in Cavite to the SLEX adjacent to the Susana Heights Interchange. The project was 25% complete when the DPWH, pursuant to its PPP mandate, took over the project for the purpose of bidding it out. The project was bidded out and awarded to Ayala Corporation in the amount of ₱900M and ASDI was reimbursed in the amount of ₱353M representing its cost plus a premium for its efforts.

Meanwhile, pursuant to Executive Order No. 605 which directed all government agencies to install a Government-wide quality management program, and prior to the above turn-over to MATES, PNCC has acquired and maintained an ISO 9001 Certification to cover its expressway operations in the SLEX. The company, with the full support of its Board, adopted and implemented its Quality Management System Manual. On December 15, 2009, Stage 1 (Documentation) Certification Audit was conducted by a Certification Body, the SGS Philippines. Before the end of the first quarter of 2010, SGS Philippines, Inc. granted to PNCC the ISO 9001:2008 Quality Management System Certificate for Tollway Management. The certificate was valid from 18 March 2010 until 17 March 2013.

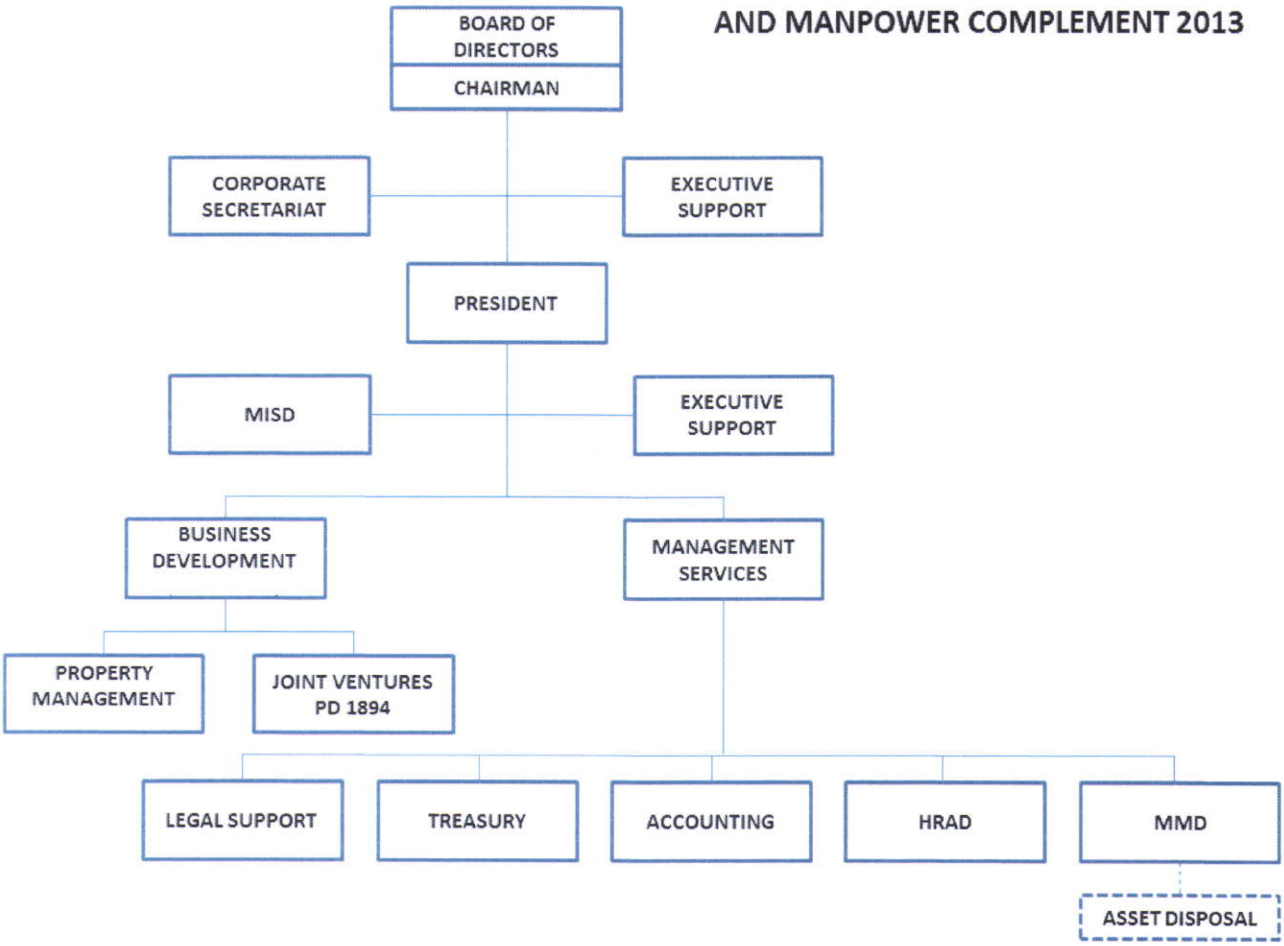
About the same period in Ernesto B. Francisco vs. TRB, PNCC et. al. (G.R. Nos. 166910, 169917, 173630, and 183599, October 19, 2010) and in the case of Strategic Alliance Development Corporation vs. Radstock Securities Limited, et. al (G.R. No. 178158, December 4, 2009),the Supreme Court ruled and declared that with the expiration of PNCC's franchise, the toll assets and facilities of PNCC were automatically turned over, by operation of law, to the National Government (NG) at no cost. Consequently, this resulted in the latter's ownership of the toll fees and the net income derived, for the period starting May 1, 2007, from the toll assets and facilities, including PNCC's percentage share in the toll fees collected by the joint venture companies currently operating the tollways. This has adversely affected PNCC's entitlement to a share in the gross proceeds of the operation of the SLEX and dividends, if declared.

PNCC through the Office of Government Corporate Counsel (OGCC) filed a Motion for Clarification with the Supreme Court (SC) asking for definition of "Net Income". The SC resolved to grant the Motion of PNCC. In addition, it ordered the Toll Regulatory Board (TRB) with the assistance of Commission on Audit (COA) to formulate the Guidelines to determine what can be retained by PNCC to determine the Net Income to be remitted to NG. Due to inevitable delays and in fairness to PNCC, the TRB on 22 March 2012, issued "Interim Guidelines" that determined amounts to be remitted to the NG and PNCC "by the JV Companies in relation to the operation of the NLEX and SLEX projects respectively." The impact of the aforesaid Supreme Court decision on the Radstock and Francisco cases in 2010 has been adequately reflected in our financial statements.

On October 14, 2013, Executive Order No. 141 was issued transferring the Philippine National Construction Corporation from the Department of Trade and Industry (DTI) to the Office of the President.

Organizational Set-up for 2013

PNCC TABLE OF ORGANIZATION AND MANPOWER COMPLEMENT 2013



Total Number of PNCC Employees Per Sector
As of December 31, 2013

Sector	Regular	Service Contract	Co-terminus	Total
Rank & File	2	3		**5**
Supervisor	10	1		**11**
Manager	10		1	**11**
Executive	7			**7**
TOTAL	**29**	**4**	**1**	**34**

Business Development & Description of Subsidiaries

PNCC has a number of subsidiaries legally in existence but for the past three years were inactive. These are wholly-owned subsidiaries namely the Traffic Control Products Corp. (TCPC), Tierra Factors Corp. (TFC), CDCP Farms, Inc. and PNCC Skyway Corp. were among the inactive.

There are subsidiaries such as Land Management and Development Corp., Managerial Resources Corp., Manila Land Corp., San Ramon Ranch, Inc. and San Roque Ranch, Inc. where PNCC's investments are still carried in the books, but with no management files or records.

In September 2013, the Governance Commission for GOCC's (GCG) recommended the abolition of the following PNCC subsidiaries: 1) Alabang-Sto Tomas Development, Inc. (ASDI); 2) DISC Contractors, Builders and General Services, Inc.(DCBGSI); 3) Traffic Control Products Corporation (TCPC); 4) CDCP Farms Corporation (CDCP-FC), and Tierra Factors Corporation (TFC). Furthermore, GCG recommended the creation of a Technical Working Group (TWG) to coordinate the implementation of said abolition. The TWG shall be composed of the GCG, together with the representatives of the following government agencies, as regular members : 1) Department of Trade and Industry; 2) Securities and Exchange Commission, and 3) PNCC. Special members are composed of : 1) ASDI; 2) DCBGSI; 3) TCPC; 4) CDCP-FC, and 5) TFC. Meanwhile, the PNCC Management has been undertaking the necessary steps to dissolve the inactive subsidiaries. Despite of the recommendation of the GCG, the PNCC Board decided to propose an alterative disposition for DCBGSI.

DISC Contractor's, Builders and General Services, Incorporated (DCBGSI) is the lone subsidiary left active and financially viable.

DISC Contractor's, Builders and General Services, Incorporated (DCBGSI)

The Dasmariñas Industrial and Steelworks Corporation (DISC) was a steel fabrication arm of the PNCC. A wholly-owned subsidiary established in 1973 under the Systems Construction Group (SCG), its main industry was to manufacture prefabricated steel structures for the various construction projects of PNCC.

SCG marketed its products under the label "Systemas" and remarkably succeeded in helping PNCC reduce construction costs, accelerate completion dates and improve over-all product quality. In 1979, to further promote and enhance its steel products, the PNCC Management decided to separate SCG from the mother company to become a totally independent enterprise and named it Dasmariñas Steelworks Corporation (DSC). The name was supposedly derived from the name of the place where the new company was intended to be located in Dasmariñas, Cavite.

Meanwhile, in that same year, another subsidiary was established by CDCP, the Dasmariñas Industrial Corporation (DIC), which was spun off from the Special Operations Group of the CDCP. This new firm handled the manufacturing, assembly and repowering of heavy construction equipment.

In 1981, in order to support the country's efforts to upgrade the local steel fabrication industry, DSC and DIC were merged and became what was known as the Dasmariñas Industrial and Steelworks Corporation or DISC.

The DISC continued to support the country's industrial program by supplying the structural steel requirements of the nation. It offered services that covered fabrication and erection of necessary structural

structural steels. It also provided services in design and detailed engineering works; sandblasting and painting; rebar works as well as in dismantling and demolition of existing facilities, equipment leasing; as well as construction materials testing.

In the first quarter of 2006, the Securities and Exchange Comm ission has issued a certificate approving the quasi-reorganization of the company, with corporate acts involving the increase of capitalization where PNCC converted its receivables into equity, and changed the name of the corporation to DISC Contractor's, Builders and General Services, Incorporated (DCBGSI).

On April 30, 2011, the Corporation decided to close its operations in Iligan City due to the recurring overhead expenses without compensatory revenues. To mitigate the growing deficit, the Corporation's workforce was reduced.

The Corporation now holds office at the PNCC Compound, Km. 15 East Service Road, Bicutan, Parañaque City.

DCBGSI offers the following services :

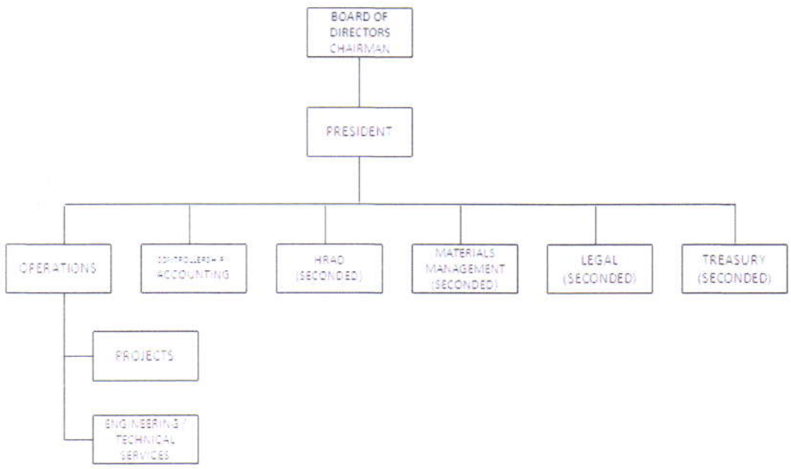
- **General Engineering** which includes Civil and Architectural, Road and Bridges, Site Development, Infrastructure Works, Water Supply and Drainage, Pile Driving;
- **Structural Steel Fabrication and Erection Works** comprises Structural Steel Frames & Structural Components, Ducts, Penstocks & Piping Works, Sheet Metal Fabrication and Finishes, Demolition and Dismantling, Sandblasting and Painting, Heat Exchanges, Atmospheric and Pressure Vessels Tower, Tanks and Silos;
- **Materials Testing & Quality Control** for Soils and Soil Aggregate, California Bearing Ratio, Grading, Liquid / Plastic Limit, Field Density, Coarse and Fine Aggregates, Grading, Specific Gravity, Unit Weight, Abrasion, Field Density, Asphalt, Extraction/Grading, Marshall Stability & Flow, Specific Gravity, Field Density Determination, Concrete, Compressive/flexure strength, Reinforcing Steel Bars (all sizes), Tensile strength and Bending
- **General Services** consists of Janitorial, Towing, Greening and Grass Cutting, Landscaping Services, Patrol Services and Job Contracting
- **Heavy Equipment Leasing** for cranes, backhoes, graders, concrete power, etc.

The DCBGSI's client roster includes Philippine National Construction Corporation, Skyway Operations and Maintenance Corp. (SOMCO), Philippine Phosphate Fertilizers, Inc., Global Steelworks (NSC), various equipment lessees and materials testing clients. Its competitors are TAISEI Philippines, Roblette Corporation, TACOPHILE Engineering, Metaphil, Meiscor, Grand Span, Stonerich Builders.

Steel materials suppliers of the company includes Remington Industrial, Topmark Steel Corporation, P.I. Hardware & Milling Supply, Rapid Forming Corporation, Jowood Industries and Regan Industrial Supply.

Organizational Setup of DCBGSI for 2013 is as follows:

2013 TABLE OF ORGANIZATION



Manpower Complement

	2013
Executive	2
Managerial	2
Supervisor	14
Rank & File	172
TOTAL	**190**

Financial Highlights

DCBGSI's gross revenue experienced a marked decrease of 32% in 2011, 16% in 2012 and 19% in 2013. The decrease in gross revenue was largely attributed to the completion of some awarded projects in Philphos.

Among the major projects undertaken and expanded during these previous three (3) years were: (1) PhilPhos Structural Steel Rehabilitation Projects, (2) supply of manpower for the Skyway O&M and for PNCC, (3) construction works for the DHSLRP project as subcontractor to PNCC, and (4) various equipment rental projects in Luzon.

During these years, cost to revenue ratios showed slight improvements for the same years. A decrease was posted from 89% in 2011 and 2012 and 90% in 2013, as a result of improvements in labor productivity and instituting standards for monitoring raw material prices relative to total budgeted amounts. Also, the hiring of local labor for the Philpos Project, was promoted to reduce the overall cost of employee benefits, compared to hiring from Iligan or Luzon which would have cost DCBGSI more in employee costs.

Net profit margins in the last three (3) years were posted at ₱14 million in 2011, ₱ 9 million in 2012 and net loss of ₱ 1.14 million in 2013. Retrenchment/Separation expenses of ₱ 23M in 2011 resulted in a net loss of ₱9M for the year 2011. Net profit ratio were posted at 13% in 2011, 10% in 2012 and 0% in 2013.

DCBGSI has maintained its liquidity to acceptable and viable levels, maintaining a current ratio averaging 3:1 yearly from 2011 to 2013. Solvency ratios have also been generally kept at financeable levels from 1.8x to 2.5x during the period. DISC has been able to sustain its operations largely from internal cash and more favorable supplier credit terms.

Business Development of Affiliates

In compliance with the Supreme Court decision, the company has transferred and turned over the shares of stock in tollway joint venture companies through a Deed of Compliance to Transfer Shares of Stock to the National Government under Supreme Court Decision in G.R. Nos. 166910, 169917, 173630, and 183599. Detailed description of investments in joint venture companies were described in item 2 of Notes to Financial Statement entitled *"Turn-over of equity share in joint venture companies"*.

The only joint venture company left to PNCC after the turn over to National Government is Citra Metro Manila Tollways Corporation (CMMTC) the Operation and Maintenance Corporation for Skyway at grade level or Skyway Operation and Maintenance (SOMCO).These two JVs were created pursuant to Presidential Decree No. 1894, which expanded PNCC's original franchise by granting firstly, the further "right, privilege and authority to, construct, maintain and operate any and all such extensions, linkages or stretches, together with the toll facilities appurtenant thereto, from any part of the North Luzon Expressway, South Luzon Expressway... as may be approved by the Toll Regulatory Board (TRB)"; and, secondly, the right to construct and operate the Metro Manila Expressway, also named as the "Metro Manila Tollway" (C-6).

Citra Metro Manila Tollways Corporation and Skyway Operation and Maintenance

Citra Metro Manila Tollways Corporation (CMMTC), a Joint Venture Company or the Investor Company was incorporated on 27 November 1995 to pursue the South Metro Manila Skyway Project (SMMS), i.e., the present at-grade level and Skyway stretching from Nichols to Alabang, southbound, and to Buendia, northbound. CITRA has a 30-year concession period which commenced in December 1998. Originally, PNCC owned 20% of CMMTC with ₱551 million infused as equity. As of 2008, however, following the exercise of pre-emptive rights to which PNCC issued a waiver, PNCC's equity participation was reduced to 11%. PNCC continues to hold two board seats in CMMTC.

In 2006, PNCC was able to secure a share of the gross revenues of the Skyway from CMMTC, similar to the arrangement with the MNTC of NLEX and SLTC of SLEX. This concession was secured in return for PNCC's willingness to dilute its shareholdings in CMMTC, as the latter raised financing for the Skyway II extension project.

Skyway O&M Corporation (SOMCO) is the operations and maintenance corporation for the Skyway section where PNCC has 20% participation. This, however, remains unissued because of legal difficulties with CMMTC. SOMCO was incorporated on December 12, 2007 and took over the O&M role from the PNCC Skyway Corporation on 31 December 2007.

Description of Properties

The list of Real Property as of December 31, 2013 are presented below:

ITEM NO.	LOCATION	TCT No.	AREA (sq .m.)	REGISTERED OWNER
A.	**BOOKED PROPERTIES:**			
1.	TAGOLOAN PROPERTY Bo. Casinglot, Tagoloan, Misamis Oriental	T-6198 T-6199 T-6200 T-7904 T-7905 TD No. 08-14-0003-02663	20,687 13,785 16,380 1,065 5,316 3,387 **60,620**	CDCP CDCP CDCP CDCP CDCP CDCP
2.	BICUTAN PROPERTY Paranaque City	T-29715 T-29716 T-452587	107 54 27,762 5,123 **33,046**	CDCP CDCP CDCP
3.	ALBAY PROPERTY (Legaspi Lot) Bo. Estrella, Jovellar, Albay	T-78161	**1,038,821**	PNCC
4.	MABALACAT LOT Bo. Maisac, Mabalacat, Pampanga	T-134297-R T-134298-R T-134299-R	10,000 15,000 2,905 **27,905**	CDCP CDCP CDCP
5.	TAGAYTAY PROPERTY Bo. Tolentino, Tagaytay City	P-169 P-170	49,107 49,100 **98,207**	CDCP CDCP
6.	ANTIPOLO PROPERTY • Victoria Valley Subdivision • Town & Country Estate Subd.	 T-7424 T-7425 T-7426 T-485276 T-485277 T-485278 N-3320	 840 850 958 741 680 701 10,000 **14,770**	 CDCP CDCP CDCP CDCP CDCP CDCP CDCP
7.	MORONG LOT Morong, Rizal	M-18602 M-18603 M-18604 M-18605 M-18606 M-18607 M-18608 M-18609 M-18610 M-18611	240 240 240 240 240 240 240 240 240 382 **2,542**	CDCP CDCP CDCP CDCP CDCP CDCP CDCP CDCP CDCP CDCP
8.	FINANCIAL CENTER AREA (FCA) Pasay City	T-34997	**129,548**	R. P.
9.	DASMARINAS LOT Bo. Langkaan, Dasmarinas, Cavite	T-98739	**75,000**	
10.	PORAC LOT Porac, Pampanga	T-7052	**116,591**	PNCC

ITEM NO.	LOCATION	TCT No.	AREA (sq .m.)	REGISTERED OWNER
11.	STA. RITA PROPERTY (NLT Office) Sta. Rita, Guiguinto, Bulacan	039-2012001045	11,395 8,605 **20,000**	PNCC Remedios Bengzon
12.	BOCAUE REST AREA NLEX, Bocaue, Bulacan	T-29.308M T-26.154M T-26.560M T-29.309M TD-6807	733 2,801 4,404 1,141 847 **9,926**	CDCP CDCP CDCP CDCP CDCP
B. **B.I**	**UNBOOKED PROPERTIES** **PNCC LISTED PROPERTIES**			
1.	PILILLA PROPERTY Pililla, Rizal	M-13027 M-13028 M-13031 M-13032 M-13033 M-13034 M-13038 M-13039 M-13040 M-13041 M-13042 M-13043 M-13044	500 500 500 500 500 500 459 702 607 500 500 500 500	M. de Jesus & P. Castalone M. de Jesus & P. Castalone M. de Jesus & P. Castalone M. de Jesus & P. Castalone M. de Jesus & P. Castalone M. de Jesus & P. Castalone M. de Jesus & P. Castalone M. de Jesus & P. Castalone M. de Jesus & P. Castalone M. de Jesus & P. Castalone M. de Jesus & P. Castalone M. de Jesus & P. Castalone M. de Jesus & P. Castalone
B. **B.I**	**UNBOOKED PROPERTIES** **PNCC LISTED PROPERTIES**	M-13045 M-13046	500 500 **7,768**	M. de Jesus & P. Castalone M. de Jesus & P. Castalone
2.	GULOD RESORT CONDOMINIUM Nasugbu, Batangas • Apartment 5-102 • Apartment 5-302	C-321 C-335	34.65 34.65 **69.30**	Land Bank Land Bank
B.2	**CDCP FARMS CORP. PROPERTIES**			
1.	TABANG PROPERTY Tabang, Guiguinto, Bulacan	T-131500 T-131501	4,945 678 **5,623**	CDCP Farms Corporation CDCP Farms Corporation
2.	BUKIDNON PROPERTY Bukidnon, Mindanao	OCT P-11636 OCT P-3357 OCT P-5817 TCT T-14452 OCT P-13741 OCT P-13740	31,600 52,900 64,600 129,900 66,100 56,000 **401,100**	Eduardo Martin Leona Sumael Candelario Tutanes Romeo Mata Romeo Mata Romeo Mata

RIGHT OF WAY LOTS NOT RECORDED IN THE BOOKS

DAU-MABALACAT EXPRESSWAY	T-311209-R	3,022	PNCC	Original TCT with Treasury Vault
	T-318876-R	17,279	PNCC	Original TCT with Treasury Vault
	T-318413-R	65,093	PNCC	Original TCT with Treasury Vault
	T-318878-R	5,473	PNCC	Original TCT with Treasury Vault
	T-292577-R	42,154	PNCC	Original TCT with Treasury Vault
	T-292400-R	10,663	PNCC	Original TCT with Treasury Vault
	T-250431-R	4,290	PNCC	Original TCT with Treasury Vault
	T-250433-R	524	PNCC	Original TCT with Treasury Vault
	T-270509-R	15,182	PNCC	Original TCT with Treasury Vault
	T-486760-R	16,064	PNCC	Original TCT with Treasury Vault
	T-412604-R	3,728	PNCC	Original TCT with Treasury Vault
	T-486761-R	15,545	PNCC	Original TCT with Treasury Vault
	T-483506-R	6,113.50	PNCC	Original TCT with Treasury Vault
	T-396409-R	13,236	PNCC	Original TCT with Treasury Vault
	T-422175-R	5,621	PNCC	Original TCT with Treasury Vault
	T-389849-R	16,316	PNCC	Original TCT with Treasury Vault
	T-32250	1,328	PNCC	
	T-383725-R	14,093	RP/PNCC	
	T-324511	6,757	RP/PNCC	Original TCT with Treasury Vault
	T-326189	2,717	RP	
	T-326191	98,550	RP	
	T-326195	12,717	RP	
	T-170048	5,871	PNCC	Original TCT with Treasury Vault
	T-170047	8,394	PNCC	Original TCT with Treasury Vault
		390,730.50		
	T-146085	2,770	Jose Angeles, et.al.	Documents with RD, awaiting transfer to PNCC
	T-281288	1,833	Justinio Pare, et.al.	With deficient transfer documents.
	T-157403	529	Cirilio Tuazon	With deficient transfer documents.
	T-147137	6,561	Marina Gueco	With deficient transfer documents.
	T-30884	1,989	Angelo Hizon	On-going transfer process
	T-246299	4,818	Teodoro Tiglao, Jr.	With deficient transfer documents.
	T-9330	10,298	Julian Dycaico	With deficient transfer documents.
	T-236300	122	DBP	With deficient transfer documents.
	T-236300	2,683	DBP	With deficient transfer documents.
	T-251670	18,913	NHA/TeresitaTiglao	Double sale case. Case with Corp. Legal.
	7-251671	27,275	NHA/TeresitaTiglao	Double sale case. Case with Corp. Legal.
	Total	**838,951**		
MABALACAT-BAMBAN NLT EXTENSION Bamban,Tarlac	T-310371	45,989	Horacio Mercado, et.al. & PNCC	With deficient transfer documents.
	T-17220	34,704	L. Galang & I. Gatus	Double sale case. Former owner cannot be located.
	Total	**80,693**		
MEXICO-SAN FERNANDO SECTION Mexico, Pampanga	T-376428-R	**918**	RP	
BALINTAWAK TOLL PLAZA Bagong Lote, Malabon	T-453508	**93**	Damaso Borgonia	No documents on the acquisition of property.

Legal Proceedings

1. ***Radstock Securities Limited vs. PNCC***
Civil Case No. MC 01-1398; CA G.R. No. 66654; SC G.R. No. 156887
(Handled by the Office of the Government Corporate Counsel (OGCC))
Date of Institution: January 23, 2001
Amount Involved: PhP13,000,000,000.00

This is a complaint for sum of money and damages filed by Radstock Securities Limited (Radstock) as the assignee of the credit obligations of PNCC to Marubeni Corporation, amounting to more or less P3Billion, including interest and penalties. The obligation arose from two (2) transactions which the Basay Mining Corporation (Basay), a former subsidiary of CDCP (now PNCC), with Marubeni Corporation (Marubeni) to wit: (a) Advance Payment Agreement dated August 9, 1978 wherein Marubeni advanced to Basay an amount of US$5,000,000.00 for the purchase of copper concentrates, and (b) Loan Agreement dated May 19, 1980 whereby Marubeni loaned to Basay a total of Y5,460,000,000.00 for its expansion project. It is alleged that PNCC is bound by a Letter of Guarantee dated September 29, 1980, which was executed by CDCP Executive Vice-President Alfredo V. Asuncion, binding CDCP to guarantee irrevocably in favor of Marubeni the loan and all obligations of Basay. PNCC alleges, by way of defense, that Radstock's cause of action is barred by prescription and that Alfredo V. Asuncion, who executed the Letter of Guarantee, was not duly authorized to do so by the Board of Directors.

DEVELOPMENTS:

On January 10, 2007, Radstock and PNCC filed a Joint Motion for Judgment based on a Compromise Agreement before the Court of Appeals.The Court of Appeals approved said agreement on January 25, 2007.

On January 30, 2007, Strategic Alliance Development Corporation (STRADEC), Intervenor of the said case, filed a Motion for Reconsideration of the Decision dated January 25, 2007, and Motion to Defer Issuance of Entry of Judgment.

On May 11, 2007, Asiavest Merchant Bankers Berhad filed an Opposition and Motion-in-Intervention (re: Judgment Based on Compromise) before the Court of Appeals

On May 31, 2007, the Court of Appeals issued a Resolution denying the (1) Motion for Reconsideration of the Decision dated 25 January 2007 and Motion to Defer Issuance of Entry of Judgment filed by STRADEC, and (2) Rodolfo M. Cuenca's Motion for Intervention and Motion to Admit (Attached Motion for Reconsideration and New Trial). The Court of Appeals also denied Asiavest's Motion-in-Intervention.

On July 2, 2007, the Supreme Court, acting on the Petition for Review on Certiorari, with prayer for a temporary restraining order and/or writ of preliminary injunction filed by STRADEC, issued a Status Quo Ante Order directing PNCC and Radstock to maintain the *Status Quo Ante* effective as of this date, and continuing until further orders from the Supreme Court.

On December 04, 2009, the Supreme Court rendered a decision nullifying the Compromise Agreement entered into between PNCC and Radstock.

On February 23, 2010, the Supreme Court denied the Motion for Reconsideration filed by Radstock.

On April 20, 2010, the Supreme Court denied with Finality the Second Motion for Reconsideration filed by Radstock.

On March 7, 2011, the Court of Appeals issued a resolution dismissing the main case in view of the decision by the Supreme Court resolving all the issues on appeal. The dismissal of the case is now final.

2. ***Asiavest Merchant Berhad vs. CA and PNCC***
   G.R. No. 110263, Supreme Court
   Date of Institution :July 14, 1988
   Amount Involved: MYR5,200,000

This case involves the enforcement of a foreign judgment. Judgment was rendered against the PNCC in Malaysia for guarantees it issued on various construction projects. The amount involved is 5,200,000 Malaysian Ringgit. The trial court and the Court of Appeals rendered a decision in favor of the PNCC.

The Supreme Court rendered a decision reversing the decision of the Court of Appeals. Inasmuch as said decision of the Supreme Court is now final and executory, counsel for Asiavest is now moving for execution of the above foreign judgment before the Regional Trial Court of Pasig City.

Last November 28, 2003, PNCC filed a Motion to Suspend Execution Proceedings in view of the information from the Registrar of Companies of Malaysia that Asiavest Merchant Bankers(M) Berhad no longer exists after it had gone into voluntary liquidation and winding up.

RECENT DEVELOPMENTS:

On February 13, 2006, PNCC filed a Motion to Quash Writ of Execution, before the RTC Branch 168 of Marikina City (formerly Pasig City).

On April 3, 2006, PNCC filed an Urgent Ex-Parte Motion to Temporary Stay the Enforcement of the Writ of Execution, which the Court has granted by virtue of its Order dated May 29, 2006.

On September 21, 2006, Asiavest filed a Manifestation and Urgent Motion to Lift Stay Order dated May 29, 2006.

On November 8, 2006, the Court denied the Urgent Motion to Lift Stay Order dated May 29, 2006.

On November 30, 2006, Asiavest filed a Motion for Reconsideration of the Order dated November 8, 2006.

On February 2, 2007 Asiavest filed three (3) motions namely: (1) Motion for Immediate Resolution of their Motion for Reconsideration dated November 30, 2006, (2) Motion/Application for Appointment of a Receiver of PNCC's Assets, and (3) Motion to Inhibit.

On March 4, 2008, RTC- Branch 67, Pasig City, the Hon. Amorfina Cerrado-Cezar presiding, issued an Omnibus Order DENYING Asiavest's Motion for Reconsideration and Motion for Appointment of Receiver.

Asiavest has filed a Petition for Certiorari (Rule 65) with the Court of Appeals assailing the RTS's Omnibus Order. In its October 28, 2008 Decision, the Court of Appeals DENIED and DISMISSED Asiavest's Petition as it deemed that the trial court did not commit any grave abuse of discretion. A Motion for Reconsideration was filed by Asiavest but the same was denied by the Court of Appeals in its Resolution dated January 8, 2009.

Asiavest appealed the Decision of the Court of Appeals by way of Petition for Review on Certiorari before the Supreme Court.

On April 15, 2009, the Supreme Court denied Asiavest's Petition on the following grounds: (1) insufficient or defective verification under Sec 4, Rule 7, 1997 Rules of Civil Procedure, as amended, and (2) defective or insufficient certification against forum shopping in violation of Sec. 5, Rule 7, 1997 Rules of Civil Procedure, as amended, having submitted a photocopy of said verification/certification of non-forum shopping and for failure to attach the special resolution appointing affiants as liquidators of petitioner.

On July 13, 2009, the Supreme Court (First Division) denied with finality Asiavest's **Motion for Reconsideration** of the April 15, 2009 resolution of the Supreme Court denying Asiavest's Petition on the following ground: (1) insufficient or defective verification under Sec. 4, Rule 7, 1997 Rules of Civil Procedure, as amended, and (2) defective or insufficient certification against forum shopping in violation of Sec. 5, Rule 7, 1997 Rules of Civil Procedure, as amended, having submitted a photocopy of said verification/certification of non-forum shopping and for failure to attach the special resolution appointing affiants as liquidators of petitioner.

On December 7, 2011, an Order was received denying the Motion to Declare Plaintiff's Right to Present Evidence as waived for lack of merit. Hearing for presentation of plaintiff's evidence on the lifting of the Temporary Stay Order of Execution is set on 8 February 2012 and 11 April 2012 at 8:30 a.m.

After the plaintiff presented all its witnesses, it was ordered by the Court to file its formal offer of documentary evidence while PNCC was ordered to submit its comment or opposition thereto within fifteen days from receipt of said formal offer.

3. ***PNCC vs. Asiavest Merchant Bankers***
G.R. No. 172301, Supreme Court
CA-GR CV No. 50948, Court of Appeals
Civil Case No. 64367, RTC Pasig Branch 153
Date of Institution: April 12, 1994

This case arose after Asiavest- CDCP, a corporation organized by both CDCP (PNCC) and Asiavest Merchant Bankers (which acted as PNCC's subcontractor in Malaysia), failed to complete the project in Malaysia Asiavest thus sought reimbursement of the amount it paid to the State of Pahang (Malaysia) after the surety bond it issued to guarantee PNCC's project in Malaysia was called. The amount involved is 3,915,053.54 Malaysian Ringgit.

On April 12, 1994, Asiavest instituted the case before the RTC of Pasig. PNCC thru OGCC had filed four (4) motions for extension of time to file answer and/or any responsive pleading. However, PNCC was not able to file its Answer to the Complaint because the transactions were executed in Malaysia and the documents were not then immediately available. Thus a judgment by default was rendered by the trial court. Efforts were made towards lifting of the default order and reconsideration of the decision, but same were denied.

PNCC appealed the case to the Court of Appeals but was dismissed in its Decision dated June 10, 2005. A Motion for Reconsideration was filed but the same was denied.

A Petition for Review on Certiorari was filed before the Supreme Court which is now pending resolution.

4. ***Strategic Alliance Development Corporation vs. Privatization Management Office et.al. Civil Case No. 05-882, RTC Branch 146, Makati City Date of Institution: October 2005***

This concerns a complaint filed by Strategic Alliance Development Corporation (Stradec) against the PMO and PNCC for Declaration of Right to a Notice of Award and/or Damages, summons of which was received on October 13, 2005.

The complaint alleges that on 30 October 2000, the APT now PMO offered for sale, through public bidding, the National Government's (NG) shares of stock in Philippine National Construction Corporation (PNCC) and the receivables of the National Government in the form of advances of NG to PNCC, all the future receivables of NG from PNCC, and the securities related thereto. In the said bidding, Dong-A Consortium, to which plaintiff STRADEC was a member, offered the highest bid. Said bid however, was rejected by the APT Board of Trustees and the Privatization Council for being way below the indicative price.

STRADEC therefore prays that PMO and PNCC be directed to declare Dong-A Consortium as the winning bidder and that the notice of award be issued on their favor, they likewise prayed in their second, third and forth causes of action that they be reimbursed of their actual and other damages in the amount of P15,000,000.00 .

Perusal of the complaint shows that, except for being the subject of the bidding, there are no other allegations which can be considered to constitute a cause of action against PNCC. It is likewise very clear in the documents attached to the complaint that STRADEC, through its consortium, had signified its acceptance of the terms and conditions of the bidding which provides, among others, that *"3.1. The indicative price for the Shares, Receivables, and the Securities shall be announced on the day of the bidding"; and "4.3.1. APT reserves the right to reject any or all bids, including the highest bid, or to receive any defect or required formalities therein."*

PNCC seasonably filed its Answer to the Complaint. The issues having been joined, the Court has set the case for Pre-Trial Conference after no settlement was reached during Mediation proceedings.

On July 1, 2010, the RTC rendered a decision (received by PNCC on July 12, 2010) in favor of the plaintiff directing the PMO to issue a Notice of Award of Sale to Dong-A Consortium, herein represented by plaintiff STRADEC, the National Government's shares of stock in the PNCC, and the receivables of the National Government in the form of advances to PNCC, all future receivables of the National Government from PNCC and the securities related thereto, under the procedure stated in the Asset Specific Bidding Rules (ASBR) for the public auction held on October 30, 2000, and directing PMO and PNCC to pay plaintiff, jointly and severally, the sum of ₱500,000.00 as and by way of exemplary and cost of suit.

On July 21, 2010, a Notice of Appeal was filed by PNCC through the Office of the Government Corporate Counsel (OGCC).

On 27 January 2012 the Court of Appeals rendered a Decision dismissing the appeal filed by PNCC and PMO and affirming the Decision of the Trial Court.

PMO filed a petition for certiorari with the Supreme Court while PNCC seasonally filed a Motion for Reconsideration.

On 13 February 2013, the Court of Appeals rendered an Amended Decision which reconsidered and vacated its earlier Decision dated 27 January 2014 and dismissed the case for lack of merit.

STRADEC filed a Motion for Reconsideration with Motion of Inhibition. Which were both denied by the Court of Appeals.

STRADEC filed a Petition for Review with the Supreme Court. Said petition is now submitted for resolution by the Supreme Court.

5. ***Strategic Alliance Development Corporation vs. Radstock Securities Ltd Asiavest Merchant Luis F. Sison vs. PNCC and Radstock. G.R. No. 178158, Supreme Court, First Division***

This is an appeal by certiorari under Rule 45 of the Rules of Court from the Decision of the Court of Appeals in CA-G.R. CV No. 87971 approving the Compromise Agreement between PNCC and Radstock denying STRADEC's Motion for Intervention.

On January 30, 2007, STRADEC, Intervenor of said case, filed a Motion for Reconsideration of the Decision dated January 25, 2007, and Motion to Defer Issuance of Entry of Judgment.

On February 20, 2007, Atty. Luis F. Sison, a stockholder and former PNCC President and Board Chairman filed a Petition for Annulment of Judgment Approving the Compromise Agreement before the Court of Appeals.

On May 11, 2007, Asiavest Mechant Bankers Berhad filed an Opposition and Motion-in-Intervention (re: Judgment Based on Compromise) before the Court of Appeals.

On May 31, 2007, the Court of Appeal issued a Resolution denying the (1) Motion for Reconsideration of the Decision dated 25 January 2007 and Motion to Defer Issuance of Entry of Judgment filed by Stradec and, (2) Rodolfo M. Cuenca's Motion for Intervention and Motion to Admit (Attached Motion for Reconsideration and New Trial). The Court of Appeals also denied Asiavest's Motion-in-Intervention.

On June 12, 2007, the Court of Appeals dismissed the Petition of Atty. Sison on the ground that it had no jurisdiction to annul a final and executory judgment also rendered by the Court of Appeals.

Atty. Sison filed a Motion for Reconsideration. However the Court of Appeals denied the same on November 05, 2007.

On November 26, 2007, Atty. Sison filed a Petition for review with the Supreme Court.

On July 2, 2007, the Supreme Court, acting on the Petition for Review on Certiorari, with prayer for a temporary restraining order and/or writ of preliminary injunction filed by STRADEC, issued a Status Quo ante Order directing PNCC and Radstock to maintain the ***Status Quo Ante*** effective as of this date and continuing until further order form the Supreme Court.

On December 4, 2009, the Supreme Court rendered a decision nullifying the Compromise Agreement entered into between PNCC and Radstock.

On February 23, 2010, the Supreme Court denied the Motion for Reconsideration filed by Radstock.

On April 20, 2010, the Supreme Court denied with Finality the Second Motion for Reconsideration filed by Radstock. The decision of the Supreme Court is now final.

6. ***PNCC, et al vs. NLRC, et al.,***
CA GR SP 125293 (ERNESTO VALENTIN)
Amount Involved: PhP177,000,000.00

This case involved claim for additional Separation Pay Benefits. A total of **810** complainants were former employees assigned at the North Luzon Tollway Division in Sta. Rita, Bulacan. These complainants were retrenched/separated from the company and were paid 250% of their monthly salary for every year of service rendered. With regard to complainants, 16 were legally dismissed for cause in January 2005 and one was dismissed for cause in 2003. During this period when NLEX employees were retrenched, the Exit Bonus was not part of the retrenchment program being implemented by PNCC. The Productivity Bonus and the ISO Bonus, on the other hand, were not grant that did not consider those already separated from the company.

In January 2009, **the union of SLEX employees made a request with PNCC management for an additional grant of EXIT BONUS** in the amount of ₱200,000.00 and other benefits intended primarily for the employees of PNCC assigned at the time of the grant at the Southern Luzon Tollways (SLEX) to be affected by impending accelerated hand over of SLEX operation to Manila Toll Expressways Systems, Inc. (MATES). This request to the PNCC management was forwarded by the PNCC Finance Committee for approval of the PNCC Board of Directors. The PNCC Management, through Board Resolution BD-22-2010, approved the recommendation of the Finance Committee for the grant of an Exit Bonus amounting to PhP100,000.00 to all entitled PNCC employees assigned at SLEX;

On November 8, 2011, the Labor Arbiter issued a Decision awarding the Complainants their money claims. PNCC filed a Motion for Reconsideration, but it was denied, PNCC then filed an appeal to the Commission which was also dismissed.

On 25 June 2012, PNCC filed a Petition for review on certiorari with the Court of Appeals with application for TRO/Preliminary Injunction.

On 17 July 2012, the CA issued a resolution denying PNCC application for TRO/Preliminary Injunction.

On 03 August 2012, PNCC filed a Motion for Reconsideration of said resolution.

Meanwhile, a Petition was filed with the NLRC on 02 August 2012 ascribing grave abuse of discretion on the part of Labor Arbiter in issuing the Writ of Execution without filing first their claim with the COA.

On 15 October 2012, NLRC, First Division rendered a Decision declaring null and void the labor Arbiter's 17 July 2012 Resolution for failure to comply with the requirement for filing a claim before the COA.

Valentin, et al., filed a Petition for Certiorari with the Court of Appeals questioning the Resolution of NLRC. Both petitions filed by PNCC and Valentin, et al., are now submitted for resolution.

7. ***Syarikat Binariya vs. The Government of Pahang and CDCP as Third Party***
Civil Case, High Court 47985, Malaysia
Amount Involved: PhP147,171,850.00

This case is essentially a claim for payment of the aggregate amount of RM11,166,781.20 representing particular losses which the plaintiff allegedly incurred by reason of defendant's delays/breaches, with interest at 15% per annum. Filed on September 30, 1985, the case was in the meantime "archived" and revived only in 1996.

On June 11, 1997, Third Party PNCC (co-defendant) received a Summons-in-Chambers supporting with affidavit from Kuantan High Court Civil Suit No. 479/85. Initial hearing is set on September 9, 1997.

On April 23, 2004, the Decision of Kuantan High Court is in favor of the defendant without the need of joining the Third Party.

On January 12, 2010, Decision of Kuantan High Court directing the Government of Pahang, Malaysia to pay MYR10,512,275.00 to Syarikat Binaraya. Appealed by the Gov't of Pahang, Malaysia to the Court of Appeals in Putrajaya, Malaysia. Continuation of the Court of Appeals hearing is set on 15 April 2013. The Court of Appeals in Purajaya, Malaysia has already rendered a Decision dismissing the appeal and affirming the Decision of the Kuantan High Court.

SECURITIES OF THE REGISTRANT

Market Price of and Dividends on Registrant's Common Equity and Related Stockholders' Matters

Market Information

Registrant's 174,444,759 common shares are listed with the Philippine Stock Exchange. The Registrant was listed on 13 March 1974.

Trading of shares was suspended on May 16, 2008, for this reason, no transaction was recorded for the last three (3) years. Last transaction date was on February 4, 2008, high at ₱6.00 per share and February 11, 2008 and low at ₱3.60 per share.

The Board of Directors did not declare dividends in the last three (3) years. This was due to the Company's deficit of ₱8.056 billion and ₱9.700 billion as of December 31, 2013 and 2012, respectively. Such action of the Board is supported by Article XI, Section 11.01 of the Amended By-Laws of the Company which provides that *"Dividends maybe declared annually or often as the Board of Directors may determine. The Board may declare dividends only from the surplus profits of the Corporation."*

A detailed discussion on this matter can be found under item no. 16 of Notes to Financial Statements.

Shareholders

TOP TWENTY (20) COMMON SHAREHOLDERS OF PNCC *as of December 31, 2013*

Shareholder	No. of Shares	Percentage of Ownership
Republic of the Philippines/Privatization Management Office	79,271,024	45.4419
Government Service Insurance System	47,490,383	27.2237
Universal Holdings Corporation	24,780,746	14.2055
PCD Nominee Corporation - Filipino	10,890,040	6.2427
Cuenca Investment Corporation	2,088,132	1.1970
PCD Nominee Corporation – Non-Filipino	1,698,116	0.9737
Cuenca, Rodolfo M.	698,116	0.4002
Land Bank of the Philippines	657,836	0.3771
Unigrowth Development Corporation	630,625	0.3615
Gow, Jimmy N.	274,000	0.1571
Cruz, F.F. & Co., Inc.	252,630	0.1448
Blue Chip Asset, Inc.	244,700	0.1403
Adachi, Sueo - Foreign	184,025	0.1055
Chung, Felix	173,900	0.0997
Alpapara, Johnson	170,000	0.0975
Go, Manuel	150,000	0.0860
Benpres Corporation	140,000	0.0803
Cruz, Felipe F.	135,993	0.0780
Motelibano A. Hijos, Inc.	120,750	0.0692
Carnet Machineries & Invest. Corp.	119,842	0.0687

Total No. of Shareholders : 4,812

The Privatization Management Office (PMO) holds PNCC's 25,500,000 preferred "D" shares which are also voting shares of the company. This translates to 12.75% of all voting shares.

Security Ownership of Certain Record and Beneficial Owners and Management

Title of Class	Name & Address of Record/Beneficial Owner	Amount/ Nature of Record Beneficial Ownership	Percent of Class
Owners of record of more than ten percent 10% of the company's voting securities *as of December 31, 2013*			
Common	**PRIVATIZATION MANAGEMENT OFFICE** 104 Gamboa Street, Legaspi Village Makati City 1229, Philippines	79,271,024	39.64%
Common	**GOVERNMENT SERVICE INSURANCE SYSTEM** Roxas Blvd., Manila	47,490,383	23.75%
Common	**UNIVERSAL HOLDINGS CORP.** CVCLAW Center, 11th Ave. cor. 39th St. Bonifacio Global City, 1634 Metro Manila	24,780,746	12.39%
Common	**VARIOUS STOCKHOLDERS**	22,902,606	11.45%
Preferred D	**PRIVATIZATION MANAGEMENT OFFICE** 104 Gamboa St., Legaspi Village, Makati City 1229, Metro Manila Philippines	25,500,000	12.75%

By virtue of LOI 1295 (1983) 76.48% of voting equity has been held by various government financial institutions (GFIs), namely: PNB, PhilGuarantee, NDC, DBP, GSIS, and Land Bank, under the mandated debt-to-equity conversion scheme.

Pursuant to Proclamation No. 50, some of the GFIs have actually transferred their equity interests in PNCC to the Asset Privatization Office (APT) now Privatization Management Office. PMO through a resolution passed by its Board of Directors usually designates the Chief Privatization Officer or the Chairman as its authorized representative with the power to vote its shares of stock in PNCC.

Only 23.84% of PNCC's voting equity is strictly under private ownership and 5.44% of which is being held by PCD Nominee Corporation (Filipino).

Security Ownership of Management

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership
BENEFICIAL STOCK OWNERSHIP OF EACH DIRECTORS AND OFFICERS *as of December 31, 2013*		
DIRECTORS		
Common	Elpidio C. Jamora, Jr.	1
Common	Luis F. Sison	1
Common	Tomas C. Alvarez	101
Common	Rosendo T. Capco	10
Common	Antonio T. Pido	50
Common	Nora O. Vinluan	2
Common	Rosanna E. Velasco	50
Common	Cristino L. Panlilio	1456
Common	Robert G. Vergara	50
Common	Elisea G. Gozun	50
OFFICERS		
Common	Luis F. Sison	2000
Common	Yolanda C. Mortel	13

Certain Relationship and Related Transactions

Considering that the Government is the majority substantial stockholder of PNCC, no director/security holder or any member of his/her immediate family is allowed to transact business with the corporation directly or indirectly since this appears is prohibited under existing laws and regulations.

CORPORATE GOVERNANCE

It is the policy of Philippine National Construction Corporation (PNCC) to actively promote and pursue corporate governance reforms and to continuously observe the principles of fairness, accountability and transparency. The Board of Directors adopted the Revised Manual on Corporate Governance on March 23, 2011 to significantly enhance PNCC's corporate organization and operations, and to make it a valuable partner of the national government.

BOARD STRUCTURE AND PROCESS

Key Role and Responsibilities

The Board of Directors is primarily responsible for fostering long-term success to the corporation, and sustaining its competitiveness and profitability in a manner consistent with its corporate objectives and the best interests of its stockholders.

The Board formulates the corporation's vision, mission, strategic objectives, policies and procedures that guides its activities, including the means to effectively monitor Management performance.

Composition

The Board is composed of eleven (11) directors. The directors are nominated by the President of the Philippines.

The Board possesses a combined expertise in various business fields. Each director adds value and exercises independent judgment. The Board structure provides a clear division of responsibilities between the Board and Management.

Chairman and Vice Chairman

The Chairman of the Board is Elpidio C. Jamora, Jr. aappointed on September 30, 2013 vice Acting Chairman of the Board Jose Vicente C. Bengzon III. Atty. Luis F. Sison elected President/CEO holds the position of Vice Chairman.

Board Performance

Board meetings are held monthly or as often as necessary. The Board has separate and independent access to the Corporate Secretary, who is responsible for informing the Board members of the agenda of their meetings and ensures that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their consideration and approval. Average attendance in the Board's 20 meetings was more than 89.61%. Directors Elpidio C. Jamor, Jr., Luis F. Sison, Rosendo T. Capco, Cristino L. Panlilio, Rosanna E. Velasco and Nora O. Vinluan had perfect attendance during their incumbency in 2013.

Board	Name	Date of Election	No. of Meetings Held during the year	No. of Meetings Attended	%
Chairman	Elpidio C. Jamora, Jr.	09/30/2013	20	7	100%
Member	Luis F. Sison	01/11/2011	20	20	100%
Member	Tomas C. Alvarez	01/11/2011	20	16	80%
Member	Rosendo T. Capco	01/11/2011	20	20	100%
Member	Tomas C. Falgui, II	10/08/2013	20	5	83.33%
Member	Elisea G. Gozun	10/14/2013	20	4	80%
Member	Cristino L. Panlilio	09/30/2013	20	7	100%
Member	Antonio C. Pido	01/11/2011	20	19	95%
Member	Rosanna E. Velasco	09/30/2013	20	7	100%
Member	Robert G. Vergara	10/14/2013	20	3	60%
Member	Nora O. Vinluan	01/11/2011	20	20	100%
	Resigned:				
Acting Chairman	Jose Vicente C. Bengzon III*	01/21/2011	20	13	86.66%
Member	Thomas G. Aquino**	01/11/2011	20	7	77.77%
Member	Elmer C. Hernandez**	01/11/2011	20	9	100%
Member	Rodolfo C. Naguit**	01/11/2011	20	7	77.77%
Member	Roman Felipe S. Reyes***	01/11/2011	20	14	93.33%

Legend:

* - resigned effective September 30, 2013
** - resigned effective June 30, 2013
*** - resigned effective October 14, 2013

Board Committees

The Board maintained the following committees to assist in good governance:

	Nomination & Compensation	Finance	Audit	Legal
Jose Vicente C. Bengzon[A]	M		M	
Elpidio C. Jamora, Jr.[B]				M
Luis F. Sison				M
Nora O. Vinluan[C]		M		
Tomas C. Alvarez[D]			C/M	
Thomas G. Aquino[E]	C			
Elmer C. Hernandez[E]	M			
Rodolfo C. Naguit[E]		C	M	
Rosendo T. Capco				M
Antonio C. Pido				C
Roman Felipe S. Reyes[F]		M	M	
Rosanna E. Velasco[G]		M	C	
Cristino L. Panlilio[G]		C	M	
Tomas C. Falgui II				

Legend:

[A] Resigned effective September 30, 2013
[B] Elected effective September 30, 2013
[C] Elected member of Finance Committee effective November 20, 2013
[D] Replaced as Chairman of Audit Committee but remained Member of Audit Committee effective November 20, 2013
[E] Resigned effective June 30, 2013
[F] Resigned effective October 14, 2013
[G] Elected as member of the Board on September 30, 2013 and elected as Chairman of Finance and/or Audit Committee effective November 20, 2013

Audit & Finance Committee. Consists of four (4) directors, three of which are Certified Public Accountants. The committee oversees the financial reporting process, system of internal control, audit process and monitoring of compliance with applicable laws, rules and regulations. The committee had 8 meetings in 2013 where it reviewed the 2013 financial statements of PNCC.

Nomination and Compensation Committee. The Nomination and Compensation Committee, composed of three directors, establishes a formal and transparent procedure for developing a policy on remuneration of directors and corporate officers. The committee aims to ensure that their compensation is consistent with the corporation's culture, strategy and the business environment in which it operates. The committee had 2 meetings in 2013.

Legal Committee. The Legal Committee is composed of two directors with the Chairman and the President as ex-officio members, it is responsible for the review of legal issues that affect the company. The committee, together with Management and company's Legal counsel, reviews legal matters that could have a material impact on the company's financial operations. The committee also ensures company's compliance with applicable laws and regulations. The committee had 7 meetings in 2013 where it resolved actions to be undertaken in various PNCC legal cases.

The Board approved the creation of a Board Special Projects Committee for the negotiation of the terms for the Joint Venture Agreement (JVA) between CITRA and PNCC and MNTC and PNCC in connection with Stage 4 of the Skyway Project and Segment 10.2 of NLEX. The Negotiation Committee for Stage 4 Project (C6) is composed of Director Pido as Chairman and Directors Alvarez, and Velasco as members. The Negotiation Committee for Segment 10.2 of NLEX is composed of Director Panlilio as Chairman and Directors Capco and Vinluan as members. President Luis Sison and Chairman Elpidio C. Jamora served as Ex-officio members of both committees. The terms negotiated by the committee has been submitted to the Board for approval and ratification.

Directors Compensation

The incumbent members of the Board adopted Executive Order (E.O.) No. 24, which governs the compensation of members of the board of directors/trustees in Government-Owned or Controlled Corporations, including Government Financial Institutions. In accordance with the said E.O., PNCC is classified under "C" which prescribes the following per diems for board meetings and committee meetings:

Board meetings:	**₱15,000.00** per meeting but not to exceed the maximum annual amount of ₱360,000.00.
Committee meetings:	**₱9,000.00** per meeting but not to exceed the maximum annual amount of ₱216,000.00.

Effective 01 June 2013, the Governance Commission for Government Owned or Controlled Corporation (GOCC), in its letter dated 27 May 2013 determined PNCC to be under classification "D". The entitlement of the members of the Board of Directors for actual attendance of meeting are as follows:

Board Meetings:	**₱10,000.00** per meeting but not to exceed the maximum annual amount of **₱240,000.00**
Committee meetings:	**₱6,000.00** per meeting but not to exceed the maximum annual amount of **₱144,000.00**

The Board also approved the following allowances for each Director:

Transportation & Gasoline: Allowance	**₱20,000.00** per month subject to submission of receipts, including normal/ordinary vehicle maintenance costs ang gasoline expenses but not to exceed ₱240,000.00 per annum.
Meals and Representation: Allowance	**₱20,000.00** per month subject to submission of receipts, but not to exceed ₱240,000.00 per annum.

CORPORATE SECRETARY

There had been two (2) consecutive Corporate Secretaries in 2013. Atty. Jose A. Bernas was appointed Corporate Secretary on September 17, 2012 but was replaced by Atty. Henry Salazar on December 16, 2013. He serves as Corporate Secretary until today.

COMPLIANCE OFFICER & COMPLIANCE MONITORING

On March 23, 2011, the Board of Directors amended its Manual of Corporate Governance in compliance with the Revised Code of Corporate Governance issued by the Securities and Exchange Commission under its Memorandum Circular No. 6, Series of 2009.

The Compliance Officer monitors PNCC's compliance to the Corporate Governance Code and the rules and regulations of regulatory agencies. Ms. Janice Day E. Alejandrino, Senior Vice President for Administration and Property Management was appointed Compliance Officer on March 15, 2012 and serves as such until today.

MANAGEMENT

Management is accountable to the Board of Directors for the corporation's organizational and operational controls. Management is lead by Atty. Luis F. Sison as President/CEO.

The President/CEO has overall responsibility for the successful administration of the affairs and business of the corporation. The President is supported by a Management Committee composed of key executives who meet as often as necessary to discuss issues vital to the operation of the company.

ADEQUATE AND TIMELY INFORMATION

Management provides the members of the Board with complete, adequate and timely information on matters to be taken up in their meetings to enable them to fulfill their duties and responsibilities.

However, reliance on information volunteered by Management would not be sufficient in all circumstances and further inquiries may be made by the Board members. The members of the Board had been given independent access to Management information that includes background or clarification on matters brought before the Board such as disclosures, budgets, forecast and internal financial documents.

ACCOUNTABILITY AND AUDIT

The Joint Audit and Finance Committees oversees the performance of the company's external auditors. The joint committee reviews PNCC's financial reporting to ensure its integrity.

External Auditors. PNCC, a Government Acquired Asset since 1986, is under the audit jurisdiction of the Commission on Audit (COA). COA is the independent (external) auditor of PNCC. The assignment of COA Auditors/Audit-in-Charge and staff is purely the prerogative/decision of the COA Chairman.

The Audit Engagement of COA is covered by a Term of Reference (TOR) executed between PNCC and COA and duly provided to the joint Audit and Finance Committee for information/notation. The audit covers the accounts, transactions and operations of PNCC for calendar year 2012, undertaken for the purpose of expressing an opinion on the company's financial statements and for determining the Company's compliance with pertinent laws, rules and regulations, and the efficiency and effectiveness of operations.

The aggregate audit fees billed for each of the last two calendar year indicated in the TOR are ₱1,243,748 for 2011, ₱ 2,602,724.00 for 2012 and ₱ 2,487,475.00 for 2013.

TRAINING PROCESS

External courses attended by Directors and Senior Management for the past three (3) years: 2011 to 2013

Name of Director/Officer	Date of Training	Program	Name of Training Institution
Luis F. Sison Rosendo T. Capco Nora O. Vinluan Rodolfo C. Naguit Tomas C. Alvarez Elmer C. Hernandez	May 25, 2011	Corporate Governance	Center for Continuing Education of the Ateneo De Manila University
Thomas G. Aquino	May 18-19, 2012	Corporate Governance	Center for Professional Development in Business and Economics – De La Salle University
Luis F. Sison Rosendo T. Capco Nora O. Vinluan Rodolfo C. Naguit Tomas C. Alvarez Elmer C. Hernandez	June 28, 2011	Risk Management	Center for Continuing Education of the Ateneo De Manila University
Jose Vicente C. Benzon III	November 15-16, 2010	Corporate Governance and Risk Management for Rural Bank Directors	Rural Bankers Association of the Philippines – Rural Bankers Research and Development Foundation
Tomas S. Falgui II	November 28 – 29, 2013	Corporate Governance & Risk Management	Institute of Corporate Directors

The members of the incumbent Board are accomplished in their line of exposure and have extensive relevant business experience. A formal board and director development program is not seen as necessary at this time. In case a new member is elected, he/she will be briefed and oriented regarding the company's operations and its pressing concerns. Likewise, in case he/she had not attended the required Corporate Governance seminar, the company shall arrange his/her attendance in said seminar.

STOCKHOLDER'S RIGHTS AND PROTECTION OF MINORITY STOCKHOLDER'S INTERESTS

PNCC highly respects the rights of the stockholders as prescribed by the Corporation Code.

Stockholders Meeting. Stockholders are informed of the schedule of annual or special meeting at least five (5) days before such meeting, through registered mail containing the notice of meeting stating the date, hour and place of such meeting, and if a special meeting, also contains the purpose or purposes for which it is called.

Voting Right. At all stockholder's meeting, Preferred "D" and Common shareholder is entitled to one vote for each share of stock standing in his name on the books of the Corporation. Cumulative voting is used in the election of the members of the Board of Directors.

Pre-emptive right. All stockholders have pre-emptive rights in accordance with law as provided for in the PNCC's Articles of Incorporation, i.e., specific rights and powers of stockholders with respect to the particular shares they hold.

Power of Inspection. All stockholders are allowed to inspect corporate books and records including minutes of the Board meetings and stock registries.

Right to information. All stockholders have access to any and all information relating to matters for which the management is accountable for. Upon request, stockholders are provided with periodic reports which disclose directors and officers and certain matters.

DISCLOSURE AND TRANSPARENCY

All material information about the corporation which could adversely affect its viability or the interests of the stockholders shall be publicly and timely disclosed. All disclosures and reports submitted to Securities and Exchange Commission and the Philippine Stock Exchange may be viewed and downloaded at company website.

Mission

We Deliver!

We build infrastructure for socio-economic development. We provide quality construction and tollways management services, guided by the values of execellence, professionalism and dynamism.

CODE OF CONDUCT AND EMPLOYEE DISCIPLINE

PNCC Management and employees are guided by three (3) core values such as excellence, professionalism and dynamism. These values are expressed in the PNCC Code of Conduct and Employee Discipline which outlines the rules and regulations that the company has set to govern ethical behavior and instill discipline in its employees and includes remedial actions for each.

COMPANY WEBSITE

Additional information on the company's products and services, results of business operations, financial statements, career opportunities, corporate governance initiatives and other relevant information may be viewed at www.pncc.ph.

Vision

By the year 2007, the Philippine National Construction Corporation shall have reasserted its strength in tollways systems management, revitalized its construction capabilities and realized the synergies brought about by its subsidiary alliances.

Our tollways franchise shall be secure and joint venture partnership shall be equitable. We shall ensure our ability to meet our customers' expectations.

We shall re-establish the significant presence of PNCC in the construction industry by aggressively pursuing projects. This requires upgrading our manpower and equipment. Self-sufficiency and maximum contribution to company overhead will be our guiding norms. Likewise, we shall maintain contribution to company overhead will be our guiding norms. Likewise, we shall maintain existing subsidiaries based on their ability to enhance overall efficiency.

We will continually improve our systems and procedures to streamline the organization structure. Accordingly, we shall develop our human resources and establish a work environment of excellence, professionalism and dynamism. These conditions shall facilitate our gaining ISO accreditation.

Prudent funds management, highlighted by a reduction of debts, increased collection efforts, and liquefication of non-performing assets underlies all our plans.

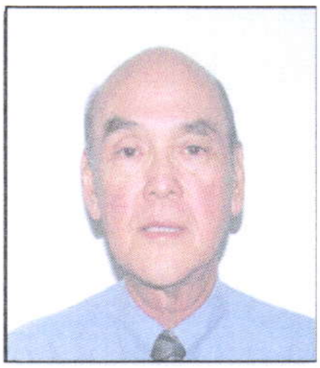
Board of Directors

JOSE VICENTE C. BENGZON III
Acting Chairman, December 2011 September 30, 2013

Mr. Bengzon is the President of the Jose P. Laurel Rural Bank since 2010. He is the President & Chief Operating Officer of the Duma Group of Companies. He is also the Chairman of Vitarich Corporation since 2007, the director of UCPB Holdings Corporation since 2006, & the Philippine Business Leaders Forum, Inc. since 2005. He has served as a Trustee of the Philippine Quality Awards Foundation since 1998. He earned his Bachelor of Arts degree, major in economics & Bachelor of Science in Commerce degree, major in accounting in 1980 from the De La Salle University. He is a Certified Public Accountant.

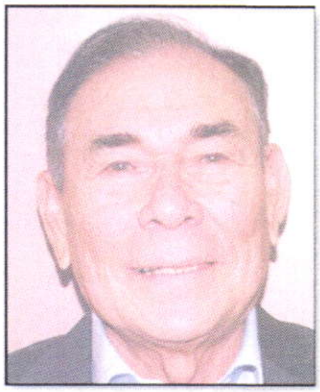
ELPIDIO C. JAMORA, JR.
Chairman, September 30, 2013 to present

Mr. Jamora is the President of Epsion Maritime Services, Inc., Camnorte Ezone Realty, Inc., Impress Land, Inc. and Bandera Realty, Inc. He serves as Director of Himawari International Promotion, Inc., Indo Phil Acrylic Mfg. Corp., Indo Pil Cotton Mills, Inc. Mahaveer Philippine Foundation, Inc. and Exquisite Focus, Inc. He is a Managing Partner and Founding Member of Carag, Jamora, Somera & Villareal Law Offices. He earned his Bachelor of Arts, major in Political Science degree, from the Lyceum of the Philippines in 1977, He earned his Bachelor of Laws degree from the University f the Philippines in 1982.



LUIS F. SISON
President/Director, January 2011 to present

Mr. Sison was the Chairman of the Philippine Retirement Authority from August 1992 up to June 10, 1998. He served as Presidential Assistant for Legal & Judicial Affairs, with the rank of Undersecretary, in the Office of the President from July 15, 1992 until June 30, 1998. He served as Chairman & President of PNCC from March 2001 until June 2002 & as its President from June 2002 until October 2002, and again, from January 11, 2011 until today. He earned his B.S. Political Science degree in 1963 & his Bachelor of Laws degree from the Ateneo de Manila University in 1967. He passed the Philippine Bar in the same year.

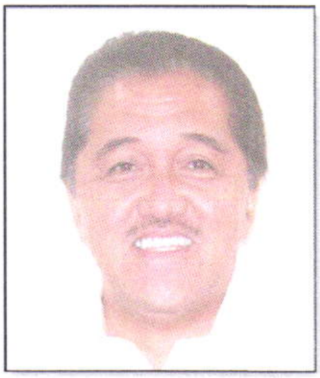


TOMAS C. ALVAREZ
Director, since January 2011 to present

Mr. Alvarez has been the Chief Financial Officer of Seafront Resources Corp. from 1992-94. He served in various capacities in the SGV & Co. starting in 1958 as a member of an audit team. He then served as the Branch Manager of SGV Iloilo starting 1964, was assigned to SGV Bangkok from 1970-1980 & retired in 1989 as head of the SGV Philippine Branches. He served as a Consultant to the Columbian Motors Group of Companies from 1995-2009. He earned his Bachelor of Science degree, major in Accounting from the University of San Jose–Recoletos in 1957 & passed the CPA Board in 1958.

ROSENDO T. CAPCO
Director, since January 2011 to present

Mr. Capco has served as President of the Integrated Bar of the Philippines (IBP), Rizal Chapter, & as Chairman of the IBP-Rizal Legal Aid Program for Poor Litigants in 1999-2000. He also served as Chairman of the Metro Manila Local Amnesty Board in 199-2001. He was elected twice as Mayor of the Municipality of Pateros – for terms 2001-2004 & 2004-2007. He is presently a Managing Partner of the Capco, Campanilla & Santos Law Firm. He earned his B.S. Business Administration degree in 1972 & his Bachelor of Laws degree in 1977 from the University of the East. He passed the Philippine Bar in the 1978.



ANTONIO C. PIDO
Director, since January 2011 to present

Mr. Pido is a Senior Partner of the Siguion Reyna, Montecillo & Ongsiako Law Offices from 1994 until today. He was a Partner in the Pido, Quimbo & Guades Law Office from December 1991 until December 1993. He served as Labor Arbiter at the National Labor Relations Commission from June 1986 until May 1991. He obtained his degree in Bachelor of Science in Commerce from the Colegio de San Jose–Recoletos in 1976 and in Bachelor of Laws from the University of the Philippines in 1982 and passed the Philippine Bar in the same year.

NORA S. VINLUAN
Director, since January 2011 to present

Ms. Vinluan is a Trustee of the Multi-Saving and Loan Association, the Vice-Chairman of the Schuylkill Assets Strategists, the Executive Vice-President of the Asset Custody & Resolution Managers, Inc. She was Consultant to the Philippine Bank of Communications (2003-2005), Easter Telecommunications Philippines, Inc. (1999-2002), & Hydro-Resources Contractors, Inc. (1985-1986) & was the Treasurer & Vice President for Finance of the Construction & Development Corp. of the Philippines (now PNCC) from 1980-1986. She obtained her degree in Bachelor of Science in Business Administration, *Cum Laude,* from the University of the Philippines in 1961 & her Master of Arts (Economics) from Syracuse University in 1965.

ROSANNA E. VELASCO
Director, since September 30, 2013 to present

Ms. Velasco served as the Academics and Programs Director of the center for Autism and Related Disorders Phils. – Professionals for Autism Foundation, Inc. from May 2005 – May 2007 and November 2012 until today, respectively. Ms. Velasc is the owner of RME Publishing since September 12, 2012, and she is serving as Director of Inteleconsult Corp. starting June 2011. She was engaged as Senior Consultant in the Corporate Achievers Institute from May 2010 until November 2012. She completed the degree of Bachelor of Science in Commerce, Major in Accounting, Minor in Management of Financial Institutions in 1979 and is a candidate for the degree of Masters in Education-Special Education at the De La Salle University.

CRISTINO L. PANLILIO
Director, since September 30, 2013 to present

Mr. Panlilio served as Undersecretary of the Department of Trade and Industry until January 30, 2013, handling the Board of Investments, Bureau of Export Trade Promotion, Center for International Trade Expositions and Missions, Foreign Trade Services Corps., Garments & Textile Indstry Development Office, Philippine International Trading Corporation and the Philippine Trade Training Center. He earned his AB Economics & Master in Business Administration degrees from the Ateneo de Manila University in 1973 and 1981, respectively. He also completed in 1984 the Advance Management Program from the Wharton School of Finance.

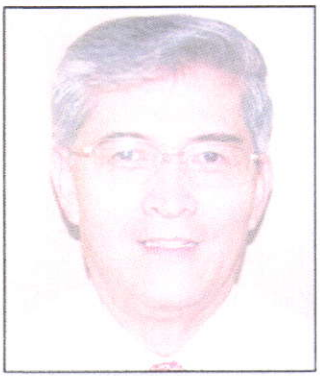
TOMAS C. FALGUI II
Director, since October 8, 2013 to present

THOMAS G. AQUINO
Director, since January 2011 to June 30, 2013

Mr. Aquino is a Senior Fellow at the Center for Research & Communication at the University of Asia & the Pacific (UA&P). Until recently, he was the Senior Undersecretary of the Department of Trade & Industry. He was conferred the Presidential Service Award (Lingkod Bayan) & the Gawad Mabini Award with the rank of Grand Cross (Dakilang Kamanong) for distinguished service to the country. Mr. Aquino obtained a Doctorate in Business Administration in 1980 from the IESE Business School of the University of Navarre in Spain, an MS in Industrial Economics in 1972 from the UA&P in 1970, & an AB in Economics in 1970 from the University of the Philippines.

ELMER C. HERNANDEZ
Director, since January 2011 to June 30, 2013

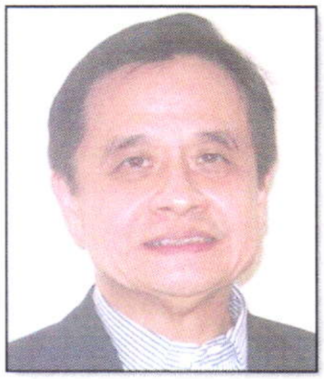
Mr. Hernandez served as Department of Trade & Industry Undersecretary for Industry & Investments and Vice Chairman & Managing Head of the Board of Investments (BOI) from 2004-2010. At the BOI, he served in earlier years as the Executive Director of the Industry Development Group, and in concurrent capacity, as Executive Director of both the Industry Development Council & the Presidential Iron & Steel Committee. He obtained his degrees in Bachelor of Science in Mining Engineering in 1970, Master of Science in Geology in 1976 & Master of Public Administration in 1980 from the University of the Philippines.



RODOLFO C. NAGUIT
Director, since January 2011 to June 30, 2013

Mr. Naguit served as a Project Consultant of Pilipinas Shell Petroleum Corporation (PSPC) from March 2006 until today, except in 2008. From June 2002 to September 2003, he was Deputy Chairman of the Shell Companies in the Philippines. He served as VP-Finance & Director from July 2001-February 2006, not only of the PSPC but also of its various affiliate corporations such as the Shell Gas Easter Petroleum, Inc., the Shell Gas Trading Asia Pacific, Inc., & the Shell Chemicals Co. (Phils.) Inc. He earned his Bachelor of Science degree in Business Administration from the Lyceum of the Philippines in 1971 & passed the CPA Board in 1972.

ROMAN FELIPE S. REYES
Director, since November 2010 to October 14, 2013



Mr. Reyes is a Trustee of the Government Service Insurance System from September 2010 until today. He is a member of the Board of Directors of the Bank of Commerce, RPN 9, Pasudeco & Victory Liner, among others. He served as Senior Partner & Vice-Chairman of the Client Service & Accounts from 1984 until 2009. In 2009, he served as Chairman of the Advisory Group on Vocational Training of the SGV Foundation. He earned his Bachelor of Commerce degree, major in Accounting from San Beda College in 1972 & his Master of Business Administration, major in Finance, from the University of Detroit in 1975.

Management Committee

Atty. Luis F. Sison	President & CEO
Patricia Louise S. Punsalan	Executive Assistant to the President
Janice Day E. Alejandrino	Senior Vice President, Head - Human Resources and Administration Division
Miriam M. Pasetes	Vice President, Acting Treasurer
Yolanda C. Mortel	Vice President, Head - Materials Management Division
Atty. Vernette U. Paco	Vice President, Head - Corporate Legal Division *Separated on July 3, 2013*
Susan R. Vales	Senior Assistant Vice President, Head – Corporate Controllership Division
Rosalyn S. Delivios	Manager, Head – Management Information System Department

Compensation of Directors/Executive Officers

Information as to the aggregate compensation (including management fees) paid or incurred during its calendar period to the company's CEO and four most highly compensated executive officers as follows:

Paid to		**Amount**
Luis F. Sison	President	
Janice Day E. Alejandrino	Senior Vice President	
Miriam M. Pasetes	Vice President	
Yolanda C. Mortel	Vice President	
Susan R. Vales	Senior Assistant Vice President	
All above named officers as a group		**₱ 14.426M**
All other directors and above named officers as group		**₱ 19.126M**

Except for the regular company retrenchment/retirement plan, which by its very nature will be received by the officers concerned only upon retirement/separation from the company, the above mentioned officers do not received any other compensation from the company in the form of warrants, option and/or profit sharing.

FINANCIAL INFORMATION

Management's Discussion and Analysis For Each of the Last Three Fiscal Years

Year End 2013 vs. Year End 2012

Results of Operation:

Revenues. Revenues for the year ended December 31, 2013 amounted to P147.631 million, up by 27.08% or P31.461 million vis-à-vis the P116.170 million for the year ended December 31, 2012. The increase in revenue was due to the recognized rental income from new tenants in the leased FCA property and revenue shares which were in direct relationship to the Joint Venture Companies' gross toll revenue.

General and Administrative Overhead. This account decreased by 20.22% or P18.772 million from P92.851 million for the year ended December 31, 2012 to P74.079 million for the year ended December 31, 2013. The decrease in the overhead account was due to the implementation to cost reduction measures, including manpower unloading, to match the company's present revenue level.

Profit from Operations. This account increased by 215.41% or P50.232 million, from P23.319 million for the year ended December 31, 2012 to P73.551 million for the year ended December 31, 2013 due also to the reason discussed above.

Penalty Charges. This account pertains to the 2% penalty charges on unpaid concession fee amounting to P258.002 million for the year ended December 31, 2013 and December 31, 2012.

Other Income (Charges). This account posted a positive balance of P2.604 billion for the period ended December 31, 2013, 11,011.26% or P2.581 billion higher than last year's positive amount of P23.438 million. The favorable variance was due to the recognition of the gain in change in fair value of investment property.

Net Profit (Loss) from Before Tax. For the year ended December 31, 2013, the company recognized a net profit before tax of P2.420 billion, posting a 1,245.5% or P2.631 billion increase from last year's net loss of P211.245 million. This was due to the reason discussed in the preceding paragraph.

Deferred Tax Expense. The deferred tax expense of P778.186 million for the period ended December 31, 2013 represents 30% of the gain in change in fair value of investment property of P2.594 billion.

Net Profit (Loss). The company realized a net profit of P1.642 billion for the period ended December 31, 2013, 877.21% or P1.852 billion higher compared to the net loss of P211.245 million for the period ended December 31, 2012. The favorable variance was due to the reasons discussed above.

Financial Position:

Current Assets. The company's current assets as of December 31, 2013 totalled P984.483 million vis-à-vis December 31, 2012 balance of P898.322 million, higher by 9.59% or P86.161 million. The increase in current assets was mainly due to the increase in cash and cash equivalents brought about by the collection of work accomplishments for the Daang Hari SLEX Linkroad Project.

Investment Property. The increase of 33.05% or P2.594 billion, from P7.848 billion as of December 31, 2012 to P10.442 billion as of December 31, 2013, resulted from the appraisal conducted in 2013 by independent firms of appraisers.

Property, Plant, and Equipment. The account increased by 2.05% or P11.434 million, from P557.770 million as of December 31, 2012 to P569.204 million as of December 31, 2013. The increase resulted from the appraisal conducted in 2013 by independent firms of appraisers, net of depreciation during the year.

Other Assets. The account amounted to P191.347 million as of December 31, 2012 compared with P194.484 million as of December 31, 2013, an increase of 1.64% or P3.137 million. This is mainly due to the set up of the 2% Minimum Corporate Income Tax.

Current Portion of Long-term Debt. The amount stood at P8.860 billion as of December 31, 2013, increased by 3.25% or P278.512 million compared to P8.582 billion as of December 31, 2012. The increase was mainly due to the accrual of the 2% penalty charges on unpaid concession fees payable to the Toll Regulatory Board (TRB).

Long-term Debt. The account increased by 28.16% or P760.482 million, from P2.701 billion as of December 31, 2012 to P3.461 billion as of December 31, 2013, which was due to the recognition of deferred tax liability on the gain in change in fair value of the investment property and appraisal increase in property and equipment resulting from the appraisal of the company's real estate properties conducted in 2013.

Stockholders' Equity. Stockholders' equity increased by 108.55% or P1.655 billion from capital deficiency of P1.525 billion as of December 31, 2012 to stockholder's equity of P130.396 million as of December 31, 2013 mainly due to the recognition of gain in change in fair value of investment property.

Presented hereunder is the discussion of the Company's key performance indicators:

Performance Indicators	As of 12/31/13	As of 12/31/12	Explanation
Current/Liqudiity Ratios:			
Current Ratio (Current Assets Divided by Current Liabilities)	0.111	0.105	Evaluates the ability of the company to pay its current debt promptly. Current ratio as of December 31, 2013 increased from that of December 31, 2012 due to the increase in current assets by 9.59% vs. the increase in current liabilities by 3.25%.
Solvency Ratios:			
Debt to Assets (Total Liabilities Divided by Total Assets)	98.95%	115.63%	Shows what percentage of the business in not owned by the stockholders. Determines how much of the company is financed by debts. The ratio improved due to the increase in total liabilities by 9.21% (brought about by the accrual of the 2% penalty charges and recognition of deemed tax on appraisal of real estate properties) and vis-à-vis the increase in total assets by 27.61% (due to appraisal increase-real estate properties).
Debt to Equity (Total Liabilities Divided by Total Equity)	9449.47%	-739.81%	Shows the proportion of the creditors' capital to the business' total capital. Measures the degree to which the assets of the business are financed by the debts and the stockholders of the business. The ratio improved due to the increase in total liabilities (as discussed above) coupled with the reversal of the capital deficiency as of December 31, 2012 to equity as of December 31, 2013.
Asset to Equity Ratio (Total Assets Divided byTotal Equity)	9549.47%	-639.81%	Measures the total debt the company takes to acquire assets. Measures the company's capability to pay debts. The ratio improved due to the increase in total assets and the reversal of the capital deficiency to equity (as discussed above).
Interest Rate Coverage Ratio (Income Before Interest/Penalty Divided by Interest Expense/Penalty Charges)	0.285	0.090	Determines how easily a company can pay interest on outstanding debt. The ratio improved in year 2013 due to the recognition of profit from operations as a result of the cost reduction measures implemented by the company.
Profitability Ratios:			
Return on Assets (Net Income (Loss) Divided by Total Assets)	13.18%	-2.16%	Measures the Company's earnings in relation to all the resources it had at its disposal. The ratio improved due to the recognition of net profit for the period ended December 31, 2013 in the amount of P1.642 billion.
Return on Equity (Net Income (Loss) Divided by Total Equity)	1258.95%	-13.85%	Measures the rate of return on the ownership interest of the company's stockholders. Determines the productivity of the owners' capital. The ratio improved due to the recognition of net profit for the year ended December 31, 2013 and the reversal of capital deficiency to equity.

(i) Any known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the Company's liquidity increasing or decreasing in any material way. Indicate course of action that the Company has taken or proposes to take to remedy the deficiency.

i.a The Company's inability to settle its outstanding obligations with the Toll Regulatory Board and the Natonal Government brought about by the difficulties in collecting its receivables from various government agencies.

i.b Pending labor cases which consist of those filed against the Company involving dismissal, backwages, and separation pay. Most of these cases have been ruled by the Labor Arbiter in favor of the complainants, pending appeal by PNCC before the National Labor Relation Commission (NLRC).

i.c Pending civil cases which consist of those filed against the Company involving damages, collection of money, and attorney's fees which are still on litigation before the various Regional Trial Courts (RTC).

i.d Pending assessments on deficiency taxes. Discussion is contained under Note 24 of the 2013 Audited Financial Statements, including courses of actions already undertaken by the Company to address the issue.

To address the above concerns, PNCC implemented a program of manpower rightsizing in 2001 and has been pursued gradually during the year. The program will be considered in the succeeding years until the Company attains manpower complement to match its present revenue level which in 2013 was significantly generated by its10% revenue share from Joint Venture Companies and by its earnings from the leased FCA property.

Earlier, the PNCC Board approved the settlement of the obligation to the National Government by way of dacion en pago, using the real estate assets of PNCC notably the 12.9 hectare Financial Center Area. The property was valued at P9.714 billion by independent firms of appraisers conducted in 2013. In the latter months of 2012, the Board reconsidered the option to bid out the property proposed for dacion to attain a higher dacion value and forestall all legal problems that may arise from the option of direct dacion. A letter touching on major issues on PNCC, including this matter among others, was sent to DOF in October 2012.

PNCC still asserts the contracted participation in the Joint Venture's Skyway Stage 3 and C6 Projects. Partnership with PT Citra Lamtoro for the implementation of the Metro Manila Expressway or C6 and Metro Manila Skyway Stages 2 and 3 and the completion and commercial operation thereof, are projected to generate incremental revenues for PNCC at commercial operation on revenue sharing basis for both Project Roads. The revenue scenario best rests on the policy directions intended by the Board and the NG through the PMO/DOF as the disposition entity.

(ii) Any events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

The default in payment of its TRB loan and the settlement of its recognized debts to the National Government.

(iii) There are no material off-balance sheet transactions and arrangements.

(iv) There are no material commitments for capital expenditures.

(v) Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations.

v.a The continued decline in the construction industry resulted to the Company's incurrence of severe losses from the said operation. Thus, to prevent from suffering greater losses as it had experienced for the last several years, Management decided to veer away with the construction business (since 2002) and focus on its tollways operation.

v.b The turn over of the North Luzon Tollway operations to the MNTC on February 10, 2005 had affected the revenue generating capacity of the Company.

v.c The hand-over of the South Luzon Tollway operation to the SLTC on May 02, 2010 likewise had an unfavorable impact on the Company's revenue.

v.d The Supreme Court decision, in Ernesto B. Francisco vs. TRB, PNCC et. al. (G.R. Nos. 166910,169917, 173630, and 183599, October 19, 2010) and in the case of Strategic Alliance Development Corporation vs. Radstock Securities Limited et. al. (G.R. No. 178158, December 04, 2009), ruled and declared that with the expiration of PNCC's franchise, the toll assets and facilities of PNCC were automatically turned over, by operation of law, to the National Government (NG) at no cost and, consequently, this inevitably resulted in the latter's owning too of the toll fees and the net income derived after May 01, 2007 from the toll assets and facilities, including PNCC's percentage share in the toll fees collected by the joint venture companies currently operating the tollways.

(vi) There are no significant elements of income or loss that did not arise from the Company's continuing operations.

(vii) There are no seasonal aspects that had a material effect on the financial condition or results of operations of the Company.

(viii) **Material changes to the Company's Statement of Financial Position as of December 2013 compared to December 31, 2012 (increase/decrease of 5% or more)**

Cash and cash equivalents decreased by P153.539 million or 553.777% from P27.726 million as of December 31, 2012 to P181.265 million as of December 31, 2013 due to increased collection of receivables, proceeds from sale of fixed assets/scrap materials, and dividend payments from joint venture companies.

Receivables from contracts decreased by P90.540 million or 39.41% from P229.717 million as of December 31, 2012 to P139.177 million as of December 31, 2013 due to the collection of work accomplishments for Daang Hari SLEX Linkroad Project.

Investment property increased by P2.594 billion or 33.05% from P7.848 billion as of December 31, 2012 to P10.442 billion as of December 31, 2013 as a result of the appraisal conducted by independent firms of appraisers in 2013.

Accounts payable and accrued expenses increased by P20.509 million or 131.43% from P15.604 million as of December 31, 2012 to P36.114 million as of December 31, 2013 resulting mainly from the tenants' advance rental/deposits.

Deferred tax liabilities increased by P783.241 million or 31.45% from P2.490 billion as of December 31, 2012 to P2.373 billion as of December 31, 2013 due to the recognition of additional deemed tax on the increase in the fair value of the investment property.

Other payables decreased by P22,760 million or 10.8% from P210.643 million as of December 31, 2012 to P187.883 million as of December 31, 2013 due to the adjustment made in the Deferred Credits account.

Material changes to the Company's Statement of Income for the year ended December 31, 2013 compared to the year ended December 31, 2012 (increase/decrease of 5% or more)

Revenue share increased by P11.455 million or 15.38% from P74.468 million for the period ended December 31, 2012 to P85.923 million for the period ended December 31, 2013 due to the increase in the revenue shares which were in direct relationship to the Joint Venture Companies gross toll revenue.

Rental income increased by P20.006 million or 47.97% from P41.702 million for the period ended December 31, 2012 to P61.708 million for the period ended December 31, 2013 due to contracts entered into with new tenants in the leased FCA property.

General and administrative overhead decreased by P18.772 million or 20.22% from P92.851 million for the period ended December 31, 2012 to P74.079 million for the period ended December 31, 2013 due to the implementation of the Company's Cost Reduction Program resulting to reduction in the Company's employee costs and operating expenses. Except for depreciation, there are no non-cash items (provisions and allowances for losses) taken up in the books in 2013.

*Other income (charges) in*creased by P2.581 billion or 11,011.26% from P23.438 million for the period ended December 31, 2012 to P2.604 billion for the period ended December 31, 2013 mainly due to the increase in the fair value of the investment property.

Deferred tax expense increased by P778.186 million or 100% from zero for the period ended to December 31, 2012 to P778.186 million for the period ended December 31, 2013 which represents the 30% deemed tax on the increase in the fair value of the investment property.

Year End 2012 vs. Year End 2011 (as restated)

Results of Operation:

Revenue. The gross revenue decreased by 27.58% or P44.257 million, from P160.427 million for the year ended December 31, 2011 to P116.17 million for the year ended December 31, 2012. The decrease in revenue was mainly attributable to the decline in construction activities, resulting from the DPWH's (pursuant to its PPP mandate) take over of the Daang Hari SLEX Link Road Project for purposes of bidding it out.

Costs and Expenses. Costs and Expenses decreased by 100% equivalent to the December 31, 2011 figure of P46.833 million. The decrease was in direct relationship to the decline in the Company's revenue from the construction activities.

Gross Margin. The positive margin of P116.17 million for the year ended December 31, 2012 is higher by 2.26% or P2.576 million compared to the December 31, 2011 figure of P113.594 million. This was likewise in direct relationship to the decrease in construction income and costs/expenses during the year as mentioned above.

General and Administrative Overhead. This account decreased by 73.49% or P257.422 million from P350.273 million for the year ended December 31, 2011 to P92.851 million for the year ended December 31, 2012, due to the Company's continuing effort to cut down on costs and expenses.

Income (Loss) from Operation. Income from operation for the year ended December 31, 2012 amounted to P23.319 million, higher by P259.998 million compared to the December 31, 2011 loss from operation of P236.679 million. The favorable variance was due to reduction in general and administrative overhead as discussed above.

Other Income (Charges). Other income decreased by 21.77% or P6.525 million from P29.963 million for the year ended December 31, 2011 to P23.438 million for the year ended December 31, 2012, primarily due to minimal interests earned on bank deposits and money market placements.

Net Income (Loss). Net loss decreased by 54.2% or P250.057 from of P461.303 million for the year ended December 31, 2011 to P211.246 million for the year ended December 31, 2012. The decrease in net loss was due to the reasons mentioned above.

Financial Position:

Current Assets. Total current assets as of December 31, 2012 amounted to P898.322 million, lower by 3.86% or P36.115 million compared to P934.437 million as of December 31, 2011. The decrease in current assets was the resulting effect of the decrease in cash and cash equivalents used in operating/investing activities, net of the increase in the receivable account due to the recognition of revenue share during the period.

Other Assets. The account increased by 62.84% or P73.839 million from P117.508 million as of December 31, 2011 to P191. 347 million as of December 31, 2012 primarily due to the guarantee/collateral for the labor bond in favor of Investors Assurance Corporation.

Current Liabilities. The account amounted to P8.582 billion as of December 31, 2012, higher by 1.64 % or P138.829 million compared to P8.443 billion as of December 31, 2011. This was due to the recognition of additional debt to TRB resulting from the reconciliation of account and accrual of the 2% penalty charges on unpaid concession fee, net of settlement of CMMTC loans via offsetting against the revenue share.

Long-term Debt. The account decreased by 0.89% or P24.325 million from P2.725 billion as of December 31, 2011 to P2.701 billion as of December 31, 2012 mainly attributable to the application of advance rental against monthly rental billing.

Capital Deficiency. The account balance as of December 31, 2012 totaled P1.525 billion, 5.89% or P84.961 million higher compared to the December 31, 2011 balance of P1.44 billion. The decrease was mainly due to the incurrence of net loss in 2012 and correction of prior year error.

Presented hereunder is the discussion of the Company's key performance indicators:

Performance Indicators	As of 12/31/12	12/31/11 (As restated)	Explanation
Current/Liquity Ratios:			
Current Ratio (Current Assets Divided by Current Liabilities)	0.105	0.111	Evaluates the ability of the company to pay its current debt promptly. Current ratio as of December 31, 2012 decreased from that of December 31, 2011 due to the increase in the liability to NG resulting from the year-end reconciliation of accounts.
Solvency Ratios:			
Debt to Assets (Total Liabilities Divided by Total Assets)	1.156	1.148	Shows what percentage of the business in not owned by the stockholders. Determines how much of the company is financed by debts. The ratio increased due to the increase in total liabilities brought about by the recognition of additional liabilites toNG/TRB as discussed above.
Debt to Equity (Total Liabilities Divided by Total Equity)	-7.398	-7.755	Shows the proportion of the creditors' capital to the business' total capital. Measures the degree to which the assets of the business are financed by the debts and the stockholders of the business. The ratio improved due to the increase in total liabilities brought about by the recognition of additional liabilites toNG/TRB as discussed above.
Asset to Equity Ratio (Total Assets Divided byTotal Equity)	-6.398	-6.755	Measures the total debt the company takes to acquire assets. Measures the company's capability to pay debts.
Interest Rate Coverage Ratio (Income Before Interest/Penalty Divided by Interest Expense/Penalty Charges)	0.090	-0.930	Determines how easily a company can pay interest on outstanding debt. The ratio improved in year 2012 due to the recognition of income from operation as a result of the cost reduction measures implemented by the company.
Profitability Ratios:			
Return on Assets (Net Income (Loss) Divided by Total Assets)	-2.165%	-4.742%	Measures the Company's earnings in relation to all the resources it had at its disposal. The ratio improved due to a lower net loss incurred/reported for the year ended December 31, 2012 compared with that of December 31, 2011.
Return on Equity (Net Income (Loss) Divided by Total Equity)	-13.851%	-32.032%	Measures the rate of return on the ownership interest of the company's stockholders. Determines the productivity of the owners' capital. The ratio improved due to a lower net loss incurred/reported for the year ended December 31, 2012 compared with that of December 31, 2011.

(i) Any known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the Company's liquidity increasing or decreasing in any material way. Indicate course of action that the Company has taken or proposes to take to remedy the deficiency.

i.a The Company's inability to settle its outstanding obligations with the Toll Regulatory Board and the National Government brought about by the difficulties in collecting its receivables from various government agencies.

i.b Pending labor cases which consist of those filed against the Company involving dismissal, backwages, and separation pay. Most of these cases have been ruled by the Labor Arbiter in favor of the complainants, pending appeal by PNCC before the National Labor Relation Commission (NLRC).

i.c Pending civil cases which consist of those filed against the Company involving damages, collection of money, and attorney's fees which are still on litigation before the various Regional Trial Courts (RTC).

i.d Pending assessments on deficiency taxes. Discussion is contained under Note 27 of the 2012 Audited Financial Statements, including courses of actions already undertaken by the Company to address the issue.

To address the above concerns, PNCC implemented a program of manpower rightsizing in 2001 and has been pursued gradually during the year. The program will be considered in the succeeding years until the Company attains manpower complement to match its present revenue level which in 2012 was significantly generated by its10% revenue share from Joint Venture Companies and augmented to some extent by its earnings from the leased FCA property.

Earlier, the PNCC Board approved the settlement of the obligation to the National Government by way of dacion en pago, using the real estate assets of PNCC notably the 12.9 hectare Financial Center Area. The property was valued at P7.43 billion by the Land Bank of the Philippines in the appraisal conducted from November to December 2011. In the latter months of 2012, the Board reconsidered the option to bid out the property proposed for dacion to attain a higher dacion value and forestall all legal problems that may arise from the option of direct dacion. A letter touching on major issues on PNCC, including this matter among others, was sent to DOF in October 2012.

PNCC still asserts the contracted participation in the Joint Venture's Skyway Stage 3 and C6 Projects. Partnership with PT Citra Lamtoro for the implementation of the Metro Manila Expressway or C6 and Metro Manila Skyway Stages 2 and 3 and the completion and commercial operation thereof, are projected to generate incremental revenues for PNCC at commercial operation on revenue sharing basis for both Project Roads. The revenue scenario best rests on the policy directions intended by the Board and the NG through the PMO/DOF as the disposition entity.

(ii) Any events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

The default in payment of its TRB loan and the settlement of its recognized debts to the NG.

(iii) There are no material off-balance sheet transactions and arrangements.

(iv) There are no material commitments for capital expenditures.

(v) Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations.

v.a The continued decline in the construction industry resulted to the Company's incurrence of severe losses from the said operation. Thus, to prevent from suffering greater losses as it had experienced for the last several years, Management decided to veer away with the construction business (since 2002) and focus on its tollways operation.

v.b The turn over of the North Luzon Tollway operations to the MNTC on February 10, 2005 had affected the revenue generating capacity of the Company.

v.c The hand-over of the South Luzon Tollway operation to the SLTC on May 02, 2010 likewise had an unfavorable impact on the Company's revenue.

v.d The Supreme Court decision, in Ernesto B. Francisco vs. TRB, PNCC et. al. (G.R. Nos. 166910,169917, 173630, and 183599, October 19, 2010) and in the case of Strategic Alliance Development Corporation vs. Radstock Securities Limited et. al. (G.R. No. 178158, December 04, 2009), ruled and declared that with the expiration of PNCC's franchise, the toll assets and facilities of PNCC were automatically turned over, by operation of law, to the National Government (NG) at no cost and, consequently, this inevitably resulted in the latter's owning too of the toll fees and the net income derived after May 01, 2007 from the toll assets and facilities, including PNCC's percentage share in the toll fees collected by the joint venture companies currently operating the tollways.

(vi) There are no significant elements of income or loss that did not arise from the Company's continuing operations.

(vii) There are no seasonal aspects that had a material effect on the financial condition or results of operations of the Company.

(viii) **Material changes to the Company's Statement of Financial Position as of December 2012 compared to December 31, 2011 (increase/decrease of 5% or more)**

Cash and cash equivalents decreased by P84.589 million or 75.31% from P112.315 million as of December 31, 2011 to P27.726 million as of December 31, 2012 due to payment of payroll and related accounts and payments made to suppliers of goods and services .

Advances and other receivables increased by P45.223 million or 7.89% from P573.036 million as of December 31, 2011 to P618.259 million as of December 31, 2012 to due to accommodations made to DISC, a subsidiary, net of collections from tenants and joint venture companies.

Inventories decreased by P2.814 million or 30.2% from P9.319 million as of December 31, 2011 to P6.505 million as of December 31, 2012 due to the disposal of inventories and issuances of office supplies, medical supplies (medicine), and common supplies and hardware materials for repair and maintenance.

Prepayments decreased by P5.646 million or 25.95% from P21.761 million as of December 31, 2011 to P16.115 million as of December 31, 2012 due to the application of creditable withholding taxes against pertinent tax liabilities.

Other assets increased by P73.839 million or 62.84% from P117.508 million as of December 31, 2011 to P191.347 million as of December 31, 2012 due to the posting of guarantee/collateral bond in favor of a bonding Company in connection with a labor case filed against the Company.

Accounts payable and accrued expenses decreased by P175.909 million or 91.85% from P191.513 million as of December 31, 2012 to P15.604 million as of December 31, 2012 due to the settlement of the liability to CMMTC and payments made to the suppliers of goods and services.

Deferred rental income/others decreased by P23.635 million or 10.09% from P234.278 million as of December 31, 2011 to P210.643 million as of December 31, 2012 due to the application of the tenants' advance rental/deposits against their respective monthly rental.

Material changes to the Company's Statement of Income for the year ended December 31, 2012 compared to the year ended December 31, 2011 (increase/decrease of 5% or more)

Rental income increased by P14.993 million or 56.13% from P26.709 million for the period ended December 31, 2011 to P41.702 million for the period ended December 31, 2012 due to contracts entered into with new tenants in the leased FCA property.

Construction income decreased by P60.092 million or 100% due to the DPWH's take over of the Daang Hari Project, pursuant to its PPP mandate.

Construction costs and expenses decreased by P46.833 or 100%, which decrease was in direct relationship to the decrease in the construction income discussed above.

General and administrative overhead decreased by P257.422 million or 73.49% from P350.273 million for the period ended December 31, 2011 to P92.851 million for the period ended December 31, 2012 due to the implementation of the Company's Cost Reduction Program resulting to reduction in the Company's employee costs and operating expenses. Except for depreciation, there are no non-cash items (provisions and allowances for losses) taken up in the books in 2012.

Other income (charges) decreased by P6.525 million or 21.77% from P29.963 million for the period ended December 31, 2011 to P23.438 million for the period ended December 31, 2012 mainly due to the minimal interests earned on savings and placements in 2012.

Year End 2011 vs. Year End 2010 (as restated)

Results of Operation:

Revenue. Revenue for the year ended December 31, 2011 stood at P160.427 million, lower by 45.76% or P135.366 million compared to P295.793 million for the year ended December 31, 2010. The decrease in revenue was mainly attributable to the decline in construction activities, resulting from the DPWH's (pursuant to its PPP mandate) take over of the Daang Hari SLEX Link Road Project for purposes of bidding it out.

Costs and Expenses. Costs and expenses decreased by 66.41% or P92.600 million from P139.433 million for the year ended December 31, 2010 to P46.833 million for the year ended December 31, 2011. The variance was in direct relationship to the reduction in the construction revenue.

Gross Margin. Gross margin decreased by 27.35% or P42.766 million from P156.36 million for the year ended December 31, 2010 to P113.594 million for the year ended December 31, 2011 due to the reason discussed above.

General and Administrative Overhead. Overhead account decreased by 47.07% or P311.593 million from P661.866 million for the year ended December 31, 2010 to P350.273 million for the year ended December 31, 2011 due mainly to the aggressive implementation of the Company's Retrenchment Program and adoption of cost cutting measures.

Loss from Operation. Loss from operation for the year ended December 31, 2011 stood at P236.679 million, lower by 53.17% or P268.827 million compared to the December 31, 2010 figure of P505.506 million. Said favorable variance was the resulting effect of the reasons discussed above.

Other Income (Charges). This account posted a negative balance of P219.115 million for the year ended December 31, 2011 compared to the positive amount of P781.335 million for the year ended December 31, 2010. This was mainly due to the recognition of toll related income and gain on changes in fair value of investment property account in 2010.

Interest and Financing Charges. Interest and financing charges decreased by 76.35% or P17.786 million from P23.295 million for the year ended December 31, 2010 to P5.509 million for the year ended December 31, 2011 primarily due to the prepayment of PNB loan on July 05, 2010.

Net Income (Loss). Net loss for the year ended December 31, 2011 amounted to P461.303 million compared to the net income of P252.534 million for the year ended December 31, 2010. The reduction in net income was due to the reasons discussed above.

Financial Position:

Current Assets. Current assets decreased by 45.91% or P878.621 million from P1.913 billion as of December 31, 2010 to P1.035 billion as of December 31, 2011 mainly due to the collection of receivables from Joint Venture Company and the provision of allowance for doubtful accounts.

Deferred Charges and Other Assets. The account increased by 6.12% or P0.992 million from P16.188 million as of December 31, 2010 to P17.18 million as of December 31, 2011 mainly due to the set-up of Deferred Charges-MCIT.

Current Liabilities. Current liabilities decreased by 6.09% or P548.043 million from P8.991 billion as of December 31, 2010 to P8.443 billion as of December 31, 2011 mainly due to the payment of separation pay to affected employees and the settlement of CMMTC loan via offset against revenue share

Noncurrent Liabilities. Noncurrent liabilities increased by 37% or P16.317 million from P44.092 million as of December 31, 2010 to P60.109 million as of December 31, 2011 due to advance rental/deposits received from the tenant in leased FCA property.

Stockholders' Equity. The account balance as of December 31, 2011 totaled P1.225 billion, 22.24% or P350.417 million lower compared to the December 31, 2010 balance of P1.575 billion. The decrease was mainly due to the incurrence of net loss in 2011 and prior period adjustments.

Presented hereunder is the discussion of the Company's key performance indicators:

Performance Indicators	As of 12/31/11	12/31/10 (As restated)	Explanation
Current Ratio (Current Assets / Current Liabilities)	0.123	0.213	The Company's ability to meet its current obligations as they fall due decreased from P0.213 to P1.00 as of December 31, 2010 to P0.123 to P1.00 as of the same period of 2011. This was brought about by the 45.91% decrease in the current assets vis-a vis the 6.09% decrease in the current liabilities.
Quick Ratio (Quick Assets / Current Liabilities)	0.119	0.210	The decrease in the quick ratio or acid test ratio was also due to the reasons stated above.
Total Debt to Total Assets	87.4%	85.2%	The Company's debt to assets ratio showed its inability to repay its maturing obligations, with an 87.4% ratio as of December 31, 2011 and an 85.2% ratio as of the same period last year. The ratios shows what percentage of the business is not owned by the company.
Total Debt to Equity	694.2%	573.5%	The poor total debt to equity ratio of the Company was brought about by its inability to pay maturing obligations. Said ratio shows the proportion of the creditors' capital to the company's total capital.
Asset Turnover (Sales or Revenue / Average Total Assets)	1.6%	2.7%	The very mininal asset turnover of the Company was attributable to the non-maximization of its resources/equipment due to the veering away with the construction business.

(i) Any known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the Company's liquidity increasing or decreasing in any material way. Indicate course of action that the Company has taken or proposes to take to remedy the deficiency.

i.a The Company's inability to settle its outstanding obligations with the Toll Regulatory Board and the National Government brought about by the difficulties in collecting its receivables from various government agencies.

i.b The Company has also contingent liabilities with respect to the consolidated complaints filed and instituted by complainants against respondents PNCC and its President for the recovery of their separation pay package differentials. Discussions on these contingent liabilities are contained under Note 32 of the 2011 Audited Financial Statements.

i.c Pending labor cases which consist of those filed against the Company involving dismissal, backwages, and separation pay. Most of these cases have been ruled by the Labor Arbiter in favor of the complainants, pending appeal by PNCC before the National Labor Relation Commission (NLRC).

i.d Pending civil cases which consist of those filed against the Company involving damages, collection of money, and attorney's fees which are still on litigation before the various Regional Trial Courts (RTC).

i.e Pending assessments on deficiency taxes. Discussion is contained under Note 30 of the 2011 Audited Financial Statements, including courses of actions already undertaken by the Company to address the issue.

Having encountered this liquidity concern, PNCC implemented a program of manpower rightsizing in 2001 and has been pursued gradually during the year. The program will be considered in the succeeding years until the Company attains manpower complement to match its present revenue level which in 2011 was generated from its Construction operation, 10% revenue share from Joint Venture Companies, and augmented to some extent by its earnings from the leased FCA property.

The PNCC Board approved the settlement of the obligation to the National Government by way of dacion en pago, using the real estate assets of PNCC notably the 12.9 hectare Financial Center Area. The property was valued at P7.43 billion by the Land Bank of the Philippines in the appraisal conducted from November to December 2011.

PNCC still asserts the contracted participation in the Joint Venture's Skyway Stage 3 and C6 Projects. Partnership with PT Citra Lamtoro for the implementation of the Metro Manila Expressway or C6 and Metro Manila Skyway Stages 2 and 3 and the completion and commercial operation thereof, are projected to generate incremental revenues for PNCC at commercial operation on revenue sharing basis for both Project Roads. The revenue scenario best rests on the policy directions intended by the Board and the NG through the PMO/DOF as the disposition entity.

(ii) Any events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

The default in payment of its TRB loan, the recognition of debts to the NG, and the contingent liabilities discussed in Note 32 of the 2011 Audited Financial Statements.

(iii) All material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company.

The contingent liabilities discussed in Item i.b and Note 32 of the 2011 AuditednFinancial Statements.

(iv) There are no material commitments for capital expenditures.

(v) Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations.

v.a The continued decline in the construction industry resulted to the Company's incurrence of severe losses from the said operation. Thus, to prevent from suffering greater losses as it had experienced for the last several years, Management decided to veer away with the construction business (since 2002) and focus on its tollways operation.

v.b The turn over of the North Luzon Tollway operations to the MNTC on February 10, 2005 had affected the revenue generating capacity of the Company.

v.c The hand-over of the South Luzon Tollway operation to the SLTC on May 02, 2010 likewise had an unfavorable impact on the Company's revenue.

v.d The Supreme Court decision, in Ernesto B. Francisco vs. TRB, PNCC et. al. (G.R. Nos. 166910,169917, 173630, and 183599, October 19, 2010) and in the case of Strategic Alliance Development Corporation vs. Radstock Securities Limited et. al. (G.R. No. 178158, December 04, 2009), ruled and declared that with the expiration of PNCC's franchise, the toll assets and facilities of PNCC were automatically turned over, by operation of law, to the National Government (NG) at no cost and, consequently, this inevitably resulted in the latter's owning too of the toll fees and the net income derived after May 01, 2007 from the toll assets and facilities, including PNCC's percentage share in the toll fees collected by the joint venture companies currently operating the tollways.

(vi) There are no significant elements of income or loss that did not arise from the Company's continuing operations.

(vii) There are no seasonal aspects that had a material effect on the financial condition or results of operations of the Company.

(viii) **Material changes to the Company's Statement of Financial Position as of December 2011 compared to December 31, 2010 (increase/decrease of 5% or more)**

Cash and cash equivalents decreased by P165.261 million or 43.73% from P377.903 million as of December 31, 2010 to P212.642 million as of December 31, 2011 due to payment of retrenchment pay of separated employees, payments to suppliers of goods and services, and minimal collection of revenue shares.

Advances and other receivables decreased by P698.512 million or 54.93% from P1.272 billion as of December 31, 2010 to P573.036 million as of December 31, 2011 due to the collection of the revenue share and dividend from MNTC directly remitted to the NG and the additional provision of allowance for doubtful accounts.

Receivables from contracts decreased by P19.691 million or 8.28% from P237.697 million as of December 31, 2010 to P218.006 million as of December 31, 2011, which decrease was the resulting effect of the over accrual of the Daang Hari SLEX Linkroad Project accomplishments against the actual amount billed.

Inventories decreased by P1.078 million or 10.37% from P10.397 million as of December 31, 2010 to P9.319 million as of December 31, 2011 due to the disposal of scrap materials/supplies.

Prepayments increased by P5.922 million or 37.39% from P15.839 million as of December 31, 2010 to P21.761 million as of December 31, 2011 due to the increase in creditable withholding taxes.

Investments in available for sale securities decreased by P0.722 million or 25.82% from P2.796 million as of December 31, 2010 to P2.074 million as of December 31, 2011 mainly attributable to the disposition of club shares and additional market adjustment-available for sale securities

Deferred charges and other assets increased by P0.992 million or 6.13% from P16.188 million as of December 31, 2010 to P17.18 million as of December 31, 2011 due to payment of income tax due computed under the 2% MCIT.

Accounts payable decreased by P176.141 million or 52.84% from P333.376 million as of December 31, 2010 to P157.235 million as of December 31, 2011 due to the payment of the liability to CMMTC via offsetting against revenue share from the Joint Venture Company's gross toll revenue.

Accrued costs and other payable decreased by P288.55 million or 89.38% from P322.828 million as of December 31, 2010 to P34.278 million as of December 31, 2011 due to the payment of retrenchment/separation pay of the Company's various employees.

Deferred rental income/others increased by P16.017 million or 36.33% from P44.092 million as of December 31, 2010 to P60.109 million as of December 31, 2011 due to advance rental/deposits from the new tenants in the leased FCA property in Pasay.

Stockholder's equity decreased by P350.417 million or 22.24% from P1.575 billion as of December 31, 2010 to P1.225 billion as of December 31, 2011 due to the losses incurred in 2011.

Material changes to the Company's Statement of Income for the year ended December 31, 2011 compared to the year ended December 31, 2010 (increase/decrease of 5% or more)

Income from joint venture companies decreased by P5.172 million or 6.56% from P78.798 million as of December 31, 2010 to P73.626 million as of December 31, 2011 due to the decrease in the revenue share in SLTC and in the dividend from MNTC and TMC.

Construction income decreased by P137.24 million or 69.55% from P197.332 million as of December 31, 2010 to P60.092 million as of December 31, 2011 due to the decline in construction activities attributable to the DPWH's take over of the Daang Hari Project.

Rental income increased by P7.046 million or 35.83% from P19.663 million as of December 31, 2010 to P26.709 million as of December 31, 2011 due to contracts entered into with new tenants in the leased FCA property.

Construction costs and expenses decreased by P92.61 million or 66.41% from P139.433 million as of December 31, 2010 to P46.833 million as of December 31, 2011, which decrease was in direct relationship to the decrease in the construction income discussed above.

General and administrative overhead decreased by P311.593 million or 47.08% from P661.866 million as of December 31, 2010 to P350.273 million as of December 31, 2011 due to the implementation of the Company's Cost Reduction Program and the additional provision of allowance for doubtful accounts.

Other income (charges) decreased by P1 billion or 128.04% from a positive amount of P781.553 million as of December 31, 2010 to a negative amount of P219.115 million as of December 31, 2011 primarily due to the recognition of gain on changes in fair value of investment property of P846.226 million in 2010 vis-à-vis P25.082 million in 2011 and the recognition of miscellaneous income of P159.544 million in 2010 compared with P2.774 million in 2011.

Interest and financing charges decreased by P17.786 million or 76.35% from P23.295 million as of December 31, 2010 to P5.509 million as of December 31, 2011 due to the prepayment of PNB loan on July 05, 2010.

PHILIPPINE NATIONAL
CONSTRUCTION CORPORATION

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of Philippine National Construction Corporation is responsible for the preparation and fair presentation of the financial statements for the year ended December 31, 2013, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and the implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

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

The Commission on Audit (COA), the independent auditors, mandated by the Philippine Constitution to audit government-owned or controlled corporations, has examined the financial statements of the company in accordance with the Philippine Standards on Auditing, and in its report to the stockholders or members, has expressed its opinion on the fairness of presentation upon completion of such examination.

ELPIDIO C. JAMORA, JR.	LUIS F. SISON	MIRIAM M. PASETES
Chairman of the Board	President	Acting Treasurer

SEP 2

SUBSCRIBED AND SWORN to before me this ______ day of ______________ affiants exhibiting to me their Tax Identifications, as follows:

Names	Tax Identification No.
Elpidio c. Jamora, Jr.	103-211-578
Luis F. Sison	101-537-966
Miriam M. Pasetes	120-678-424

Notary Public

Doc. No. 65
Page No. 7
Book No. 45
Series of 2014

KM. 15 EAST SERVICE ROAD, BICUTAN, PARAÑAQUE CITY, METRO MANILA, PHILIPPINES * ZIP CODE 1700
FAX O.P. 846-0591, DIRECT LINE : 846-0209 ; TRUNK LINE : 846-3045

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

INDEPENDENT AUDITOR'S REPORT

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYER SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date SEP 2 [illegible]
RECEIVED
PATRICIA Q. PANALIGAN

THE BOARD OF DIRECTORS
Philippine National Construction Corporation
Km. 15, East Service Road
Bicutan, Parañaque City

Report on the Financial Statements

We have audited the accompanying financial statements of the Philippine National Construction Corporation (PNCC), which comprise the statements of financial position as at December 31, 2013 and 2012, and the statements of profit or loss, statements of changes in equity and statements of cash flows for the years 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 Philippine Financial Reporting Standards, 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 audits. We conducted our audits 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 adverse audit opinion.

Basis for Adverse Opinion

The accompanying financial statements have been prepared on a going concern basis which contemplates the realization of assets and settlement of liabilities in the normal course of business. But there are events or conditions that indicate the existence of a material uncertainty that may cast significant doubt about the PNCC's ability to continue as a going concern. As shown in the financial statements, the figures of which did not consider yet the effects of the matters discussed in the succeeding paragraphs, the PNCC incurred a net loss of P211.246 million for the year ended December 31, 2012; and while it reported a net profit of P1.642 billion for the year ended December 31, 2013, this was due substantially to the gain in the change in the fair value of its investment property. As of those dates, the PNCC's current liabilities exceeded its current assets by P7.684 billion and P7.876 billion, respectively. Likewise, it has accumulated deficit (losses) of P9.700 billion and P8.056 billion, respectively. While its capital deficiency of P1.525 billion as of December 31, 2012 was wiped out as of December 31, 2013, this was due mainly to the aforementioned change in fair value of investment property. Moreover, with the expiration of its franchise in 2007, the PNCC's revenues were derived substantially from its 10 per cent share on the revenues and dividends of the National Government (NG) from the joint venture companies operating the tollways and from rental of its property at the Financial Center Area (FCA) in Pasay City. The FCA property, which has a fair market value of P9.714 billion and still in the name of the Republic of the Philippines, with the evidence of interest / right thereon in the safekeeping of the Department of Finance, is being contemplated by the NG to have it dacioned by the PNCC in settlement of its debts to the former. Further, the PNCC's 50-year corporate life will end in 2016, and the NG is undertaking a review of its future operations but has not yet decided on a course of action. These events or conditions including the Management's plans to deal with them, were not adequately described and clearly disclosed in the financial statements and notes thereto contrary to the requirements of Philippine Accounting Standard 1, *Presentation of Financial Statements*.

As discussed in Note 18 to the financial statements, Presidential Letter of Instruction No. 1295 was issued in 1983 directing the conversion into equity of all debts of the PNCC to all Government Financial Institutions. However, due to the Central Bank of the Philippines' rule on Single Borrower's Limit, some P5.552 billion debts, inclusive of the advances made by the Bureau of the Treasury in servicing these debts, remained unconverted and were eventually transferred to the NG, thru the Asset Privatization Trust, now Privatization Management Office (PMO), pursuant to Proclamation No. 50 issued in 1986. The PNCC derecognized from its books the unconverted debts and treated them as part of equity under the account "Equity Adjustments – Under Rehabilitation Plan – Loans Transferred to National Government", believing that the debts should effectively be equity and, therefore, should no longer incur interest charges. The PMO, however, still considered these unconverted debts as liabilities, claiming the total amount of P55.697 billion as of December 31, 2013, inclusive of accumulated interest charges and penalties amounting to P50.185 billion. In view of the differences in the position between the PNCC and the PMO, the issue was submitted to the Department of Justice (DOJ) on June 21, 2012. As discussed in Note 30 to the financial statements, the DOJ dismissed the PNCC's petition against the PMO and ordered the former to pay the latter its due and demandable obligation inclusive of interests and penalties until actually paid. On March 13, 2014, the PNCC filed a Motion for Reconsideration, which it intends to elevate to the Office of the President in the event that it is denied.

Under Securities and Exchange Commission (SEC) Financial Reporting Bulletin (FRB) No. 006, issued in relation to the definition of an equity instrument under Philippine Accounting Standard 32, *Financial Instruments*, and the requirements for the increase in authorized capital stock under Section 36 of the Corporation Code of the Philippines, three elements must be met as of reporting date in order for deposits for future subscriptions, or in the case of the PNCC, debts subject of the debt-to-equity conversion, may be treated as part of equity. As of December 31, 2013, the PNCC has insufficient unissued authorized capital stock to absorb the unconverted debts. However, as of even date, the PNCC has neither filed an application with the SEC for the approval of the increase in the authorized capital stock nor has the PNCC Board of Directors and stockholders approved any proposal for such increase.

The recognition of the unconverted debts of P5.552 billion as equity as of December 31, 2013 and 2012 resulted in the overstatement in the reported equity by P5.552 billion and understatement in the reported liabilities by this same amount. On the other hand, the non-recognition of the accrued interest charges of P52.482 billion and P48.666 billion as of December 31, 2013 and 2012, respectively, resulted in the understatement in the reported accumulated deficit, understatement in the reported liabilities and overstatement in the reported equity as of those dates and by those same amounts.

Adverse Opinion

In our opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion paragraphs, the financial statements do not present fairly, in all material respects, the financial position of the PNCC as at December 31, 2013 and 2012, and of its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

Emphasis of Matter

We draw attention to Notes 24, 25, 26 and 30 to the financial statements which discuss the Bureau of Internal Revenue assessments on PNCC's deficiencies in various taxes, the status of the privatization of the NG shares in PNCC and the uncertainties related to the outcome of the various pending lawsuits, litigations and arbitrations the PNCC is involved in.

Report on the 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 31 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. Because of the significance of the matters described in the Basis for Adverse Opinion paragraphs, it is inappropriate to and we do not express an opinion on the information referred to above.

COMMISSION ON AUDIT

FELISA M. DALOPE
Supervising Auditor

September 8, 2014

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYER SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date SEP 2 [illegible]
RECEIVED
PATRICIA O. PANALIGAN

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
STATEMENTS OF FINANCIAL POSITION
December 31, 2013 and 2012

(In Philippine Peso)

	Notes	2013	2012
ASSETS			
Current Assets			
Cash and cash equivalents	4	**181,265,051**	27,726,135
Advances and other receivables, net	3.4, 5	**641,308,289**	618,259,138
Receivables from contracts, net	3.4, 6	**139,176,660**	229,716,761
Other current assets	3.5, 3.6, 7	**22,733,050**	22,620,410
		984,483,050	898,322,444
Non-Current Assets			
Investments	3.7, 8	**261,750,919**	261,969,252
Investment property	3.8, 9	**10,442,198,155**	7,848,246,000
Property and equipment, net	3.9, 3.10,10	**569,204,473**	557,769,599
Other assets, net	11	**194,484,165**	191,346,982
		11,467,637,712	8,859,331,833
TOTAL ASSETS		**12,452,120,762**	9,757,654,277
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities			
Accounts payable and accrued expenses	12	**36,113,854**	15,604,414
Due to national government and its instrumentalities	13	**7,621,295,216**	7,363,292,916
Due to government-owned or controlled corporations	14	**1,203,000,000**	1,203,000,000
		8,860,409,070	8,581,897,330
Non-Current Liabilities			
Deferred tax liabilities	23	**3,273,432,335**	2,490,191,159
Other payables	15	**187,883,422**	210,643,097
		3,461,315,757	2,700,834,256
Stockholders' Equity (Capital Deficiency)		**130,395,935**	(1,525,077,309)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		**12,452,120,762**	9,757,654,277

See accompanying Notes to Financial Statements.

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
STATEMENTS OF PROFIT OR LOSS
For the Years Ended December 31, 2013 and 2012
(In Philippine Peso)

	Notes	2013	2012
REVENUES			
Revenue and dividend share from Joint Venture Companies	3.3, 19	**85,922,731**	74,468,247
Rental income	3.3, 20	**61,707,881**	41,701,611
		147,630,612	116,169,858
GENERAL AND ADMINISTRATIVE OVERHEAD	21	**(74,079,345)**	(92,851,314)
PROFIT FROM OPERATIONS		**73,551,267**	23,318,544
PENALTY CHARGES ON UNPAID CONCESSION FEE	13	**(258,002,300)**	(258,002,200)
OTHER INCOME (CHARGES), net	22	**2,604,257,562**	23,438,176
NET PROFIT (LOSS) BEFORE TAX		**2,419,806,529**	(211,245,480)
DEFERRED TAX EXPENSE		**(778,185,647)**	0
NET PROFIT (LOSS)		**1,641,620,882**	(211,245,480)

See accompanying Notes to Financial Statements.

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
STATEMENTS OF CHANGES IN EQUITY
For the Years Ended December 31, 2013 and 2012
(In Philippine Peso)

	Notes	2013	2012
CAPITAL STOCK			
Issued/subscribed	16	**2,283,758,120**	2,283,758,120
Subscriptions receivable	17	**(56,158,831)**	(56,158,831)
		2,227,599,289	2,227,599,289
Capital in excess of par value		**46,137,443**	46,137,443
Treasury stock		**(16,699,918)**	(16,699,918)
		2,257,036,814	2,257,036,814
REVALUATION INCREMENT IN PROPERTY	3.10		
Balance at beginning of year		**366,214,446**	367,825,931
Realization of revaluation increment		**(739,668)**	(2,302,120)
Reduction in deferred tax liability due to realization of revaluation surplus		**221,901**	690,635
Revaluation increase		**17,591,436**	0
Recognition of deferred tax liability due to revaluation increase		**(5,277,431)**	0
Balance at end of year		**378,010,684**	366,214,446
EQUITY ADJUSTMENTS			
Under rehabilitation plan-loans transferred to National Government	18	**5,551,726,307**	5,551,726,307
DEFICIT			
Balance at beginning of year		**(9,700,054,876)**	(9,616,705,037)
Correction of prior years' earnings	28	**2,056,124**	127,895,641
Balance at beginning of year, as adjusted		**(9,697,998,752)**	(9,488,809,396)
Net profit (loss)		**1,641,620,882**	(211,245,480)
Balance at end of year		**(8,056,377,870)**	(9,700,054,876)
STOCKHOLDERS' EQUITY (CAPITAL DEFICIENCY)		**130,395,935**	(1,525,077,309)

See accompanying Notes to Financial Statements.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYER SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date SEP 29 2014
RECEIVED
PATRICIO Q. PANALIGAN

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2013 and 2012
(In Philippine Peso)

	Notes	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES			
Revenue share		**74,198,320**	67,008,887
Rental		**65,113,386**	58,317,273
Others		**96,380,207**	14,307,675
		235,691,913	139,633,835
Payments to			
Suppliers		**(50,484,836)**	(126,571,261)
Employees		**(46,739,356)**	(42,222,996)
Directors		**(4,403,956)**	(7,482,576)
Consultants/retainers		**(748,150)**	(1,091,093)
Cash provided by (used in) operations		**133,315,615**	(37,734,091)
Penalties		**(225,000)**	(113,400)
Taxes and licenses		**(1,901,963)**	0
Deficiency taxes		**(6,564,694)**	0
Net cash provided by (used in) operating activities		**124,623,958**	(37,847,491)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment		**(2,224,243)**	(25,137)
Proceeds from sale of fixed assets/scrap materials		**9,500,377**	14,395,416
Interests		**1,650,580**	1,028,258
Dividends		**14,680,809**	28,860,463
Others		**5,307,435**	(91,000,000)
Net cash provided by (used in) investing activities		**28,914,958**	(46,741,000)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**153,538,916**	(84,588,491)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**27,726,135**	112,314,626
CASH AND CASH EQUIVALENTS AT END OF YEAR	4	**181,265,051**	27,726,135

See accompanying Notes to Financial Statements.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYER SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date SEP 29 2014
RECEIVED
PATRICIA D. PANALIGAN

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
NOTES TO FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company was originally incorporated under the name of Construction Development Corporation of the Philippines (CDCP) in 1966 for a term of 50 years. Its Articles of Incorporation was approved by the Securities and Exchange Commission (SEC) on November 22, 1966 under SEC Registration No. 30939 and its actual operation started on April 16, 1967. The primary purpose of the Company is to undertake general contracting business with private parties, government agencies, and instrumentalities relative to the construction of infrastructure projects and to engage in other related services in a manner that will contribute to the economic development of the country. CDCP eventually rose to be one of the country's foremost construction companies with extensive operations in the Philippines, in the Middle East, and other ASEAN countries.

On March 31, 1977, Presidential Decree (PD) 1113 granted CDCP the franchise to operate, construct, and maintain toll facilities in the North and South Luzon Tollways for a period of 30 years. That franchise expired on April 30, 2007. PD 1113 was amended by PD 1894 in 1983 to include, among others, the Metro Manila Expressway to serve as an additional artery in the transportation of trade and commerce in Metro Manila Area and gave the Company another period of 30 years "from the completion of the project."

In 1981, compelled by financial considerations and in order to strengthen the financial structure of the Company, Letter of Instruction (LOI) 1136 was issued mandating the National Development Company (NDC) to invest in the Company by way of capital infusion in the amount of P250 million.

In 1983, LOI 1295 was promulgated to further strengthen the Company financially and it provided that all debts by the Company to all government financial institutions be converted to equity. The amount of the debt was around P7 billion. Per Office of the Government Corporate Counsel Opinion No. 127 dated July 03, 2007, this whole amount of debt has effectively been converted to equity by virtue of LOI 1295. However, only P1.4 billion of the debt was issued shares of stocks while the remaining P5.6 billion was left due to an administrative Central Bank intervention, raising the issue of Single Borrower's Limit. The accomplished conversion gave the Government a majority shareholding in CDCP and pursuant to this substantial change in ownership, the corporate name was changed from CDCP to Philippine National Construction Corporation (PNCC). The increase in its capital stock was approved by the SEC on December 07, 1983.

Pursuant to the above and by virtue of LOI 1136 and LOI 1295, 55.72 per cent of the Company's equity is held by the Privatization Management Office (then Asset Privatization Trust) which was created on December 08, 1986 by virtue of Proclamation No. 50. The Proclamation also created the Committee on Privatization. The other 21.25 per cent was held by the Government Service Insurance System and the Land Bank of the Philippines with 20.96 per cent and 0.29 per cent, respectively. The remaining 23.03 per cent of the Company's equity is under private ownership.

From 1987 to 2001, the Company still engaged in some construction business but this resulted in losses. Since 2002, the Company has veered away from active involvement in construction operations, and has rather focused more on the operation and maintenance of its tollways. However, further financial difficulties prevented the Company from operating and maintaining its tollways in a manner required of a public utility. Therefore, starting in 1995, the Company entered into Joint Venture Agreements (JVAs) that resulted in the division of the Tollways into three portions, namely: the North Luzon Expressway (NLEX), the Skyway, and the South Luzon Expressway (SLEX). The NLEX JVA was entered into originally with First Philippine Infrastructure Development Corporation (FPIDC) together with Leighton Contractor Asia Ltd. and Egis Project Systems. The operation of the NLEX was officially turned over to the JV Corporation on February 10, 2005. FPIDC has since been acquired by the Pangilinan (MVP) Group and the JV is now known as the Manila North Tollways Corporation (MNTC). The Company now owns only 2.5 per cent of MNTC from an original 20 per cent. The reduction was caused by dilution due to the inability of the Company to respond to capital calls. The operation and maintenance of the NLEX is conducted by the Tollways Management Corporation (TMC) where the Company is a 20 per cent shareholder.

For the South Luzon Tollways, the Company entered into a joint partnership with Indonesia's P.T. Citra Lamtoro Gung Persada to build the elevated toll road or Skyway System from Nichols to Alabang. The at-grade portion from Nichols to Alabang has, likewise, been upgraded under this JV agreement. The Citra Metro Manila Tollways Corporation (CMMTC) is the joint venture company which is the concessionaire currently running these segments (since 1999). Originally, PNCC Skyway Corporation (PSC) was conducting the operation and maintenance but due to financial losses, PSC turned over the operation to Skyway Operation and Maintenance Corporation (SOMCO).

For the Alabang to Calamba stretch, the Company currently has a joint venture agreement with the Malaysian corporation, MTD Manila Expressways, Inc. (MTDME) under the corporate name of South Luzon Tollway Corporation (SLTC), which undertook the following South Luzon Expressway (SLEX) Projects: the rehabilitation and upgrading of the Alabang Viaduct, the expansion and rehabilitation of the Alabang to Calamba segment, and the construction of a 7.8 km. toll road extension from Calamba to Sto. Tomas, Batangas. All projects have been completed. The O & M Company is named Manila Toll Expressway Systems, Inc. (MATES). The Company owns 20 per cent of SLTC and 40 per cent of MATES. The operation and ownership of MTDME has since been sold to Citra/San Miguel Holding Company.

Although the original franchise of the Company expired on April 30, 2007, the Toll Regulatory Board (TRB) issued a Toll Operation Certificate (TOC) dated April 27, 2007 to the Company for the Operation and Maintenance of the SLEX. The said authority from the TRB, pursuant to its powers under its charter (PD 1112), allowed the Company to operate and maintain the SLEX and to collect toll fees, in the interim, after its franchise expiration on April 30, 2007. The effective date of the TOC commenced on May 01, 2007, but in no case to exceed the date of substantial completion of the SLEX Project Toll Roads under the STOA dated February 01, 2006, or unless sooner revoked by the Board. In 2010, the operation was officially turned over to SLTC and MATES.

In addition to all of the above, a Subscription Agreement was executed by and among the Alabang-Sto. Tomas Development Inc. (ASDI), the National Development Company (NDC), and the Company on November 14, 2008, wherein the Company subscribed 12,500 shares from the unissued portion of the 150,000 shares authorized capital stock (with par value of P1,000 per share) of ASDI, a wholly-owned subsidiary of NDC, incorporated to undertake the Daang Hari-SLEX connector road.

On December 15, 2009, a Memorandum of Agreement for the Advance Works on the Daang Hari-SLEX Link Road Project (DHSLRP) was entered by and between the ASDI and the Company. The Company was designated as the Main Turnkey Contractor responsible for undertaking the Advance Works and for the implementation of the design and the construction of the Road Project, which consists of a toll road facility connecting Daang Hari Road in Cavite to the SLEX near Susana Heights Interchange (the Road Project). The project was 25 per cent complete when the Department of Public Woks and Highways (DPWH), pursuant to its Public Private Partnership (PPP) mandate, took over the project for the purpose of bidding it out. ASDI will be reimbursed of its cost plus a premium.

Bidding of the road project was undertaken by DPWH in December 2011 and was subsequently awarded to Ayala Corporation (AC) in the same month. On April 02, 2012, a Deed of Absolute Sale was executed between ASDI and AC for the disposal of the project.

On April 08, 2010, the TRB issued the Certificate of Substantial Completion for Project Toll Roads 1 and 2, and accordingly issued the Toll Operation Permit (TOP) over the said Project Toll Roads to MATES which has since taken over the operation and maintenance of subject toll roads.

Pursuant to the Supplemental Toll Operation Agreement (STOA), the operation and maintenance responsibilities for and over the said Project Toll Roads were handed over by the Company to MATES on May 02, 2010. Although the Company is entitled to a share in the gross proceeds of the operation of the SLEX and dividends if declared, the Supreme Court, in Ernesto B. Francisco vs. TRB, PNCC et. al. (G.R. Nos. 166910,169917, 173630, and 183599, October 19, 2010) and in the case of Strategic Alliance Development Corporation vs. Radstock Securities Limited et. al. (G.R. No. 178158, December 04, 2009), ruled and declared that with the expiration of the Company's franchise, the toll assets and facilities of the Company were automatically turned over, by operation of law, to the National Government (NG) at no cost and consequently, this inevitably resulted in the latter's owning too of the toll fees and the net income derived, after May 01, 2007, from the toll assets and facilities, including the Company's percentage share in the toll fees collected by the joint venture companies currently operating the tollways, including NLEX and Skyway.

The impact of the aforesaid Supreme Court Decision on the Radstock and Francisco cases has been appropriately reflected in the financial statements.

On October 14, 2013, by virtue of Executive Order No. 141, the Company's administrative supervision was transferred from the Department of Trade and Industry (DTI) to the Office of the President.

The registered office address of the Company is Km. 15, East Service Road, Bicutan, Paranaque City.

The financial statements as of and for the year ended December 31, 2013 was approved and authorized by the Board of Directors on September 8, 2014.

2. GOING CONCERN

The corporate life of the Company expires on November 22, 2016.

The capacity of the Company to continue as a going concern is based on Presidential Decree (PD) No. 1894 – Amending the Franchise of the Philippine National Construction Corporation to Construct, Maintain and Operate Toll Facililites in the North Luzon and South Luzon Expressways to Include the Metro Manila Expressway to Serve as an Additional Artery in the Transportation of Trade and Commerce in the Metro Manila Area. As discussed in Note 27, the Company holds updated partnerships for new Toll Road projects within the purview of Section 2 of the said PD with: (a) Citra Central Expressways Corporation - Skyway Stage 3 and C6 (at grade) from Skyway-FTI-C5 to Batasan); and (b) Metro Pacific Tollways Development Corporation/Manila North Tollways Corporation – Phase 2 Segment 10.2 of the NLEX Project (or the Connector Road).

The Company has entered into Joint Venture Partnerships with the following internationally notable engineering companies and other reputable local companies, under the Build-Operate-Transfer scheme, for the construction, rehabilitation, refurbishment, modernization, and expansion of the existing Expressways.

South Metro Manila Skyway (SMMS) Project

To pursue the Metro Manila Skyway Project, PNCC and P.T. Citra Lamtoro Gung Persada (Citra Group) signed on August 30, 1995 the Business and Joint Venture Agreement. They eventually incorporated the Citra Metro Manila Tollways Corporation (CMMTC), the joint venture company, owned to the extent of 80 per cent by the Citra Group and 20 per cent by the Company.

Citra Group is responsible for the design, construction, and funding of the Project. The Company, through its wholly-owned subsidiary, the PNCC Skyway Corporation (PSC), is tasked to Operate and Maintain (O & M) the Project upon completion. The Project has a 30-year life which commenced in December 1998 as per the STOA of November 27, 1995.

In the Amendment to the Supplemental Toll Operation Agreement (ASTOA) dated July 18, 2007, the parties have agreed, among others, for the successful and seamless turnover of the O&M responsibilities for the SMMS from the Company to a new corporation to be known as the Skyway Operation and Maintenance Corporation (SOMCO).

In December 2007, a Memorandum of Agreement (MOA) was prepared and entered into by and among CMMTC, PNCC, and PSC for the implementation of the successful and seamless assumption of the O&M responsibilities for the SMMS by the SOMCO from PSC. The turnover took effect at 10:00 PM of December 31, 2007.

North Luzon Expressway (NLEX) Project

The NLEX Project is a collaboration initially between PNCC (20 per cent) and First Philippine Infrastructure Development Corporation (FPIDC) (80 per cent) under the Joint Venture Agreement dated August 29, 1995. The joint venture company, Manila North Tollways Corporation (MNTC), was incorporated on February 04, 1997.

Under the STOA signed on April 30, 1998, the NLEX Project has a 30-year life from start of commercial operation on February 10, 2005.

As of November 2008, equity participation in MNTC is: Metro Pacific Tollways Development Corp. (ex FPIDC)-67.1 per cent; PNCC-2.5 per cent; Egis Projects SA of France-13.9 per cent; and Leighton Asia Ltd.-16.5 per cent.

In November 2009, Leighton's 16.5 per cent participation was acquired by Global Fund Holdings, Inc.

South Luzon Expressway (SLEX) Project

The rehabilitation and extension of the South Luzon Tollway has been entered into by the Company through a Joint Venture Agreement (JVA) and subsequently an Amended Joint Venture Agreement (AJVA) with Hopewell Crown Infrastructure, Inc. (HCII), the objective of which is to refurbish the Alabang to Calamba, Laguna segment of the South Luzon Expressway and extend the same to Lucena City in Quezon Province.

An alternative to the JVA with HCII, if the same does not materialize, the Company, between 2003 and 2005, held negotiations with the NDC to develop, design, construct, finance, operate, and maintain the SLEX Project. The proposed Project involved the rehabilitation of the Alabang Viaduct and the extension of the SLEX from Calamba to Sto. Tomas, Batangas. A JVA was entered into with NDC on October 11, 2004 which should have paved the way for Joint Investment Proposal and STOA.

The option for NDC's financing of the SLEX Project did not materialize as further negotiations with HCII was pursued in the second quarter of 2005.

In consonance with the PNCC-HCII JVA entered into on October 11, 1999, the South Luzon Tollways Corporation (SLTC) was incorporated on July 26, 2000 by the Company and HCII, as the JV company that will undertake the rehabilitation, expansion, operation, and maintenance of the SLEX. MTDME has taken over the HCII interest and now holds 80 per cent, while the Company holds 20 per cent.

Relative thereto, the Company and SLTC executed a STOA between and among the RP, through the TRB, and the Manila Toll Expressway Systems, Inc. (MATES), the latter being the operation and maintenance company established by the Company and HCII pursuant to their JVA. Said STOA was approved on February 03, 2006 giving a 30-year life to the project. The Company holds 40 per cent in MATES.

Considering that the implementation of the Project will affect a wide sector of the community where the Project will be undertaken, more particularly the local residents, motorists, and informal dwellers, the Company and SLTC, as provided for in a Service Agreement entered into by both parties, shall undertake such measures that will effectively minimize the inconvenience caused by the said implementation of the Project, and create in the minds of the public a positive attitude towards the same.

The Project commenced in July 2006 for the rehabilitation and widening of SLEX (Alabang to San Pedro) and in November 2006 for the rehabilitation of the Alabang Viaduct.

The Company was not involved in the construction and financing activities of the aforesaid projects, but invested as an equity partner in the joint venture and operation and maintenance companies.

As discussed in Note 1, the Company was issued a TOC dated April 27, 2007 by the TRB for the Operation and Maintenance of the SLEX. On April 27, 2009, however, the Company received a letter from TRB revoking the Company's TOC. As such, the PNCC Board, per Resolution No. BD-004-2009, authorized the President and CEO to cause the preparation of the Memorandum of Appeal with the Office of the President, including any and all legal remedies arising from the revocation of the TOC and was further authorized to sign, for and in behalf of the Company, the Verification and Certification of the said Memorandum of Appeal and in any other pleadings requiring said Verification and Certification.

TRB, in its letter of December 03, 2009, informed the Company that its Board of Directors, in compliance with the directive issued by the Honorable Executive Secretary, has caused the issuance of a TOC to MATES for the latter's immediate operation of the existing SLEX, effectively revoking the previous TOC granted to the Company.

In a letter dated December 11, 2009, TRB reiterated the turning over of the operation and maintenance of the SLEX from the Company to MATES.

The Company, through its counsel, Valenton and Danganan Law Offices, filed an instant Memorandum in Support of its Urgent Motion for the Issuance of a Temporary Restraining Order before the RTC of Pasig City on December 15, 2009.

As discussed in Note 1, the hand over of the SLEX operation to MATES took effect on May 02, 2010.

Turn over of equity share in joint venture companies

In a regular board meeting held on November 14, 2011, the PNCC Board resolved to comply with the mandate of the Supreme Court, under Supreme Court En Banc Decision in G.R. Nos. 166910,169917, 173630, and 183599, to transfer and turn over the shares of stock in tollway joint venture companies which PNCC is holding in trust for the National Government, through a Deed of Compliance to Transfer Shares of Stock to the National Government.

Pursuant to the Supreme Court En Banc Decision, the recorded investments in joint venture companies, as described below, were de-recognized from the books in 2011:

- 20 per cent equity share or P720 million (equivalent to 720 million shares with par value of P1 per share) in the South Luzon Tollway Corporation's (SLTC) P3.6 billion capital stock (from P100 million to P4 billion), in proportion to its existing equity interest.

- 25 per cent subscription on PNCC's 20 per cent equity share in SLTC's initial capitalization of P100 million, equivalent to P5 million.

- 40 per cent equity share or P40 million (divided into 40 million shares with par value of P1 per share) in the Manila Toll Expressway Systems, Inc.'s (MATES) Board-approved increase in authorized capital stock from P50 million to P100 million.

- Subscription to Manila North Luzon Tollways Corporation's (MNTC) 444,000 shares or 2.5 per cent of its capital stock of 17,760,000 shares, amounting to P100.5 million.

- 20 per cent equity share or P7.6 million (equivalent to 76,000 shares at P100 per share) in the Tollways Management Corporation (TMC) capital stock of P38 million.

- Subscription to CMMTC's 5,518,862 common shares at P100 or a total amount of P551.886 million. Of the said shareholding of PNCC in CMMTC, 4,328,392 shares or P432.839 million is the subject of a Voting Trust Agreement dated July 16, 1997 with Far East Bank and Trust Company, acting as the then Collateral Agent (now PNB Trust Banking Group), forming part of the collaterals for loans and other credit facilities obtained by CMMTC for the Skyway Project-Stage 1.

  In accordance with PD 1894, which was promulgated in December 1983, the Company filed a memorandum/claim dated September 03, 2013 with the Department of Justice (DOJ) to recover the aforesaid CMMTC shares turned over to the National Government (NG), through the Department of Finance.

  The conclusion portion of the said memorandum states that the Company's franchise over the "at grade" portion of the South Metro Manila Skyway (SMMS) and the elevated Skyway has not expired pursuant to both PD 1894 and the Supplemental Toll Operation Agreement (STOA) of the SMMS. It further states that there is no need to turn over anything to the NG much less the shares of the Company in CMMTC.

  The Company prayed for a DOJ ruling to the effect that it still owns the shares in CMMTC until the end of 30 years from completion of each portion of the Skyway completed at different times in separate phases. The Company still awaits DOJ's reply/ruling regarding the memorandum.

3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of Preparation

The financial statements are prepared on a historical cost basis, except for investment property and property and equipment which are carried at revalued amounts. The financial statements are presented in Philippine peso, which is the Company's functional and presentation currency. All amounts are rounded off to the nearest peso except when otherwise indicated.

3.2 Statement of Compliance

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

3.3 Revenue Recognition

Pursuant to the Supreme Court En Banc Decision, as discussed in Note 1, the Company no longer recorded the tollways income from the North and South Luzon Tollways (NLT and SLT).

Pending issuance of the implementing rules and guidelines for the determination of the amounts due to the Company for its administrative expenses, the Company recognized 10 per cent of its share from the joint venture companies gross toll revenues, in accordance with the interim guidelines issued by the TRB.

Rental income arising from the investment property is accounted for on a straight-line basis over the term of the lease.

Construction income is recognized on a percentage of completion basis. Other revenues are recorded on accrual basis.

3.4 Allowance for Doubtful Accounts

Allowance for doubtful accounts is maintained at a level considered adequate to provide for potentially uncollectible receivables. The level of allowance is based on past collection experience and other factors that may affect collectibility. Evaluation of the receivables, on a per account basis, is performed on a continuous basis throughout the year.

3.5 Inventories

Inventories consisting principally of construction materials, spare parts, and supplies are stated at cost, generally determined by the average cost method for a significant portion of domestic inventories and by the first-in, first-out method for other inventories.

Allowance for inventory writedown is provided for all non-moving/obsolete items of the inventory account.

3.6 Prepayments

Prepayments are expenses paid in advance and recorded as assets before these are utilized. These are comprised of insurance premiums, other prepaid items, and creditable withholding taxes. Prepayments that are expected to be realized for no more than 12 months after the reporting date are classified as current assets; otherwise, these are classified as other non-current assets.

3.7 Investments

The Company accounts for its investments in wholly-owned/controlled subsidiaries at cost. Allowance for impairment is provided.

The Company believes that the effects of not consolidating the subsidiaries are not material to the financial statements because these are no longer operating.

In a regular board meeting held on November 14, 2011, the PNCC Board resolved to comply with the mandate of the Supreme Court, as discussed in Note 2, to transfer and turn over the shares of stock in tollway joint venture companies which PNCC is holding in trust for the National Government. Thus, the investments in joint ventures are accounted for at cost.

Available for sale equity securities (club shares) are recorded/ measured/presented at fair market value as provided for under PAS 39, *Financial Instruments: Recognition and Measurement.*

3.8 Investment Property

Investment property comprised of land or building or both held to earn rentals or for capital appreciation or both. Investment property is recognized as an asset when and only when it is probable that future economic benefits associated with the property flows to the entity and the cost of the property can be measured reliably.

Investment property is initially measured at cost. Subsequent to initial recognition, the account is stated at fair value, which has been determined based on the valuations performed by independent firms of appraisers. The changes in fair value from year to year are recognized in the profit or loss.

3.9 Property and Equipment

Property and equipment are stated at cost, less accumulated depreciation and any accumulated impairment in value. Property and equipment are subsequently carried at revalued amounts.

Depreciation commences once the property and equipment are available for use and is computed using the straight-line method over the following estimated useful lives:

Asset Type	Estimated Useful Lives
Land improvements	10 years
Buildings and improvements	10 to 33 years
Construction equipment	2 to 10 years
Transportation equipment	3 to 5 years
Office equipment, furnitures and fixtures	5 years
Others	2 to 7 years

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation is charged against operations.

When the assets are retired or otherwise disposed of, the cost and related accumulated depreciation and impairment in value are removed from the accounts and any gain or loss resulting from their disposal is directly charged or credited in the current operations.

3.10 Revaluation Increment in Property

The increase in the asset's carrying amount as a result of revaluation is credited to equity under the heading of "Revaluation Increment in Property". The revalued asset is being depreciated and, as such, part of the surplus is being realized as the asset is used. Realization of the revaluation increment is charged to "Retained Earnings" account.

The surplus realized as of December 31, 2013 and 2012 amounting to P0.740 million and P2.302 million, respectively, are reflected in the financial statements. Piecemeal realization of the revaluation increment is effected on a yearly basis.

3.11 Borrowing Costs

Borrowing costs are expensed as incurred.

3.12 Income Taxes

Current income tax assets or liabilities comprise of those claims from, or obligations to, fiscal authorities relating to the current or prior reporting period, that are uncollected or unpaid at reporting date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in the statement of profit or loss.

For financial reporting purposes, deferred tax assets are recognized for the carry forward benefits of unused tax credits from Net Operating Loss Carry-Over (NOLCO) and from 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 tax assets can be utilized.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

3.13 Adoption of New and Revised PFRS

The Company had adopted the following PFRSs effective January 1, 2012. These are summarized, as follows:

- PFRS 7, *Financial Instruments: Disclosures - Enhanced Derecognition and Transfer of Financial Assets Disclosure Requirements* – The amended standard requires additional disclosure on financial assets that have been transferred but not derecognised and an entity's continuing involvement in the derecognised assets. This disclosure is required to enable the user of the financial statements to evaluate any remaining risk on the transferred assets.

- PAS 12, *Income Taxes - Deferred Taxes: Recovery of Underlying Assets* (Amended) – The amendment clarifies that the deferred tax on investment property measured using the fair value model in PAS 40, *Investment Property*, should be determined considering that the carrying value of the investment property will be recovered through a sale transaction. Deferred tax on non-depreciable assets that are measured using the revaluation model in PAS 16, *Property and Equipment*, should also be measured by determining the recoverability of the non-depreciable assets in a sale transaction.

These new and revised PFRSs have no significant impact on the amounts and disclosures in the financial statements of the Company.

3.14 New and Revised PFRSs Not Yet Adopted

A number of new or revised standards, amendments to standards and interpretations are effective for annual periods beginning after January 01, 2013 and have not been applied in preparing the financial statements.

Under prevailing circumstances, the adoption of the following new and revised PFRSs is not expected to have any material effect on the financial statements:

Effective for annual periods beginning on or after January 1, 2013:

- PAS 19, *Employee Benefits* (Amendment) – There were numerous changes ranging from the fundamental such as removing the corridor mechanism in the recognition of actuarial gains or losses and the concept of expected returns on plan assets to simple clarifications and re-wording.

- PAS 27, *Separate Financial Statements* (as Revised in 2011) – As a consequence of the new PFRS 10 and PFRS 12, PAS 27 is now limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements.

- PAS 28, *Investments in Associates and Joint Ventures* (as Revised in 2011) – This standard prescribes the application of the equity method to investments in joint ventures and associates.

- PFRS 7, *Financial Instruments Disclosures - Offsetting Financial Assets and Financial Liabilities* (Amendment) – The amendment requires entities to disclose information that will enable users to evaluate the effect or potential effect of netting arrangements on an entity's financial position. The new disclosure is required for all recognized financial instruments that are subject to an enforceable master netting arrangement or similar agreement.

- PFRS 10, *Consolidated Financial Statements* – The standard replaces the portion of PAS 27, *Consolidated and Separate Financial Statements,* that addresses the accounting for consolidated financial statements and SIC-12, *Consolidation - Special Purpose Entities*. It establishes a single control model that applies to all entities including special purpose entities. Management will have to exercise significant judgment to determine which entities are controlled, and are required to be consolidated by a parent company.

- PFRS 11, *Joint Arrangements* - PFRS *11 replaces* PAS *31, Interests in Joint Ventures* and SIC-13, *Jointly-controlled Entities - Non-monetary Contributions by Venturers* – The standard removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, joint venture entities that meet the definition of a joint venture must be accounted for using the equity method.

- PFRS 12, *Disclosure of Interests with Other Entities* – The standard includes all of the disclosures that were previously in PAS 27 related to consolidated financial statements, as well as all of the disclosure requirements that were previously included in PAS 31 and PAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required.

- Amendments to PFRS 10, PFRS 11 and PFRS 12: *Transition Guidance* – The amendments provide additional transition relief in PFRS 10, *Consolidated Financial Statements*, PFRS 11 *Joint Arrangements* and PFRS 12, *Disclosure of Interests in Other Entities*, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. Furthermore, for disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before PFRS 12 is first applied.

- PFRS 13, *Fair Value Measurement* – The standard establishes a single source of guidance under PFRS for all fair value measurements. It does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted.

- Improvements to PFRSs

  The omnibus amendments to PFRSs issued in May 2012, which are effective for annual periods beginning on or after January 1, 2013, were issued primarily to clarify accounting and disclosure requirements to assure consistency in the application of the following standards.

  - PFRS 1, *First-time Adoption of International Financial Reporting Standards*
  - PAS 1, *Presentation of Financial Statements*
  - PAS 16, *Property, Plant and Equipment*
  - PAS 32, *Financial Instrument : Presentation*
  - PAS 34, *Interim Financial Reporting*

Effective for annual periods beginning on or after January 1, 2014:

- Amendments to PFRS 10, PFRS 12 and PAS 27: *Investment Entities* – The amendments provide an exception from the requirements of consolidation to investment entities and instead require these entities to present their investments in subsidiaries as a net investment that is measured at fair value. Investment entity refers to an entity whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both.

- Amendments to PAS 32: *Offsetting Financial Assets and Financial Liabilities* – The amendments address inconsistencies in current practice when applying the offsetting criteria in PAS 32, *Financial Instruments: Presentation*. The amendments clarify (1) the meaning of 'currently has a legally enforceable right of set-off'; and (2) that some gross settlement systems may be considered equivalent to net settlement..

Effective for annual periods beginning on or after January 1, 2015:

- PFRS 9, *Financial Instruments: Classification and Measurement* – This standard is the first phase in replacing PAS 39 and applies to classification and measurement of financial assets as defined in PAS 39.

4. CASH AND CASH EQUIVALENTS

This account consists of:

	2013	2012
Cash on hand and in banks	**23,847,968**	26,561,403
Cash equivalents	**157,124,083**	740,494
Petty cash and revolving fund	**293,000**	424,238
	181,265,051	27,726,135

Cash in banks earn interest at the respective bank deposit rates.

Cash equivalents are short-term investments that are made for varying periods or up to three months depending on the immediate cash requirements of the Company and earn interest at the prevailing short-term investment rates.

5. ADVANCES AND OTHER RECEIVABLES

The account consists of the following:

	2013	2012
Accounts receivable-subsidiaries and affiliates	**336,551,137**	334,037,312
Accounts receivable-trade	**60,149,526**	57,015,526
Advances to suppliers	**2,205,156**	2,262,163
Other accounts receivable	**732,481,929**	702,554,186
	1,131,387,748	1,095,869,187
Allowance for doubtful accounts	**(490,079,459)**	(477,610,049)
	641,308,289	618,259,138

Advances and other receivables account in CY 2013 includes, among others, the following:

- Remittances to the Bureau of Treasury (BTr) of P150 million (P50 million in 2008 and P100 million in 2010) originally intended for application against the unpaid concession fee, but was confirmed by the BTr to have been applied against outstanding NG advances to the Company. The account is initially recorded as Advances to BTr pending clarification on the application of payment considering that no liability is recorded in the books (as discussed in Notes 13 and 18).

- Over remittance of corporate income tax in the amount of P129.505 million for the taxable year 2010 consisting of cash payment and MCIT application. This resulted from the reversal of the tollways and related income pursuant to the Supreme Court En Banc Decision as discussed in Note 1.

- Advances to joint ventures in the amount of P74.022 million (net of advances from joint ventures of P251.966 million) representing advances made for the costs of engineering designs and rehabilitation works at the South and North Luzon Tollways reimbursable by the respective joint venture partners.

- Cash advances of P55.089 million granted to former employees and consultants. Of the total amount, grantees of the P54.517 million advances were already sent demand letters and their accounts referred to Legal for appropriate action.

- Revenue and dividend shares from joint venture companies in the amount of P52.998 million, P48.206 million of which was collected in January and February 2014 while the balance of P4.792 million is collectible in June 2014.

- Operating access fees due from oil companies totaling P51.088 million, P46.728 million of which was referred to Legal for appropriate action.

- Balance due from the Public Estate Authority (PEA), now Philippine Reclamation Authority (PRA), a government corporation, in the amount of P49.435 million arising from the sale of land in the Manila Cavite Coastal Road Reclamation Project (MCCRRP) in 1981.

- Claims of P37.421 million against Titan Ikeda Construction and Development Corporation, contracted by the Company to perform lighting and engineering works in the Subic Bay Industrial Park Phase 1 Project. The amount, which represents various accommodations and equipment rental, is net of the subcontractor's accomplishment billings of P50.017 million.

- Claims of P32.218 million against Leighton Contractor (Asia) Ltd. (LCAL), engaged by the Company to ensure the continuous flow of traffic during the extension, rehabilitation, and widening of the North Luzon Expressway. Of the total amount, P30.663 million represents the Company's recovery of toll revenue losses from March to June 2003 and the cost of flexbeam and streetlights. The covering Memorandum of Agreement on Security and Traffic Services dated May 29, 2001 specifically provides that LCAL shall compensate the Company for the reduction in toll revenue collections for causes attributable to the ineffective or inadequate methods employed by the former.

- Receivable from a tenant at the Financial Center Area (FCA) amounting to P19.195 million.

6. RECEIVABLES FROM CONTRACTS

The account consists mainly of receivables from the various government agencies for construction projects undertaken by the Company as follows:

	2013	2012
Unbilled contract receivables	**234,456**	234,456
Billed contract receivables	**161,892,846**	254,172,473
Contract retention receivables	**5,134,777**	5,134,777
Claims receivable	**89,457,626**	105,410,890
	256,719,705	364,952,596
Allowance for doubtful accounts	**(117,543,045)**	(135,235,835)
	139,176,660	229,716,761

The material amounts in the Receivable from Contracts account are the following:

- Accomplishment and retention receivable from the Philippine Merchant Marine Academy (PMMA) totaling P78.178 million, wherein a resolution in favor of the Company was rendered by the Department of Justice on August 02, 2006, ordering PMMA to pay the principal amount plus 6 per cent interest per annum from the date of first demand on June 24, 2004.

- Unpaid escalation billings from the Manila International Airport Authority (MIAA) in the principal amount of P42.235 million (net of P14.181 million collection in August 2004), wherein a covering decision from the Office of the President of the Philippines was rendered in favor of the Company against MIAA, ordering the latter to pay the Company the principal amount of P56.724 million and interest thereon at the rate of 6 per cent per annum from the date of first demand on January 31, 1989 until the same is fully paid.

- Unsettled claims from the Light Rail Transit Authority (LRTA) arising from work accomplishments in the amount of P39.898 million (net of advances from the owner of P143.093 million).

- Unpaid accomplishments on the R-1 Expressway Project from the Public Estate Authority (PEA) in the amount of P35.318 million.

- Claims of P23.126 million against Hutama-RSEA Joint Operation relative to the Metro Manila Skyway Project-Stage 1.

- Work accomplishments for the advance works on the Daang-Hari SLEX Link Road Project in the amount of P18.764 million.

- Final accomplishment billing of P15.953 million due from Clark Development Corporation in relation to the construction of the Sacobia River Bridge Project.

7. OTHER CURRENT ASSETS

This account includes the following:

	2013	2012
Prepayments	**16,356,197**	16,115,105
Inventories	**6,376,853**	6,505,305
	22,733,050	22,620,410

7.1 Breakdown of the prepayment account:

	2013	2012
Prepaid income tax	**14,803,107**	14,380,769
Prepaid taxes and licenses	**1,097,994**	1,089,940
Prepaid insurance	**396,621**	576,150
Prepaid value added tax	**0**	68,246
Others	**58,475**	0
	16,356,197	16,115,105

7.2 Composition of the inventory account:

	2013	2012
Spare parts and supplies	**11,282,477**	11,522,275
Fuel, oil, and lubricants	**139,132**	145,627
Construction materials	**33,189**	40,846
Others	**3,665,536**	3,760,727
	15,120,334	15,469,475
Allowance for inventory writedown	**(8,743,481)**	(8,964,170)
	6,376,853	6,505,305

Inventories-others account consists mostly of common supplies and hardware materials, office supplies, and medical and dental supplies.

The non-moving/obsolete spare parts and supplies were declared for disposal since 2006. Since no buyers/bidders were interested to the items, a 100 per cent allowance for inventory writedown was provided.

The Company, however, was able to dispose of the P8.756 million worth of the said inventory items (fully provided with allowance, as discussed above) at P1.571 million on March 10, 2014.

8. INVESTMENTS

This account consists of:

	2013	2012
Investments in stocks		
Subsidiaries and affiliates		
Alabang-Sto Tomas Development, Inc.	**255,000,000**	255,000,000
Dasmariñas Industrial & Steelworks Corp.	**96,413,530**	96,413,530
Tierra Factors Corporation	**51,635,109**	51,635,109
CDCP Farms Corporation	**15,120,200**	15,120,200
Manila Land Corporation	**10,000,000**	10,000,000
Managerial Resources Corporation	**1,525,922**	1,525,922
San Ramon Ranch	**1,100,000**	1,100,000
Traffic Control Products Corporation	**700,000**	700,000
San Roque Ranch	**550,000**	550,000
PNCC Skyway Corporation	**125,050**	125,050
Land Management Corporation	**11,000**	11,000
	432,180,811	432,180,811
Allowances for losses	**(177,180,811)**	(177,180,811)
	255,000,000	255,000,000
Investments in available for sale securities		
Mimosa Golf and Country Club	**3,180,000**	3,180,000
Manila Electric Company	**476,970**	476,970
Philippine Long Distance Telephone Company	**350,799**	350,799
Laguna Lake Development Authority (net of subscriptions payable of P258,642 in 2013 and 2012)	**181,158**	181,158
Puerto Azul Beach and Country Club	**100,000**	100,000
Valley Golf Club	**22,000**	22,000
Architectural Centre, Inc.	**3,500**	3,500
Metropolitan Club, Inc.	**0**	12,500
	4,314,427	4,326,927
Market adjustment - available for sale securities	**(1,444,833)**	(1,239,000)
	2,869,594	3,087,927
Investment-others		
CDCP Employees Savings & Loan Asso.	**3,594,725**	3,594,725
Others	**286,600**	286,600
	3,881,325	3,881,325
	261,750,919	261,969,252

Investments in Subsidiaries and Affiliates

A 100 per cent impairment loss is provided for investments in inactive and non-operating subsidiaries and affiliates, as well as investments in the two remaining active wholly-owned subsidiaries, due to incurrence of losses resulting to accumulated deficit.

Investment in ASDI

Investment in Alabang-Sto. Tomas Development, Inc. (ASDI) represents investment in ASDI's 255,000 common shares with a par value of P1,000 per share. Equity ownership by the Company in ASDI stood at 51 per cent, with the remaining 49 per cent owned by the National Development Company (NDC).

9. INVESTMENT PROPERTY

This account consists of the following:

	Land	Buildings and Improvements	Total
At December 31, 2012			
Cost	70,772,301	0	70,772,301
Appraisal	7,321,206,699	456,267,000	7,777,473,699
	7,391,979,000	**456,267,000**	**7,848,246,000**
Year Ended December 31, 2013			
Cost			
Opening Net Book Value	70,772,301	0	70,772,301
Additions	0	0	0
Closing Net Book Value	70,772,301	0	70,772,301
Fair Value Adjustment			
Opening Net Book Value	7,321,206,699	456,267,000	7,777,473,699
Appraisal Adjustment	2,710,316,155	(116,364,000)	2,593,952,155
Closing Net Book Value	**10,031,522,854**	**339,903,000**	**10,371,425,854**
At December 31, 2013			
Cost	70,772,301	0	70,772,301
Appraisal	10,031,522,854	339,903,000	10,371,425,854
	10,102,295,155	**339,903,000**	**10,442,198,155**

9.1 Financial Center Area (FCA) in Pasay City

In 1973, a contract was entered into by and between the Company and the Republic of the Philippines (RP), represented by the then Department of Public Highways, now Department of Public Works and Highways, for the construction of the Manila-Cavite Coastal Road and the reclamation of some portions of the foreshore and offshore lands along Manila Bay, otherwise known as the Manila-Cavite Coastal Road Project, at the Company's expense.

In compensation for the work accomplishments, the Company obtained the 129,548 sq.m. land, known as Lot 6, from the National Government for P64.6 million, covered by Certificate of Pledge No. 2 (P38.5 million) and Certificate of Pledge No. 3 (P26.1 million).

As discussed in Note 14, Administrative Order (AO) No. 397 dated May 31, 1998 mandated that Lot 6 be titled in the name of PNCC.

Although the title to the property is still in the name of the Republic of the Philippines to date, the Office of the Government Corporate Counsel issued an opinion on April 21, 2001 that there is no question from the legal standpoint that the Company can sell, dispose, or assign its real rights, interests, and participation over the property, which real right or interest over Lot 6 is evidenced by the aforesaid Certificates of Pledge.

Independent firms of appraisers engaged by the Company to determine the fair value of the property reported a P6.63 billion appraised value in 2009, P7.462 billion in 2010, P7.434 billion in 2011 and P9.714 billion in 2013.

The subject property has been rented out and generating rental revenue since 2005. Rental income earned, gross of vat, amounted to P61.708 million and P41.702 million in 2013 and 2012, respectively (see Note 20).

9.2 The following real estate properties (held for currently undetermined future use or held for capital appreciation) also comprise the Investment Property account:

Location	Area (in sq.m.)	Cost	Appraisal Increase	Fair Value
Casinglot, Misamis Oriental	60,620	1,077,484	87,678,000	88,755,484
Dasmariñas, Cavite	75,000	625,800	336,593,250	337,219,050
Mabalacat, Pampanga	27,905	32,027	23,717,750	23,749,777
Rizal, Tagaytay	98,207	1,367,339	53,727,000	55,094,339
Antipolo, Rizal	14,770	1,185,531	57,365,500	58,551,031
Porac, Pampanga	116,591	145,737	38,476,155	38,621,892
Sta. Rita, Bulacan	20,000	1,579,950	93,760,000	95,339,950
Bocaue, Bulacan	9,926	162,678	30,768,500	30,931,178
Total	**423,019**	**6,176,546**	**722,086,155**	**728,262,701**

10. PROPERTY AND EQUIPMENT

This account includes the following:

	Land & Land Improvements	Buildings & Improvements	Construction Equipment	Transportation Equipment	Others	Total
At December 31, 2012						
Cost	10,115,936	37,904,340	27,020,534	60,387,853	44,967,419	180,396,082
Accumulated Depreciation	(2,070,628)	(23,581,465)	(26,005,436)	(51,341,954)	(42,790,495)	(145,789,978)
Net Book Value	**8,045,308**	**14,322,875**	**1,015,098**	**9,045,899**	**2,176,924**	**34,606,104**
Appraisal Increase	543,166,469	46,215,129	7,865,127	903,911	2,692,318	600,842,954
Accumulated Depreciation	(20,706,882)	(45,515,315)	(7,864,971)	(903,911)	(2,688,380)	(77,679,459)
Net Book Value	**522,459,587**	**699,814**	**156**	**-**	**3,938**	**523,163,495**
	530,504,895	**15,022,689**	**1,015,254**	**9,045,899**	**2,180,862**	**557,769,599**

	Land & Land Improvements	Buildings & Improvements	Construction Equipment	Transportation Equipment	Others	Total
Year Ended December 31, 2013						
Cost						
Opening Net Book Value	8,045,308	14,322,875	1,015,098	9,045,899	2,176,924	34,606,104
Additions	-	-	1,540	1,623,214	604,816	2,229,570
Disposals/Write off	-	-	(48)	(1,239,007)	(29,983)	(1,269,038)
Adjustments	-	-	-	-	-	-
Depreciation for the Year	(58,008)	(1,676,304)	(95,809)	(3,233,439)	(1,313,866)	(6,377,426)
Closing Net Book Value	**7,987,300**	**12,646,571**	**920,781**	**6,196,667**	**1,437,891**	**29,189,210**
Appraisal Increase						
Opening Net Book Value	522,459,587	699,814	156	-	3,938	523,163,495
Appraisal Adj.	(3,953,210)	21,544,646	-	-	-	17,591,436
Disposals/Write off	-	-	(1)	-	(5)	(6)
Depreciation for the Year	(564,708)	(174,953)	-	-	-	(739,662)
Closing Net Book Value	**517,941,669**	**22,069,507**	**155**	**-**	**3,933**	**540,015,264**
At December 31, 2013						
Cost	10,115,936	37,904,340	23,842,635	45,172,267	41,894,615	158,929,793
Accumulated Depreciation	(2,128,636)	(25,257,769)	(22,921,854)	(38,975,600)	(40,456,723)	(129,740,583)
Net Book Value	**7,987,300**	**12,646,571**	**920,781**	**6,196,667**	**1,437,891**	**29,189,210**
Appraisal increase	539,213,259	67,759,775	7,827,127	107,172	2,471,118	617,378,451
Accumulated Depreciation	(21,271,590)	(45,690,268)	(7,826,972)	(107,172)	(2,467,185)	(77,363,187)
Net Book Value	**517,941,669**	**22,069,507**	**155**	**-**	**3,933**	**540,015,264**
	525,928,969	**34,716,078**	**920,936**	**6,196,667**	**1,441,824**	**569,204,473**

10.1 Appraisal

The Company engaged the services of the following independent and recognized appraisal companies for the appraisal of some of its designated properties, structures, buildings, fence, and street lightings:

YEAR	APPRAISAL INCREASE (DECREASE) (in thousand pesos)	APPRAISAL CORPORATION
1997	P 69.71	General Appraisal Co., Inc.
2003	1,620.00	Various
2004	0.05	Various
2006	(235.56)	Various
2010	146.208	Various
2011	(16.523)	Land Bank of the Phils.
2013	17.591	Cuervo Appraisers, Inc. and CAL-FIL Appraisal & Management, Inc.

10.2 Others

The Company also owns some 527.408 sq.m. of property located in different areas of the country which are not yet recorded in the books, as the same are still registered in the name of previous owners. PNCC is working on the transfer of title to its name.

11. OTHER ASSETS

This account consists of:

	2013	2012
Restricted cash	**100,327,360**	100,327,360
Deferred charges	**20,812,741**	17,662,539
Guarantee deposits	**614,568**	614,568
Other assets	**72,729,496**	72,742,515
	194,484,165	191,346,982
Assets for write off	**9,615,422,219**	9,615,422,219
Allowance for losses	**(9,615,422,219)**	(9,615,422,219)
	0	0
	194,484,165	191,346,982

PNCC has P100.327 million restricted cash, which amount is used as collateral for the issuance of the appeal bond re: Ernesto N. Valentin, et.al, vs. PNCC. The cash is held in custody by the Company's banks and is restricted as to withdrawal or use pending the decision by the National Labor Relations Commission (NLRC) on the said case filed by former PNCC employees against PNCC.

Deferred charges account as of December 31, 2013 and 2012 consists mainly of the deferred tax assets totaling P8.286 million and P11.473 million, respectively, (see Note 23) and the garnished amount of P5.833 million in compliance with the Writ of Execution issued by the Regional Trial Court in Civil Case No. 56368 (Asiavest Merchant Bankers (M) Berhad vs. PNCC). The said garnished amount includes the collection of lease rental from the tenants (DAR-Region IV, Stage Craft International, and AOT Engineers) in the Mandaluyong property amounting to P3.383 million; auction sale of non-moving inventories and various scrap materials totaling P1.25 million and P1.2 million, respectively.

Other assets account pertains substantially to the guarantee/collateral for the IAC Bond No. G(16) 0015764 in favor of Investors Assurance Corporation amounting to P71.072 million. This is also in connection with the Ernesto N. Valentin, et.al, vs. PNCC.

Assets for write off account consists of assets, the existence of which is doubtful and collectibility/realizability is uncertain:

Receivables and advances	**4,139,136,000**
Property and equipment	**2,872,888,000**
Deferred charges	**1,755,663,000**
Inventories	**511,342,000**
Investment in stocks	**179,798,000**
Pre-operating expenses	**137,323,000**
Accounts receivable-long term	**12,000,000**
Investment in joint ventures	**4,563,000**
Guarantee deposits	**812,000**
Miscellaneous deposits	**1,897,000**
	9,615,422,000

These accounts have been provided a 100 per cent allowance for losses.

The Company requested authority from the Commission on Audit to adjust/write-off the aforesaid long outstanding accounts in consonance with COA Circular No. 97-001 dated February 05, 1997.

12. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

This account consists of the following:

	2013	2012
Accounts payable	**31,171,746**	8,282,606
Accrued expenses	**4,942,108**	7,321,808
	36,113,854	15,604,414

12.1 Accounts payable

	2013	2012
Vouchers payable	**30,961,542**	7,824,727
Cesla savings and loan dues	**114,003**	101,397
Other accounts payable	**96,201**	356,482
	31,171,746	8,282,606

Vouchers payable are liabilities to suppliers of goods and services and to government agencies as regard the mandatory deductions from the employees' compensation and taxes withheld on income payments to suppliers of goods and services.

Other accounts payable account as of December 31, 2013 consists mostly of tax refunds due to former employees.

12.2 Accrued expenses

The accrued expenses account of P4.942 million as of December 31, 2013 includes accrual of the mandatory benefits and leave credits of the Company's employees, unpaid professional fees and unpaid accounts to suppliers of goods and services that are normally settled within 12 months from the reporting period.

13. DUE TO NATIONAL GOVERNMENT AND ITS INSTRUMENTALITIES

This account consists of payables to the following:

	2013	2012
Toll Regulatory Board (concession fees)	**4,754,426,600**	4,496,424,300
Toll fees (SLEX operation under TOC)	**1,537,850,967**	1,537,850,967
Joint venture companies' revenue/dividends	**1,329,017,649**	1,329,017,649
	7,621,295,216	7,363,292,916

Concession fees

The concession fees of P4.754 billion (principal amount of P1.06 billion plus penalty charges of P0.258 billion in 2013 and P3.436 billion in 2012 and prior years) pertain to the Company's payable to the Toll Regulatory Board (TRB) pursuant to the Toll Operation Agreement dated October 1977.

From May 2008 to March 2009, the Company made initial payments to the Bureau of the Treasury (BTr) totaling P220 million, of which the latter confirmed application of the P170 million against outstanding concession fees and the P50 million against outstanding NG advances.

On July 16, 2010, the Company remitted to the Government, through the BTr, the amount of P200 million as payment for the Company's obligation, as follows: P100 million against outstanding concession fees and P100 million against NG advances. This payment brings the Company's total remittances to P495 million from 2006 to date.

Unremitted share in the toll revenue

Pursuant to the Supreme Court En Banc Decision discussed in Note 1, the Company recognized in the books the unremitted share in the toll revenue for the operation of the South Luzon Expressway (under the Toll Operation Certificate) from May 2007 to April 2010 in the amount of P1.537 billion, based on the TRB's computation, which accordingly was arrived at by deducting from gross toll revenue the allowable 40 per cent O&M expenses or actual O&M expenses, whichever is lower.

Joint venture companies' revenue/dividends

As likewise discussed in Note 1, the expiration of the Company's franchise resulted in the Government's owning not only of the toll fees and the net income derived from the toll assets and facilities but also the Company's percentage share in the toll fees collected by the joint venture companies currently operating the tollways.

In line with the above and pending finalization of the implementing rules and guidelines relative to the determination of the net income remittable by PNCC to the Government, the Company initially recognized its obligation to the Government in the amount of P1.329 billion (net of the direct remittance of the consigned monies of P337.94 million to the BTr on December 23, 2011).

The aforesaid amounts were computed at 90 per cent of the gross revenue share and dividends received from May 2007 to December 31, 2010. This is in accordance with the interim guidelines issued by the TRB in compliance with the decision of the Supreme Court in the Francisco case.

14. DUE TO GOVERNMENT-OWNED OR CONTROLLED CORPORATIONS

This account covers various advances from the National Development Company (NDC) totaling P214 million between 1990 to1999 for foreign and peso accounts and interest and penalties thereon of P989 million as of December 2009. This issue, however, is currently under arbitration (OGCC ARB Case No. 001-2000) before the OGCC Arbitral Tribunal (see Note 30.1).

Administrative Order (AO) No. 397, which was signed and approved by the then President Fidel V. Ramos on May 31, 1998, resolves all the outstanding issues between the PEA and PNCC, not requiring any cash outflow from any of the parties involved. Relative thereto, a Memorandum of Agreement (MOA) dated July 22, 1999 between PNCC and PEA was approved per PNCC Board Resolution dated August 10, 1999, in partial implementation of the said AO.

As indicated, said AO will result in the cleansing of the Company's balance sheet which will lead the way to its privatization. Among the salient features of AO 397 are:

- PEA's assumption of PNCC's obligation with PNB amounting to P788.82 million;
- Assignment to the Asset Privatization Trust (APT) of PNCC's receivable from PEA amounting to P43.59 million representing unpaid cash of the MOA dated December 29, 1981, as payment of PNCC's obligation to the NG;
- Titling of Lot 6 (still titled in the name of RP) of the Financial Center Area (129,548 sq.m.) in the name of PNCC;
- Application of the fair market value of the excess 246,931 sq.m., more or less, of the reclaimed land under the First Neighborhood Unit (FNU) ceded by PEA to Marina Properties Corporation without any indemnity, pursuant to LOI 1390, as settlement of PNCC's obligation with the NG (NDC). This matter is currently being researched by PNCC in order to resolve all issues in accordance with all existing laws and other relevant procedures.
- PEA's purchase of PNCC's preferred option in the amount of P100 million under Section 9 of the PEA-CDCP (now PNCC) MOA dated December 31, 1981 for the remaining undisposed portion of the reclaimed land with an area of 158 hectares, more or less;
- The resulting obligations of PEA as a consequence of all the foregoing shall be converted into equity by the NG in the said entity; and
- PNCC shall waive any.and all future claims against PEA in relation to the PEA-CDCP MOA and the MCCRRP Contract except the claim of PNCC on the R-1 Project, payable by PEA to PNCC upon determination of the actual amount.

All matters covered by AO 397 have been resolved and complied with except for the 246,931 sq. m., more or less, already mentioned.

15. OTHER PAYABLES

This account comprises of the following:

	2013	2012
Other accounts payable	**174,168,481**	174,168,481
Customers deposit	**9,925,312**	18,839,258
Trust liabilities	**2,768,583**	2,768,583
Advances from contract owners	**1,021,046**	1,021,046
Deferred credits	**0**	13,845,729
	187,883,422	210,643,097

Other accounts payable account pertains to the provision for liability of P174.2 million, the details of which were not disclosed as allowed by "PAS 37, *Provisions, Contingent Liabilities and Contingent Assets.*"

16. CAPITAL STOCK

This account consists of various classes of shares of stock with authorized par value of P10.00 per share, details of which are presented below:

Preferred "A" (8-16% cumulative, non-participating, non-voting) Authorized- 1,400,000 shares			
1,400,000	Shares	Treasury Stocks	**14,000,000**
Preferred "B" (8-17% cumulative, non-participating, non-voting) Authorized- 42,114,879 shares **Issued and outstanding**			
15,000,000	Shares	Republic of the Philippines Through the APT (now PMO) – previously under PNB	150,000,000
3,689,500	Shares	Marubeni	36,895,000
18,689,500			**186,895,000**
Preferred "C" (14% cumulative, non-participating, non-voting) Authorized- 6,485,121 shares **Issued and outstanding**			
6,485,121	Shares	Republic of the Philippines Through the APT (now PMO) – previously under NDC	**64,851,210**

Preferred "D"			
(8% cumulative, participating, voting)			
Authorized-27,800,000 shares			
Issued and outstanding			
25,500,000	Shares	PMO (previously under PNB)	**255,000,000**
Special common			
(non-voting, no pre-emptive right, participating)			
Authorized-10,000,000 shares			
Issued and outstanding			
3,815	Shares	Carlito C. Paulino	38,150
457	Shares	Editha U. Cruz	4,570
376	Shares	Adolfo S. Suzara	3,760
129	Shares	Vicente Longkino	1,290
Treasury Stocks			
295,227	Shares	Formerly held by PNCC Employees Savings & Loan Association)	2,952,270
72,168	Shares	Formerly held by Alfredo V. Asuncion	721,680
372,172			**3,721,720**
Subscribed-			
1,484,260	Shares	FEBTC Trustee-PNCC Stock Trust Fund	**14,842,600**
Common			
Authorized-182,200,000 shares		Republic of the Philippines	
Issued and outstanding-		Through the APT (now PMO) -	
79,271,024	Shares	previously under:	
		Phil. Export Foreign Loan Guarantee	375,845,770
		Development Bank of the Phils.	269,874,470
		National Development Co.	146,990,000
47,490,383	Shares	Gov't Service Insurance System	474,903,830
15,360,831	Shares	Universal Holding Corporation	153,608,310
6,811,543	Shares	Various Brokers	68,115,430
4,562,384	Shares	Various Corporations	45,623,840
1,178,856	Shares	Cuenca Investment Corporation	11,788,560
964,800	Shares	Pioneer Insurance and Surety Corporation	9,648,000
657,836	Shares	Land Bank of the Philippines	6,578,360
335,391	Shares	PNCC Employees	3,353,910
7,037,935	Shares	Individual (Non-employees)	70,379,350
163,670,983			**1,636,709,830**

Subscribed-			
9,419,915	Shares	Universal Holding Corporation	94,199,150
909,276	Shares	Cuenca Investment Corporation	9,092,760
149,328	Shares	Various Corporations	1,493,280
33,391	Shares	PNCC Employees	333,910
27,693	Shares	Various Brokers	276,930
234,173	Shares	Individual (Non-employees)	2,341,730
10,773,776			**107,737,760**
228,375,812	Shares		**2,283,758,120**
		Subscriptions receivable (Note 17)	**(56,158,831)**
			2,227,599,289

The cumulative preference shares are those that are entitled to any dividends not declared in the prior period (dividends in arrears) such that when dividends are declared in the current period, the dividends in arrears are to be satisfied first.

Dividends (in arrears) on cumulative preferred shares are not recognized in the books due to the Board of Directors' non-declaration of dividends in view of the Company's deficit of P8.056 billion and P9.700 billion as of December 31, 2013 and 2012, respectively. Such action of the PNCC Board is supported by Article XI, Section 11.01 of the Amended Corporate By-Laws which provides that "Dividends maybe declared annually or oftener as the Board of Directors may determine. The Board of Directors may declare dividends only from the surplus profits of the Company."

For purposes, however, of the required disclosure in the financial statements, the dividends in arrears (computed from 2007 to 2013) are as follows:

Name of Stockholders (a)	Class of Stock (b)	Shareholdings (c)	Undeclared Dividend (b x c x 7 yrs)
Republic of the Phil. Through the PMO (previously under PNB)	Preferred "B" (8%-17%, cumulative, non-participating, non-voting)	150,000,000	84,000,000
Marubeni	Preferred "B" (8%-17%, cumulative, non-participating, non-voting)	36,895,000	20,661,200
Republic of the Phil. Through the PMO (previously under NDC)	Preferred "C" (14%, cumulative, non-participating, non-voting)	64,851,210	63,554,185
Republic of the Phil. Through the PMO (previously under PNB)	Preferred "D" (8%, cumulative, non-participating, non-voting)	255,000,000	142,800,000
Total		**506,746,210**	**311,015,385**

The above dividends in arrears are not recognized as liabilities because there is no obligating event yet.

17. SUBSCRIPTIONS RECEIVABLE

This account represents the unpaid amount due from the following subscribers on subscription of the Company's shares of stock, the due dates of which are, by agreement, of valid call by the Board of Directors:

Universal Holding Corporation	**48,302,274**
Cuenca Investment Corporation	**5,145,287**
Other Corporations	**966,630**
Individuals	**1,744,640**
	56,158,831

As of the end of 2013, there was no call made by the Board of Directors for the unpaid subscriptions.

18. EQUITY ADJUSTMENTS

Under Rehabilitation Plan-Loans Transferred to National Government

This account represents substantial portion of the Company's liabilities to Government Financial Institutions (GFIs) which should have been converted into equity pursuant to Presidential Letter of Instruction (LOI) No. 1295 dated February 23, 1983, and liabilities to the government agencies transferred to the Government pursuant to Proclamation No. 50 issued by the President of the Philippines on December 8, 1986, as follows:

	(In thousand pesos)
Philippine National Bank	**2,865,445**
National Development Company	**1,356,693**
Philguarantee	**1,204,311**
Central Bank of the Philippines	**75,654**
Bureau of the Treasury	**39,991**
Development Bank of the Philippines	**9,633**
	5,551,727

The above-mentioned Company's indebtedness were not converted due to the then Central Bank of the Philippines' rule on Single Borrowers Limit (SBL), i.e. allowing only a certain percentage of debts that can be converted into equity.

It is the Management's position, as supported by the Office of the Solicitor General Opinion dated August 23, 2007, that based on LOI 1295, which was a special law promulgated to rehabilitate the Company, the debts have effectively been converted to equity and, therefore, should no longer incur interest charges.

The Privatization Management Office (PMO), however, still considered these unconverted debts as liabilities, claiming the total amount of P55.697 billion as of December 31, 2013 inclusive of accumulated interest charges and penalties amounting to P50.185 billion.

These amounts have not been recognized in the books of the Company. The Company did not recognize the disputed interest charges and penalties based on the following:

- The Supreme Court itself had recognized the validity of LOI 1295 and that it still legally exists today;
- The failure to convert all debts to equity is considered an administrative matter; and
- The P5.552 billion is not a debt but simply represents unissued shares of stocks awaiting actual conversion to equity pursuant to LOI 1295 and, as such, continued imposition of interests and penalties is not warranted.

The above position of the Company is supported by the Office of the Solicitor General, the Office of the Government Corporate Counsel, and the opinion of a private law firm engaged by the PMO, per Consultancy Agreement dated April 18, 2002.

In like manner, the Bureau of the Treasury (BTr) confirmed as of December 31, 2013 the amount of P2.337 billion (inclusive of P1.235 billion interest) representing advances made by the BTr to settle the Company's foreign obligations with creditors. Said loans are included in the Equity Adjustments under Rehabilitation Plan which are among the accounts transferred by the Company to the Government through the Asset Privatization Trust (APT) pursuant to PNCC's Rehabilitation Plan of 1987 and are no longer recorded as liabilities in the Company books. As such, the Company is precluded from servicing the accounts.

As discussed in Note 13, the application of the P50 million and P100 million payments in 2008 and 2010, respectively, against outstanding NG advances were already effected in the aforesaid confirmed amount of P2.337 billion.

In view of the differences in the position between the Company and the PMO, the issue was submitted to the Department of Justice (DOJ) on June 21, 2012 for arbitration (see Note 30.1). The Company respectfully prays for DOJ to:

1. Take jurisdiction over the Petition and call the parties for mediation or compulsory arbitration;
2. Render judgment after proper proceedings, declaring that the interest and penalty charges that PMO imposes on the Company's actual outstanding debt to the National Government is baseless and violates LOI 1295;
3. Declare that the Company's actual outstanding debt to the National Government is only P5.552 billion, representing unconverted balance of the Company's obligation to the GFIs; and
4. Require the debt-to-equity conversion of the Company's P5.552 billion debt.

19. REVENUE AND DIVIDEND SHARE FROM JOINT VENTURE COMPANIES

Pending issuance of the implementing rules and guidelines for the determination of the amounts due to the Company for its administrative expenses, the Company recognized 10 per cent of its share from the joint venture companies gross toll revenues in accordance with the interim guidelines issued by the TRB:

	2013	2012
Revenue Share		
MNTC	**38,585,321**	35,987,618
CMMTC	**24,299,813**	22,773,403
SLTC	**7,335,589**	6,910,826
	70,220,723	65,671,847
Dividend Share		
MNTC	**5,150,400**	4,262,400
TMC	**10,551,609**	4,534,000
	15,702,009	8,796,400
	85,922,732	74,468,247

20. RENTAL INCOME

This account represents the revenue derived out of the Company's real estate properties located at the following areas:

	2013	2012
Pasay City	**60,779,321**	41,503,611
Porac, Pampanga	**225,060**	198,000
Bicutan, Paranaque	**703,500**	0
	61,707,881	41,701,611

Rental income is derived from the Company's properties not used in business and being leased out to third parties for a certain period, renewable under such terms and conditions as may be agreed upon by both parties.

Rental income for the calendar year 2014 is expected at P85.045 million.

21. GENERAL AND ADMINISTRATIVE OVERHEAD

This account consists of the following:

	2013	2012
Salaries, wages, and allowances	**26,177,437**	31,386,989
Fringe benefit expense	**2,528,530**	3,339,573
Bonuses and gratuities	**2,457,503**	5,288,750
Employees' terminal pay - vacation/sick leave	**2,378,038**	637,258
Fringe benefit tax expense	**1,189,897**	1,571,564

	2013	2012
Employees' welfare	**808,286**	1,032,529
SSS/ECC contribution	**429,856**	548,521
Employees' terminal pay - retrenchment	**413,821**	0
PhilHealth contribution	**160,025**	176,700
Sports and recreation	**88,457**	65,999
Pag-IBIG contribution	**40,300**	51,600
Medical and dental expenses	**34,268**	61,875
Employee costs	**36,706,418**	44,161,358
Depreciation	**7,117,089**	10,496,914
Transportation and traveling	**4,338,374**	6,578,176
Professional fees	**3,482,493**	3,995,534
Light and water	**3,450,450**	3,400,332
Directors' fees and allowances	**3,369,823**	3,939,176
Taxes and licenses	**2,564,847**	2,754,719
Security services-agency fee/salaries of guards	**2,333,340**	3,673,622
Janitorial and messengerial services	**2,138,922**	2,910,053
Other outside services	**1,907,856**	3,904,151
Legal and documentation	**1,604,503**	335,488
Postage and other communications	**1,365,037**	1,309,316
Insurance premium	**850,398**	625,164
Repairs and maintenance-materials/labor	**790,247**	1,259,324
Office supplies and stationery	**467,351**	520,271
Contracted manpower cost	**358,341**	829,650
Conferences and conventions	**282,763**	399,488
Entertainment, amusement, and representation	**251,749**	1,428,604
Contributions and donations	**104,014**	30,896
Advertising and promotions	**48,960**	32,640
Membership fees	**40,650**	2,232
Manpower recruitment, training, and development	**35,700**	10,714
Subscriptions	**18,660**	17,370
Documentary stamp tax expense	**8,420**	0
Bank charges	**5,576**	34,826
Miscellaneous expense	**437,364**	201,296
Operating expenses	**37,372,927**	48,689,956
	74,079,345	92,851,314

22. OTHER INCOME (CHARGES)

This account comprises of the following:

	2013	2012
Gain in change in fair value of investment property	2,593,952,155	0
Gain on sale of property and equipment	4,980,550	4,472,121
Interest income	2,437,729	1,247,949
Gain on sale of inventory	1,205,924	0
Interim operation – FCA parking area	1,202,455	0
Gain in reversal of allowance for inventory write-down	220,689	0
Realized gain – available for sale securities	89,167	5,000
Dividend income	92,384	10,042,591
Loss on foreign exchange fluctuation	0	(4,358)
Miscellaneous income	76,509	7,674,873
	2,604,257,562	23,438,176

23. INCOME TAXES

The Company's income tax due for the year 2013 is P3.155 million, computed under the Minimum Corporate Income Tax (MCIT).

Of the carry forward benefit of MCIT of P8.286 million presented under "Deferred Charges" account as of December 31, 2012 (see Note 11), P6.342 million was closed to Retained Earnings at the beginning of CY 2014 due to the three-year prescription period, as follows:

Date Incurred	Amount	Application	Expired	Balance	Expiry Date
2013	3,155,276	0	0	3,155,276	2016
2012	2,767,289	0	0	2,767,289	2015
2011	2,363,702	0	0	2,363,702	2014
2010	6,342,493	0	6,342,493	0	2013
	14,628,760	**0**	**6,342,493**	**8,286,267**	

As of December 31, 2013 and 2012, the following are the temporary differences for which no deferred tax asset was set up because the Management believes that it is more likely that no future taxable income is available against which the benefit from deferred tax assets can be offset:

	2013	2012
Allowance for losses on assets for write off	9,615,422,219	9,615,422,219
Allowance for doubtful accounts	607,622,504	612,845,884
Allowance for inventory write-down	8,743,841	8,964,170
Allowance for losses on investments	177,180,811	177,180,811
NOLCO	672,548,024	975,732,913
	11,081,517,399	11,390,145,997

Net Operating Loss Carry Over (NOLCO) amounting to P672.548 million can be carried forward and claimed as deduction from regular taxable income, as follows:

Date Incurred	Amount	Application	Expired	Balance	Expiry Date
2012	211,245,480	0	0	211,245,480	2015
2011	461,302,544	0	0	461,302,544	2014
2010	306,597,235	0	306,597,235	0	2013
	979,145,259	**0**	**306,597,235**	**672,548,024**	

Said benefits, however, cannot be enjoyed for as long as the Company is subject to MCIT.

As of December 31, 2013 and 2012, deferred tax liabilities pertain to the following:

	2013	2012
Fair value adjustment of investment property	**3,111,427,757**	2,333,242,110
Revaluation increment in property	**162,004,578**	156,949,049
	3,273,432,335	2,490,191,159

Deferred tax liabilities pertain to the deemed tax on the increase in value of investment property and property and equipment as required by "PAS 12, *Income Tax*."

24. TAX MATTERS

The Company was assessed by the Bureau of Internal Revenue (BIR) for deficiencies in various taxes. However, no provision for any liability has been made yet in the Company's financial statements.

- Deficiency internal revenue taxes for taxable year 1980 (income tax, contractor's tax, and documentary stamp tax) totaling P212.52 million.

  The Company sought a reinvestigation of the case on November 08, 1995, and as a consequence, the BIR issued a final decision promulgated on September 09, 2004 ordering PNCC to pay the amount of P101.46 million, the reduction of P111.87 million represent deficiency contractor's tax which the BIR resolved to cancel and withdraw from the assessment it being bereft of merit for lack of legal basis, thus finding the Company's contention meritorious.

  The BIR, however, reiterated the demand to pay the amount of P101.46 million for deficiency income tax (P97.42 million) and deficiency documentary stamp tax (P4.04 million) plus increments that may have accrued thereon until actual payment.

  PNCC, in its letter of February 15, 2005 to the BIR, informed the latter, through its Collection and Enforcement Division, that in the interest of fairness and due process, the Company has filed a Petition with the Department of Justice seeking the reversal of the Bureau's resolution holding the Company still liable for the aforesaid tax deficiencies and has applied for an interim order or measure from the DOJ to suspend or stop the collection of subject amount pending resolution of the Petition.

- Deficiency business tax of P64 million due the Belgian Consortium, the Company's partner in its LRT Project.

- Deficiency internal revenue taxes for taxable year 1992 (income tax, value-added tax, and expanded withholding tax) of P1.04 billion which was reduced to P709 million after the Company's written protest.

  PNCC Management, however, requested for a meeting/conference for the clarification of the issue, the reduced amount still being the result of a jeopardy assessment. The BIR has not responded to date.

- Deficiency internal revenue taxes for taxable year 2002 totaling P72.92 million.

  Management, in close coordination with the concerned BIR officers, presented a more detailed analysis of the accounts. Said presentation and the Company's availment of the tax amnesty had substantially reduced the aforesaid deficiency taxes.

- Deficiency taxes for taxable year 2006 amounting to P116.141 million (inclusive of interest of P48.76 million).

  Management, in its letter of October 29, 2010 to the BIR, protested the aforesaid proposed deficiency taxes based on the following grounds:

  - *Prescription of limitation upon assessment and collection pursuant to Section 203 of the NIRC of 1997, which provides that "Except as provided in Section 222, internal revenue taxes shall be assessed within three years after the last day prescribed by law for the filing of the return, and no proceeding in court without assessment for the collection of such taxes shall begun after the expiration of such period: Provided, That in case where a return is filed beyond the period prescribed by law, the three year period shall be counted from the day the return was filed. For purposes of this Section, a return filed before the last day prescribed by law for the filing thereof shall be considered as filed on such last day."*

  - *The Company did not waive the aforesaid defense of prescription under the statute of limitation. The Company deemed the pertinent "Waiver" unnecessary because all the required documents were timely provided and the books of accounts were made available to the team upon conduct of the examination.*

  - *Between the period from May 07, 2008 (the date the Letter of Authority was received by the Company) to October 21, 2010 (the day before the Notice was issued by the BIR and received by the Company), there were no presentation of any findings that will require the Company to request extension or more time to submit documents to deny any or all of the same.*

  - *Revenue Regulations (RR) No. 12-99 provides that the Revenue Officer who audited the taxpayer's records shall initially discuss with the latter the result of the investigation prior to submission of the report of his investigation to the Chief of the Division concerned. No discussion happened as the Company came to know of the findings on the alleged deficiency taxes only on October 22, 2010, way beyond the three (3) year prescription period of April 15, 2010.*

To date, the Company has not received any formal communication from the BIR after its letter on October 29, 2010.

- Deficiency internal revenue taxes for the taxable year 2009 in the amount of P87.414 million (basic tax of P51.957 million and interest/penalty charges of P35.457 million).

  An informal conference between the BIR examiners and the Company representatives was held on November 15, 2012, wherein the Company requested for extension of time within which to submit the required schedules and other supporting documents against the findings. Said request was favorably granted by the BIR.

  The Company, in its letter of December 14, 2012, presented its position and submitted several documents to negate the BIR's initial findings.

  In another letter dated February 12, 2013, the Company transmitted additional documents and emphasized therein the substantial reduction in the deficiency taxes from P51.957 million to P9.394 million. In the said letter, the Company also requested for another time extension to substantiate the remaining P9.394 million deficiency taxes and to be advised on the result of the BIR team's evaluation of the submitted documents, which requests were likewise granted by the Bureau.

  As a result thereof, the proposed deficiency taxes of P87.414 million are reduced by P62.403 million, or 71.4 per cent, while the balance of P25.013 million, or 28.6 per cent, is covered by the BIR's Formal Assessment Notice (FAN) dated October 07, 2013. The amount of P25.013 million consists of deficiency tax of P11.490 million and interest and penalty charges of P13.523 million.

  On November 11, 2013, the Company filed a written protest on its disagreement against the FAN, more specifically on the final withholding vat of P10.615 million (P4.925 million basic tax and P5.69 million interest/penalty charges) and expanded withholding tax of P2.156 million representing interest/penalty charges.

  The Company, however, considered payment of the undisputed deficiency taxes of P6.565 million on November 28, 2013. Said amount has been substantially reduced from the proposed deficiency taxes of P31.699 million and request for another time extension is no longer practical as this may only result to minimal deduction in the basic tax but may entail additional interest charges computed at 20 per cent per annum.

  The Company, on January 10, 2014, paid the remaining undisputed deficiency withholding vat of P4.814 million on the grounds discussed above. On even date, Management requested reconsideration for the attendant charges of P9.763 million, in the amount equitable to both the BIR and the Company pursuant to Section 204 of the National Internal Revenue Code (NIRC) and the related revenue regulations.

25. PRIVATIZATION/DIVESTMENT OF RP SHARES IN THE COMPANY

Pursuant to the mandate to divest/privatize shares of the Republic of the Philippines in PNCC, the Asset Privatization Trust (APT), now the Privatization and Management Office (PMO), was tasked to pursue the plan. The APT, in 1999, engaged the services of the Development Bank of the Philippines/Philippine National Bank as Financial Advisors to conduct the due diligence examination of the Company's financial statements as of September 30, 1999.

On the basis of the Financial Advisors report, the bidding of the National Government's interests in the Company was conducted by the APT on October 30, 2000 with an Indicative Price of P7 billion. The result, however, was declared failed as the highest bid obtained amounted only to P1.28 billion, which is far below the indicative price set by the APT. The highest bidder refused to recognize the declaration of the APT that the bid was failed and decided to pursue the validity of its bid via the filing of a law suit to compel the APT (PMO) to award the bid to Stradec/Dong A Consortium. They have since won in the Regional Trial Court (RTC) and the Court of Appeals and the matter is now with the Supreme Court. The result of the "Consortium" winning the case is that all the shares of the NG in PNCC will belong to them for P1.28 billion.

In the Amended Decision dated January 27, 2012, the Court of Appeals SET ASIDE the assailed Decision dated July 01, 2010 of the RTC-Makati and DISMISSED for lack of merit the Complaint for Declaration of Right to a Notice of Award and/or Damages filed by Stradec. The Court had stressed that to award a bid contract for the sale of P7 billion worth of National Government's interest in the Company for a measly amount of P1.28 billion is manifestly and grossly disadvantageous to the Filipino people.

The Management of the Company is tasked by the Board to look into and to resolve all legal and financial issues of the Company in order to make sure that PNCC becomes compliant with SEC rules, PSE rules, and GCG rules. The Board is aware of its fiduciary obligations to protect the interests of the minority shareholders and will do whatever is necessary to fulfill its mandate.

26. PENDING LAWSUITS/LITIGATIONS

The Company is involved in continuing litigations relating to labor and civil cases. The ultimate outcome of these litigations cannot be determined yet and no provision for any liability that may result can be made in the financial statements.

The labor cases consist of those filed against the Company comprised mostly of claims for illegal dismissal, backwages, and separation pay. Most of these cases have been ruled by the Labor Arbiter in favor of the complainant. However, these cases are on appeal by the Company before the National Labor Relation Commission.

The civil cases filed against the Company consist of cases involving damages, collection of money, and attorney's fees, which are still in litigation before various Regional Trial Courts. On the other hand, those filed by the Company against other individuals or companies consist of suits involving sums of money, damages, and breaches of contract which involve undeterminable amount of money.

27. RELATED PARTY TRANSACTIONS

The Company, in the normal course of business, has transactions with related parties. The more significant of these transactions include:

Agreements:

- Pursuant to the agreement between MTD Manila Expressways (MTDME) and PNCC on the construction, operation, and maintenance of the South Luzon Tollway, MTDME holds 80 per cent and the Company holds 20 per cent of the issued and outstanding capital stock of the joint venture company (named South Luzon Tollway Corporation (SLTC)).

  The agreement further provides that the 50 per cent of the subscribed amount shall be paid by MTDME on behalf and for the account of the Company. MTDME paid the equivalent amount of P360 million on March 29, 2007.

  On August 01, 2007, the Company paid the balance of 50 per cent, or P360 million, rendering the Company's full payment of its subscription as of reporting date.

- In consideration of the assignment by the PNCC of its usufructuary rights, interests, and privileges under its franchise, the Company is entitled to receive payment from the Manila North Tollways Corporation (MNTC) equivalent to 6 per cent and 2 per cent of the total revenue from the North Luzon Tollway and Segment 7, respectively. Any unpaid balance carried forward will accrue interest at the rate of the latest Philippine 91-day Treasury Bill rate plus 1 per cent per annum.

- The Supplemental Toll Operations Agreement (STOA) executed by and among MATES, SLTC, PNCC, and the Republic of the Philippines, through the TRB, on February 03, 2006 designates MATES as the entity that will operate and maintain the toll roads, toll roads facilities, interchanges, and related facilities including the management of the toll collection system and traffic control system of the SLEX Projects.

- Pursuant to the Subscription Agreement executed by and among ASDI, NDC, and PNCC on November 14, 2008, the Company subscribed 12,500 shares from the unissued portion of the 150,000 shares (with a par value of P1,000.00 per share) authorized capital stock of ASDI, incorporated to undertake components of the SLEX Projects.

- The Company holds new/updated partnerships for new Toll road projects within the purview of Section 2 of PD No. 1894 with the following:

  - Citra Central Expressways Corporation - Skyway Stage 3 and C6 (at grade) from Skyway-FTI-C5 to Batasan

    The STOA governing the design, construction, operation and maintenance of the Metro Manila Skyway-Stage 3 Project has been approved by the Office of the President of the Republic of the Philippines on September 26, 2013, pursuant to Section 3 (a) of PD No. 1113. The STOA, however, has yet to be signed.

- Metro PacificTollways Development Corporation/Manila North Tollways Corporation – Phase 2 Segment 10.2 of the North Luzon Expressway Project (or the Connector Road)

  Signed letter-agreement dated January 10, 2014 provides, among others, that upon TRB approval of the implementation of Segment 10.2, PNCC will be entitled (1) to receive 6 per cent of the gross toll revenue collected by MNTC from the operation and maintenance of Segment 10.2 upon its completion in addition to its share in the gross toll revenue collected by MNTC from the toll roads as provided in Section 5.02 of the ARSA (i.e. Open System: 6 per cent; NLE South-6 per cent; Closed System: NLE North-6 per cent; and Subic leg-2 per cent, subject to the Interim Guidelines issued by TRB) and (b) to all dividends accruing on its shares of stock in MNTC.

  The parties likewise agree on the following: (a) entitlement of PNCC to free carry on its 2.5 per cent equity in MNTC for Segment 10.2 of the NLEX Project to be paid as concession fee (or in such form as PNCC, MNTC, and MPTDC may mutually agree on) each time a capital call is made for the said segment; (b) the payment of the 6 per cent revenue share of PNCC arising from Segment 10.2 of the NLEX Project shall be made on a monthly basis every last Thursday of the following month when such revenues are earned; (c) direct remittance by MNTC to PNCC of its 100 per cent revenue share from Segment 10.2 of the NLEX Project; and (d) formation by MNTC of a Project Management and Audit Committee to oversee the implementation of the Project consisting of 6 members, 2 of whom to be nominated by PNCC.

  The STOA has yet to be signed.

- The Company entered into contracts with DISC Contractors, Builders, and General Services, Inc. (DISC), a wholly-owned subsidiary, as follows:

  - Contract for janitorial services dated March 19, 2013 wherein DISC shall supply one clerk and 10 janitors/janitress, more or less, as maybe necessary depending on the actual need of the Company. For and in consideration of the services rendered, DISC will be paid P17,684.02 per janitor/janitress or P2.334 million from January 01, 2013 to December 31, 2013. The amount billed by DISC for the period ended December 31, 2013 totaled P2.364 million. Outstanding payable as of reporting date amounted to P0.185 million.

  - Contract for driver and driver/mechanic dated March19, 2013 wherein DISC shall provide PNCC with six service drivers and one (1) driver/mechanic. The contract shall be in force for one year from December 01, 2012 to November 30, 2013. In consideration for the services rendered, PNCC shall pay DISC the following amounts: P17,684.74 /driver/month and P23,321.31/driver-mechanic/month. Total billings from January 2013 to December 2013 amounted to P1.055 million, of which P0.055 million remained unpaid as of reporting date.

Other Transactions

- Compensation/other benefits of key management personnel amounted to P14.426 million for the year ended December 31, 2013.

28. CORRECTION OF PRIOR YEARS' EARNINGS

Adjustments on prior years' earnings as of January 1, 2013 and 2012 comprise of the following:

	2013	2012
Payment of gratuity benefits (2007 to 2010)	**9,428,332**	0
Interest on outstanding lease receivables (June 2006 to May 2012)	**8,683,591**	0
Payment of deficiency taxes for taxable year 2009	**6,564,693**	0
Recognition of additional penalty charges on unpaid concession fee resulting from the reconciliation of account	**3,414,800**	41,507,400
Adjustment in deferred credit account	**(8,435,000)**	0
Tollways Management Division foregone revenue (September 2000 to December 2001)	**(5,410,730)**	0
Recovery of the amount due from the PNCC Foundation, Inc. as of January 2012	**(5,207,303)**	0
Adjustment in rental income	**(2,895,227)**	(892,857)
Recognition of billboard rental income	**(2,812,500)**	(1,875,000)
Provision of allowance for doubtful accounts	**(983,156)**	187,910,904
Realization of the revaluation increment in property	**(739,668)**	(2,302,121)
Appraisal of FCA property by LBP in 2011	**0**	28,261,000
Adjustment in the principal amount of concession fee resulting from the reconciliation of account	**0**	14,033,800
Adjustment in toll fees (SLEX operation under TOC)	**0**	1,295,100
Adjustment in revenue/dividend share from joint venture companies (2010 to 2011)	**0**	(78,251,449)
Royalty fees from oil companies (2009 to 2011)	**0**	(24,793,987)
Adjustment in accrued construction cost	**0**	(15,923,513)
Adjustment in short-term payable	**0**	(14,111,562)
Adjustment in construction income (DHSLRP)	**0**	(13,090,396)
Others	**448,292**	6,128,322
	2,056,124	127,895,641

29. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company's principal financial instruments comprise of cash and cash equivalents, restructured debt and advances to and from related parties. The main purpose of these financial instruments is to finance the Company's operations. The Company has various other financial assets and liabilities such as receivables and accounts payable and accrued expenses (excluding statutory payables), which arise directly from its operations. The main risks arising from the Company's financial instruments are credit risk and liquidity risk. The PNCC Board of Directors and the Management review and approve the policies for managing each of these risks as summarized in the next page.

Credit Risk

Credit risk arising from the inability of counterparty to meet the terms of the Company's financial instrument is generally limited to the amount, if any, by which the counterparty's obligations exceed the obligation of the Company. With respect to credit risk arising from the other financial assets of the Company, which comprise of cash, trade receivables and advances to subsidiaries, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Liquidity Risk

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and short-term deposits. The Company also monitors its risk to shortage of funds through monthly evaluation of the projected and actual cash flow information.

Fair Values

Set out below is a comparison by category of carrying amounts and fair values of all of the Company's financial instruments that are carried in the financial statements as of December 31, 2013 and 2012.

	Carrying Amount		Fair Value	
	2013	2012	**2013**	2012
Financial assets				
Cash and cash equivalents	181,265,051	27,726,135	181,265,051	27,726,135
Advances and other receivables	641,308,289	618,259,138	641,308,289	618,259,138
Receivables from contracts	139,176,660	229,716,761	139,176,660	229,716,761
	961,750,000	875,702,034	961,750,000	875,702,034
Financial liabilities				
Accounts payable and accrued expenses	36,113,854	15,604,414	36,113,854	15,604,414
Due to National Government and its Instrumentalities	7,621,295,216	7,363,292,916	7,621,295,216	7,363,292,916
Due to Government Owned or Controlled Corporation	1,203,000,000	1,203,000,000	1,203,000,000	1,203,000,000
	8,860,409,070	8,581,897,330	8,860,409,070	8,581,897,330

30. SUBSEQUENT EVENTS

30.1 Two separate Arbitration Petitions were elevated to the Department of Justice (DOJ) involving the Company:

- PNCC, Petitioner vs. PMO, Respondent (OSJ Case No. 02-2012)

  In view of the differences on the treatment of the P5.552 billion unconverted debt to equity, as discussed in Note 18, the Company and the PMO resolved to submit the matter to the Department of Justice (DOJ) for arbitration. The parties entered into a Joint Stipulation of Facts and Issues identifying the issues, as follows:

- Whether or not PNCC is indebted to the National Government in the amount of P5.4 billion which, inclusive of interests as of 31 October 2011, amounted to P51.060 billion;

- Whether or not the unconverted debt to equity, which is a leftover of LOI 1295, should be considered as simple loan;

- Whether of not the unconverted portion of CDCP's debts are liable for interest and penalty charges; and

- Whether LOI 1295 repealed the general provisions of R.A. 337, as amended, the charters of DBP (R.A. 85, as amended), PNB (PD 694), and LBP (R.A. 3844), which all restricted the GFI's exposure to non-allied industries."

- NDC, Petitioner vs. PNCC, Respondent (OGCC ARB Case No. 001-2000)

  As discussed in Note 14, the issues covering the various advances from NDC is under arbitration before the OGCC Arbitral Tribunal. Based on the submitted pleadings and supporting documents, the following issues appear to be clear:

  - Whether respondent is liable to pay petitioner the principal amount of the Promissory Notes plus accrued interest and penalties as provided in the said Notes, and the Documentary Stamp Tax necessary for the execution thereof;

  - Whether respondent is liable to pay/reimburse petitioner the amount of respondent's mortgage loan (Including interest thereon) that petitioner paid in order to release the titles of the properties that petitioner bought from the respondent; and

  - Whether petitioner must pay the lot consisting of 7.5 hectares which petitioner developed with its Joint Venture partner despite the fact that said lot was specifically excluded in the Contract of Sale.

The DOJ, in its February 18, 2014 Consolidated Decision, dismissed the Company's Petition against PMO, the dispositive portion of which reads:

> "WHEREFORE, premises considered, the Petition filed by the PNCC against the PMO, is hereby DISMISSED. As prayed for by the respondent PMO, petitioner PNCC is hereby ordered to pay respondent PMO, in behalf of the National Government, the amount of P51,060,330,392.40 as of 31 October 2011, representing its due and demandable obligation to the latter, inclusive of the interests, plus interests and penalties until actually paid."

and granted the NDC's Petition against PNCC, the dispositive portion of which follows:

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

On March 12, 2014, NDC wrote the Company claiming payment of the various advances/loans extended to the latter pursuant to the aforesaid Consolidated Decision of the DOJ.

The Company, in its letter of March 19, 2014, informed NDC that it cannot yet settle the account as the decision of the DOJ is not final and executory and that it had filed a Motion for Reconsideration (MR) dated March 13, 2014, duly received at the DOJ on March 14, 2014. In the event that the DOJ denies the Company's motion, it intends to elevate the case or appeal the decision to the Office of the President.

In the said MR, the Company prayed that the DOJ consider the consolidation as not proper and decide on the two cases separately:

- On OSJ Case No. 02-2012:
  - Render judgment declaring that the interest and penalty charges being imposed by PMO on the actual outstanding debt of PNCC to the National Government is without basis and violative of LOI 1398;
  - Declare that PNCC's outstanding debt to the National Government is only in the amount of P5.4 billion, representing the value of the unconverted debt-to-equity obligation to the Government Financial Institutions (GFIs); and
  - Require or direct the debt-to-equity conversion of the P5.4 billion debt of PNCC pursuant to the clear and explicit instructions under LOI 1295.
- On OGCC ARB. Case No. 001-2000:
  - Order the dismissal of the instant Petition for lack of merit;
  - Order the Petitioner to pay PNCC the amount of P3.850 million representing the unpaid balance of the Dasmarinas Properties, plus legal interest thereon from the time of demand up to the time of payment; and
  - Order the Petitioner to pay PNCC the value of the 7.5 hectares of Dasmarinas properties which was excluded in the Contract of Sale but developed and sold by Petitioner to locators of the First Cavite Industrial Estate, plus legal interest thereon from the time of demand up to the actual date of payment.

The Company also prayed for other remedies which are just and equitable in the premises.

30.2 Unicorn Construction Co., Inc. (UCCI) vs. PNCC

This refers to the complaint filed by UCCI for a sum of money with damages and attorney's fees against the Company before the CIAC docketed under CIAC Case No. 038-2008. CIAC, in its decision entitled "Final Award" dated January 22, 2010, rendered judgment in favor of UCCI in the total amount of P2.424 million plus interest and the reimbursement of arbitration cost in the amount of P73,029.60 advanced by UCCI.

On March 12, 2014, NDC wrote the Company claiming payment of the various advances/loans extended to the latter pursuant to the aforesaid Consolidated Decision of the DOJ.

The Company, in its letter of March 19, 2014, informed NDC that it cannot yet settle the account as the decision of the DOJ is not final and executory and that it had filed a Motion for Reconsideration (MR) dated March 13, 2014, duly received at the DOJ on March 14, 2014. In the event that the DOJ denies the Company's motion, it intends to elevate the case or appeal the decision to the Office of the President.

In the said MR, the Company prayed that the DOJ consider the consolidation as not proper and decide on the two cases separately:

- On OSJ Case No. 02-2012:
  - Render judgment declaring that the interest and penalty charges being imposed by PMO on the actual outstanding debt of PNCC to the National Government is without basis and violative of LOI 1398;
  - Declare that PNCC's outstanding debt to the National Government is only in the amount of P5.4 billion, representing the value of the unconverted debt-to-equity obligation to the Government Financial Institutions (GFIs); and
  - Require or direct the debt-to-equity conversion of the P5.4 billion debt of PNCC pursuant to the clear and explicit instructions under LOI 1295.
- On OGCC ARB. Case No. 001-2000:
  - Order the dismissal of the instant Petition for lack of merit;
  - Order the Petitioner to pay PNCC the amount of P3.850 million representing the unpaid balance of the Dasmarinas Properties, plus legal interest thereon from the time of demand up to the time of payment; and
  - Order the Petitioner to pay PNCC the value of the 7.5 hectares of Dasmarinas properties which was excluded in the Contract of Sale but developed and sold by Petitioner to locators of the First Cavite Industrial Estate, plus legal interest thereon from the time of demand up to the actual date of payment.

The Company also prayed for other remedies which are just and equitable in the premises.

30.2 Unicorn Construction Co., Inc. (UCCI) vs. PNCC

This refers to the complaint filed by UCCI for a sum of money with damages and attorney's fees against the Company before the CIAC docketed under CIAC Case No. 038-2008. CIAC, in its decision entitled "Final Award" dated January 22, 2010, rendered judgment in favor of UCCI in the total amount of P2.424 million plus interest and the reimbursement of arbitration cost in the amount of P73,029.60 advanced by UCCI.

The Company filed a Petition for Review and, subsequently, a Motion for Reconsideration before the Court of Appeals (CA) but both were denied by the latter and affirmed CIAC's Final Award. A Petition for Review on certiorari was filed by the Company before the Supreme Court docketed under G.R. No. 199381 but the same was likewise denied on February 15, 2013 for failure on the part of the Company to show that the CA committed any reversible error.

The Company, however, denied UCCI's claim for payment invoking COA Audit Circular No. 2001-002 dated July 31, 2001. Hence, UCCI's instant Petition for Money Claim before the Commission on Audit.

The Commission on Audit, after having been satisfied as to the authenticated existence of the final and executory decision, the precise award to be enforced based on the clear terms of the judicial decision, and the governmental character of the natural or juridical persons against whom the claim is sought to be enforced, granted the instant money claim under COA Decision No. 2014-056 dated April 08, 2014, dispositive portion of which reads:

> "WHEREFORE, the claim of Unicorn Construction Co., Inc. in the amount of P2,424,471.08, representing the liquidated damages deducted from the final billing, plus interest, and P73,029.60 representing the reimbursement of arbitration cost, are GRANTED, subject to the availability of funds and the usual accounting and auditing rules and regulations."

The Company paid UCCI the judgment award on May 12, 2014 to avoid further incurrence of interests.

30.3 Rodolfo M. Cuenca vs. Toll Regulatory Board, et., al., Civil Case No. 13-919

This refers to a complaint filed before the Regional Trial Court (RTC) of Makati Branch 132 by petitioner Rodolfo M. Cuenca in his capacity as stockholder of the Company against the Toll Regulatory Board (TRB), Commission on Audit (COA), Manila North Tollways Corporation (MNTC), CITRA Metro Manila Tollways Corporation (CMMTC), South Luzon Tollways Corporation (SLTC) and Manila Toll Expressways Systems, Inc. (MATESI) and the Company as respondents.

The franchise of PNCC under PD1113 to operate, construct, and maintain toll facilities in the North and South Luzon Tollways for a period of 30 years expired on April 30, 2007. With its expiration, the toll assets and facilities of PNCC were automatically turned over to the government at no cost. The Supreme Court, in Ernesto B. Francisco vs. TRB, PNCC et. al. (G.R. Nos. 166910,169917, 173630, and 183599, October 19, 2010) and in the case of Strategic Alliance Development Corporation vs. Radstock Securities Limited et. al. (G.R. No. 178158, December 04, 2009), ruled and declared that with the expiration of the Company's franchise, the toll assets and facilities of the Company were automatically turned over, by operation of law, to the National Government (NG) at no cost and consequently, this inevitably resulted in the latter's owning too of the toll fees and the net income derived, after May 01, 2007, from the toll assets and facilities, including the Company's percentage share in the toll fees collected by the joint venture companies currently operating the tollways, including NLEX and Skyway.

On March 22, 2012, the TRB issued an interim guideline for the remittance by the JV Companies to the National Treasury of the net income that is supposed to be remitted by the JVCs from the revenues of the NLEX, SLEX and Skyway in accordance with the Francisco case.

Paragraph 2 of the said guideline provides that *"As subsequently agreed upon by PNCC and TRB as an interim arrangement, ten percent (10%) of all amounts that are supposed to be remitted by the JV companies shall be set-aside by the JV company for remittance to PNCC. The ninety percent (90%) shall be remitted to the TRB for the National Treasury immediately."*

The petitioner in his petition said that "there is the very real possibility that what the respondent corporations MNTC, CMMTC, SLTC and MTESI have remitted, and will be remitting, to the NG is above or much more than what should be remitted given the actual and true financial situation of the respondent corporations. This gives rise to the unfortunate complication that such overpayments may only be reimbursed by the NG through cumbersome, to say the least, budgetary process."

Thus, petitioner is praying for the Honorable Court, that:

- The respondents TRB and COA come up with and release the final implementing rules and guidelines embodying the final formula relative to the determination of the net income remittable by respondent PNCC to the NG;
- That the respondents corporations be enjoined from remitting any and all amounts directly to the NG until respondents TRB and COA have issued the final implementing rules and guidelines; and
- The respondents be ordered to consign with the Honorable Court any and all amounts they ready to remit to the NG until the final implementing rules and guidelines has been issued by TRB and COA. .

On May 9, 2014, a Writ of Preliminary Injunction was issued by the RTC of Makati Branch 132, enjoining and restraining the TRB and PNCC from implementing the Interim Rules and Guidelines dated March 22, 2012. The respondents corporations namely: MNTC, CMMTC,SLTC and MTESI were directed to forward the entire amounts to be remitted by them under their respective Supplemental Toll Operations Agreement to the PNCC.

31.SUPPLEMENTARY INFORMATION REQUIRED UNDER BIR REVENUE REGULATION NO. 15-2010

In compliance with the requirements set forth by Revenue Regulation (RR) No. 15-2010, hereunder are the information on taxes, duties, and licenses paid or accrued during the taxable year 2013:

31.1 The Company is a VAT-registered company with VAT output tax declaration of P28.302 million for the year based on the amount reflected in the Sales Account of P235.851 million.

31.2 The amount of VAT input taxes claimed are broken down as follows:

Beginning of the year	0
Current year's purchases:	
Goods for resale/manufacture or further processing	0
Goods other than for resale or manufacture	484,862
Capital goods subject to amortization	194,786
Capital goods not subject to amortization	70,603
Services lodged under cost of goods sold	0
Services lodged under other accounts	1,649,149
Claims for tax credit/refund and other adjustments	4,041,969
Balance at the end of the year	6,441,369

31.3 Other taxes and licenses:

Local:	
Real Estate Tax	1,437,245
Mayor's Permit	814,896
Community tax	11,000
Total	2,263,141

National:	
BIR Annual Registration	500
VAT/Percentage Taxes	755,129
Fringe Benefit Tax	1,231,888
Others (CGT/DST)	5,603
Total	1,993,120

31.4 The amount of withholding taxes paid/accrued for the year amounted to P7.75 million, broken down as follows:

Tax on compensation and benefits	6,671,028
Creditable withholding tax/es	1,078,856
Final withholding taxes	0
Total	7,749,884

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION

SCHEDULES A to K

As of December 31, 2013

Schedule A - Marketable Securities (Current Marketable Equity Securities and Other Short-term Investments)

The company's Short-Term Investment as of December 31,2013 amounting to P157.124 million represents 1.26% only of the total assets of P12.452 billion. This is way below the ceiling requirement of 10% or more of the total assets, hence, this schedule need not be filed.

Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Affiliates)

Corresponding schedule is herewith attached/submitted. Included in the list are the company's former employees, officers, and consultants with outstanding aggregate indebtedness of more than P100,000.00 or one (1) percent of the total assets, whichever is less, as of December 31, 2013.

Schedule C - Non-Current Marketable Equity Securities, Other Long-Term Investments in Stock, and Other Investments

The Investment account which stood at P261.751 million as of December 31, 2013 constitutes 2.1% of the total assets in the related balance sheet. Considering that the account is below the 5% ceiling requirement, the schedule is omitted.

Schedule D - Indebtedness of Unconsolidated Subsidiaries and Affiliates

This schedule is omitted. Total receivables from subsidiaries and affiliates as of December 31, 2013 in the amount of P336.551 million is only 2.7% (below the 5% requirement) of the P12.452 billion assets.

Schedule E - Property, Plant, and Equipment

The company's property, plant, and equipment account amounting to P776.308 million is 6.23% of the P12.452 billion assets (or down by 18.77% vis-à-vis the 25% ceiling requirement), hence, the schedule need not be submitted.

Schedule F - Accumulated Depreciation

The related schedule of the accumulated depreciation account amounting to P207.104 million is likewise not submitted due to the reason stated in Shedule E above.

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION

SCHEDULES A to K

As of December 31, 2013

Schedule G - Intangible Assets and Other Assets

The other assets account balance of P194.484 million as of December 31, 2013 comprises 1.56% only (below the 5% requirement) of the P12.452 billion assets, hence, omitted.

Schedule H - Long-Term Debt

Applicable account schedule as of December 31, 2013 is herewith attached/submitted.

Schedule I - Indebtedness to Affiliates and Related Parties (Long-Term Loans from Related Companies)

This schedule is omitted. There is no outstanding payable to subsidiaries and affiliates as of December 31, 2013.

Schedule J - Guarantees of Securities of Other Issuers

Not applicable.

Schedule K - Capital Stock

Applicable account schedule as of December 31, 2013 is herewith attached/submitted.

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
AGING SCHEDULE OF RECEIVABLES & ADVANCES
As of December 31, 2013
(In Thousand Pesos)

	Amount	Allowance for Doubtful Account	Net Amount	Current	Past Due				
					1-30	31-60	61-90	91-120	Over 120
01 Unbilled Contract Receivable	234	234	-						-
02 Billed Contract Receivable	161,893	90,523	71,370		18,763				52,607
03 Contract Retention Receivable	5,135	2,380	2,755						2,755
04 Accounts Receivable - Trade	60,150	60,150	-						-
05 Accounts Receivable - Subs. and Aff. (net)	336,551	240,360	96,191	606		132	573	50	94,830
06 Accounts Receivable - Officers and Employees	313	10	303	100	13	17	16		157
07 Claims Receivable	89,458	24,406	65,052						65,052
08 Other Accounts Receivable	490,313	175,707	314,606	13,665	8,823	5,382	4,918	4,981	276,837
09 Advances to Supplier	2,205	2,190	15	5			6	4	-
10 Advance to Subcontractor	17,169	11,027	6,142						6,142
11 Advances to Contract Owners	636	636	-						-
Sub-total	**1,164,057**	**607,623**	**556,434**	**14,376**	**27,599**	**5,531**	**5,513**	**5,035**	**498,380**
12 Advances to Bureau of Treasury			150,000						
13 Advances to Joint Venture			74,022						
14 Advances to CESLA			29						
Sub-total			**224,051**						
Total			**780,485**						

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
SCHEDULE B: AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES
RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN AFFILIATES).
As of December 31, 2013-(In Thousand Pesos)

Name and Designation of Debtor		Balance at Beginning of Period	Additions	DEDUCTIONS		Current	Not Current	Balance at End of Period
				Amounts Collected	Amounts Written-off			
Alentajan, Bonifacio	Former Consultant	400					400	400
Armonio, Manuel	Former Consultant	106					106	106
Asuncion, Ma. Theresa	Former President & CEO	1,200					1,200	1,200
Caballo, Marlon	Former Technical Assistant (Legal Corp.)	5,554					5,554	5,554
Encanto, Melvin	Former Consultant	300					300	300
Garin, Edgardo	Former Employee	192					192	192
Gaston, Segundo	Former Group Head - (Senior Vice Pres.)	41,013					41,013	41,013
Jardin, Penny	Former Employee	2,860					2,860	2,860
Paulino, Ibarra	Former Officer	632					632	632
Purugganan, Abraham	Former Executive Vice President	475					475	475
		52,732	-	-	-	-	**52,732**	**52,732**

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
SCHEDULE H : LONG TERM DEBT
As of December 31, 2013 and December 31, 2012
(In Thousand Pesos)

Creditors	Amount Authorized by Indenture	As of December 31, 2013					As of December 31, 2012				
		Current Portion of Long-term Debt	Long-term Debt				Current Portion of Long-term Debt	Long-term Debt			
			Amount	Interest Rate	No. of Periodic Install.	Mat. Date		Amount	Interest Rate	No. of Periodic Install.	Mat. Date
Domestic: Toll Regulatory Board	912M	4,754,426 *		2%/mo.on outs.bal.	30 years	04/30/2007	4,496,424 *		2%/mo.on outs.bal.	30 years	04/30/2007
Debt to NG		2,866,869					2,866,869				
Debt to GOCC		1,203,000					1,203,000				
Total		8,824,295	0				8,566,293	0			

*inclusive of pena;ty charges

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
SCHEDULE K: CAPITAL STOCK
As of December 31, 2013

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding as Shown Under Related Balance Sheet Caption	Number of Shares Reserved for Options, Warrants Conversion and Other Rights, Redemptions	Number of Shares Held by Affiliates	Directors, Officers, and Employees	Others
Preferred A (Treasury Stock)	1,400,000	1,400,000	1,400,000			
Preferred B	42,114,879	18,689,500				18,689,500
Preferred C	6,485,121	6,485,121				6,485,121
Preferred D	27,800,000	25,500,000				25,500,000
Special Common	10,000,000	1,489,037			2,952	1,486,085
(Treasury Stock)		367,395	367,395			-
Common	182,200,000	174,444,759			4,105	174,440,654
Total	270,000,000	228,375,812	1,767,395	-	7,057	226,601,360

√PHILIPPINE NATIONAL CONSTRUCTION CORPORATION

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		√		
PFRSs Practice Statement Management Commentary				
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards	√		
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	√		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			√
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			√
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			√
	Amendments to PFRS 1: Government Loans		√	
PFRS 2	Share-based Payment			√
	Amendments to PFRS 2: Vesting Conditions and Cancellations			√
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			√
PFRS 3 (Revised)	Business Combinations			√
PFRS 4	Insurance Contracts			√
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			√
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			√

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012		Adopted	Not Adopted	Not Applicable
PFRS 6	Exploration for and Evaluation of Mineral Resources			√
PFRS 7	Financial Instruments: Disclosures	√		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	√		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	√		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments		√	
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets		√	
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities		√	
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures		√	
PFRS 8	Operating Segments			√
PFRS 9*	Financial Instruments		√	
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures		√	
PFRS 10*	Consolidated Financial Statements		√	
PFRS 11*	Joint Arrangements			
PFRS 12*	Disclosure of Interests in Other Entities			
PFRS 13*	Fair Value Measurement			
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	√		
	Amendment to PAS 1: Capital Disclosures			√
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			√
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income		√	
PAS 2	Inventories	√		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012		Adopted	Not Adopted	Not Applicable
PAS 7	Statement of Cash Flows	√		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	√		
PAS 10	Events after the **Reporting Period**	√		
PAS 11	Construction Contracts			√
PAS 12	Income Taxes	√		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	√		
PAS 16	Property, Plant and Equipment	√		
PAS 17	Leases		√	
PAS 18	Revenue	√		
PAS 19	Employee Benefits		√	
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures		√	
PAS 19 (Amended)*	Employee Benefits		√	
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			√
PAS 21	The Effects of Changes in Foreign Exchange Rates			√
	Amendment: Net Investment in a Foreign Operation			√
PAS 23 (Revised)	Borrowing Costs	√		
PAS 24 (Revised)	Related Party Disclosures	√		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			√
PAS 27	**Consolidated and Separate Financial Statements**		√	
PAS 27 (Amended)*	Separate Financial Statements	√		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012		Adopted	Not Adopted	Not Applicable
PAS 28	**Investments in Associates**	√		
PAS 28 (Amended)*	Investments in Associates and Joint Ventures	√		
PAS 29	Financial Reporting in Hyperinflationary Economies			√
PAS 31	Interests in Joint Ventures	√		
PAS 32	Financial Instruments: Disclosure and Presentation	√		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			√
	Amendment to PAS 32: Classification of Rights Issues			√
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities			√
PAS 33	Earnings per Share	√		
PAS 34	Interim Financial Reporting	√		
PAS 36	Impairment of Assets	√		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	√		
PAS 38	Intangible Assets		√	
PAS 39	Financial Instruments: Recognition and Measurement	√		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	√		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			√
	Amendments to PAS 39: The Fair Value Option	√		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			√
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	√		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	√		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives		√	

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012		Adopted	Not Adopted	Not Applicable
	Amendment to PAS 39: Eligible Hedged Items			√
PAS 40	Investment Property	√		
PAS 41	Agriculture			√
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			√
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			√
IFRIC 4	Determining Whether an Arrangement Contains a Lease			√
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			√
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			√
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			√
IFRIC 8	*Scope of PFRS 2*			√
IFRIC 9	Reassessment of Embedded Derivatives			√
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			√
IFRIC 10	*Interim Financial Reporting and Impairment*	√		
IFRIC 11	PFRS 2- Group and Treasury Share Transactions			√
IFRIC 12	Service Concession Arrangements			√
IFRIC 13	Customer Loyalty Programmes			√
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			√
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			√
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			√
IFRIC 17	Distributions of Non-cash Assets to Owners			√
IFRIC 18	Transfers of Assets from Customers			√

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012		Adopted	Not Adopted	Not Applicable
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			√
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			√
SIC-7	Introduction of the Euro			√
SIC-10	Government Assistance - No Specific Relation to Operating Activities			√
SIC-12	Consolidation - Special Purpose Entities			√
	Amendment to SIC - 12: Scope of SIC 12			√
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			√
SIC-15	Operating Leases - Incentives			√
~~SIC-21~~	~~Income Taxes - Recovery of Revalued Non-Depreciable Assets~~			
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			√
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			√
SIC-29	Service Concession Arrangements: Disclosures.			√
SIC-31	Revenue - Barter Transactions Involving Advertising Services			√
SIC-32	Intangible Assets - Web Site Costs			√

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2012		Adopted	Not Adopted	Not Applicable
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			√
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			√
SIC-7	Introduction of the Euro			√
SIC-10	Government Assistance - No Specific Relation to Operating Activities			√
SIC-12	Consolidation - Special Purpose Entities			√
	Amendment to SIC - 12: Scope of SIC 12			√
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			√
SIC-15	Operating Leases - Incentives			√
~~**SIC-21**~~	~~Income Taxes – Recovery of Revalued Non-Depreciable Assets~~			
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			√
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			√
SIC-29	Service Concession Arrangements: Disclosures.			√
SIC-31	Revenue - Barter Transactions Involving Advertising Services			√
SIC-32	Intangible Assets - Web Site Costs			√

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
FINANCIAL SOUNDNESS INDICATORS

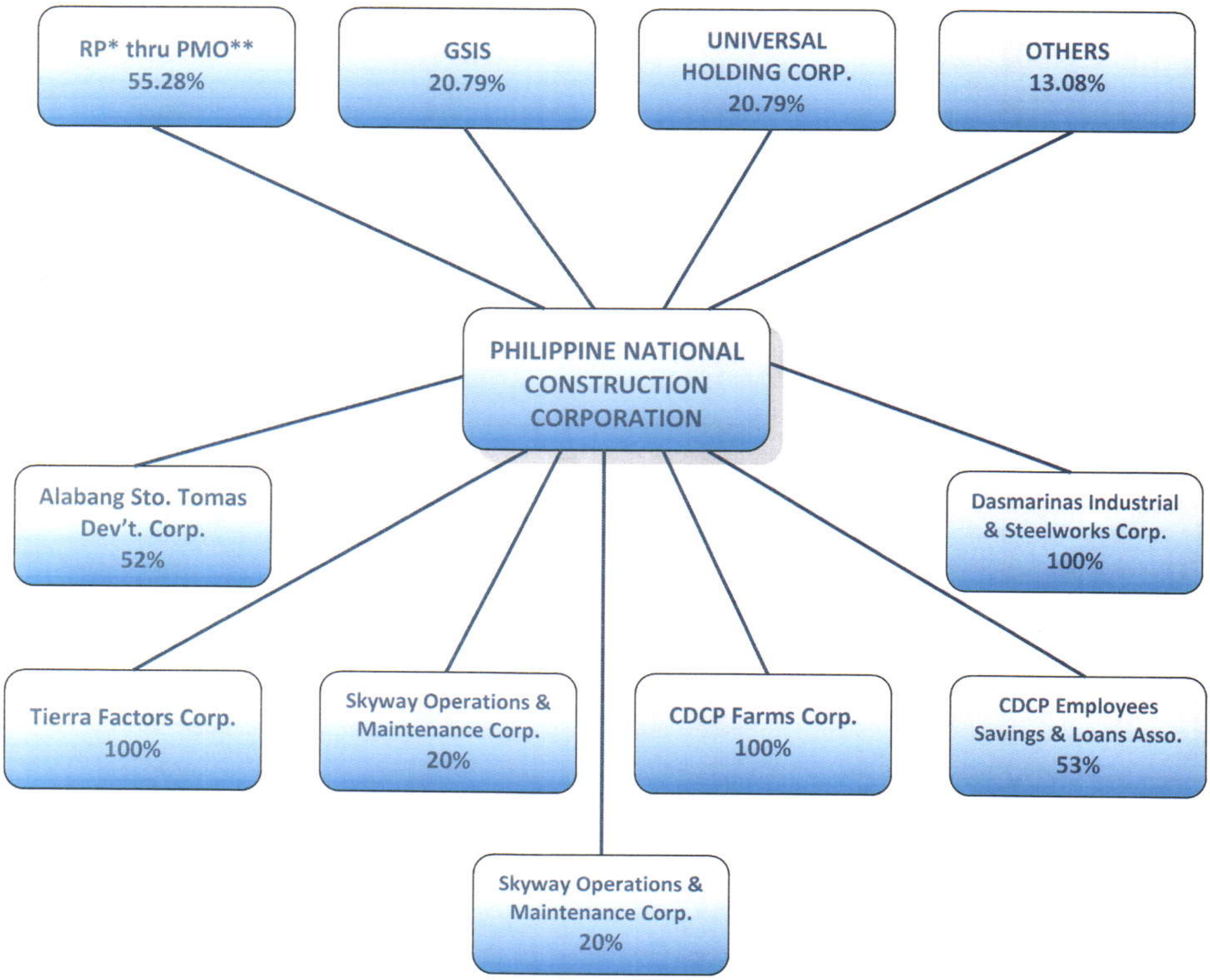
		2013	2012
1	Current/Liquidity Ratios:		
	Current Ratio	0.111:1	0.105:1
	Quick Asset Ratio	0.109:1	0.102:1
2	Solvency Ratios:		
	Debt to Assets	98.95%	115.63%
	Debt to Equity Ratio	9449.47%	-739.81%
3	Asset to Equity Ratio	9549.47%	-639.81%
4	Interest Rate Coverage Ratio	0.285	0.090
5	Profitability Ratios:		
	Return on Assets	13.18%	-2.16%
	Return on Equity	1258.95%	-13.85%

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS (DEFICIT)
For the Year Ended December 31, 2013

Deficit, balance at beginning of year	(9,700,054,876)
Correction of prior years' earnings (Note 28)	2,056,124
Deficit, balance at beginning of year, as adjusted	(9,697,998,752)
Net profit (based on the face of the FS)	1,641,620,882
Deficit, balance at end of year	(8,056,377,870)

As discussed in Note 16 of the 2013 Audited of the Financial Statements, dividends (in arrears) on cumulative preferred shares are not recognized in the books due to the Board of Directors' non-declaration of dividends in view of the Company's deficit of P8.056 billion as of December 31, 2013. Such action of the PNCC Board is supported by Article XI, Section 11.01 of the Amended Corporate By-Laws which provides that "Dividends maybe declared annually or oftener as the Board may determine. The Board of Directors may declare dividends only from the surplus profits of the Corporation."

MAP SHOWING THE RELATIONSHIPS BETWEEN AND AMONG THE COMPANIES IN THE GROUP, ITS ULTIMATE PARENT COMPANY AND SUBSIDIARIES



PHILIPPINE NATIONAL
CONSTRUCTION CORPORATION

SIGNATURES

Pursuant to the requirement of Section 17 of the Corporation Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Parañaque on ________________.

By:

MIRIAM M. PASETES
Principal Financial Officer

SUBSCRIBED AND SWORN to before me this NOV 1 8 2014 in MANILA affiants exhibiting to me her Government issued I.D. SSS no. 03-284-665-1.

Doc. No.: 379
Book No. 34
Page No. 98
Series of 2014

ATTY. DELFIN B. AGUAGILI JR.
NOTARY PUBLIC
UNTIL DECEMBER 31, 2014
PTR NO. 2413105 / 2014 MLA.
IBP NO. 943989 / 2014 MLA.
ROLL NO. 24655/TIN NO. 144-519-066
MCLE III 0013521
COM.NO. 2013-023