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 SERVICE ROAD BICUTAN PARANAQUE CITY

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

RENATO M. MONSANTO

Contact Person

846-2906

Company Telephone Number

1 2	3 1
Month	Day

Fiscal Year

SEC FORM 20-IS

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

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION

18 July 2016

Dear Stockholder,

Please take notice that this year's annual meeting of the stockholders of PHILIPPINE NATIONAL CONSTRUCTION CORPORATION will be held on 19 September 2016 at 2:00 p.m. at the PNCC Complex, KM. 15 East Service Road, Bicutan, Parañaque City. The Agenda of the meeting is as follows:

1. Call to Order
2. Certification of Notice and Quorum
3. Ratification of Corporate Acts of the Board of Directors
4. Report of the Chairman/ President
5. Election of the Board of Directors of the Corporation
6. Appointment of External Auditors
7. Other Matters
8. Adjournment

Only stockholders of record at the close of business hours on 15 July 2016 are entitled to notice, and to vote at this meeting. Registration will start at 1:00 p.m. and will close at exactly 1:45 p.m. Please present any government issued ID as proof of identification such as driver's license, passport, postal ID, of SSS/ GSIS ID. Aside from personal identification, representatives of corporate stockholders should present a notarized Secretary's Certificate indicating the representative's authority to represent the corporation. Beneficial owners whose shares are lodged with the Philippine Central Depository ("PCD"), or registered under the name of a broker, bank, or other fiduciary, must, in addition to the required proof of identification, present a notarized certification from the owner of record that he is the beneficial owner, indicating thereon the number of shares.

Should you be unable to attend the meeting, you may want to execute a proxy in favor of a representative. Proxies must be presented to the Corporate Secretary for inspection, validation, and record, at least seven (3) business days prior to the Stockholders' Meeting. We enclose a proxy form for your convenience.

RENATO M. MONSANTO
Assistant Corporate Secretary

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION

PROXY

The undersigned stockholder of PHILIPPINE NATIONAL CONSTRUCTION CORPORATION (the "Corporation") hereby constitutes and appoints ______________________________ as proxy to represent the undersigned stockholder, and to vote all the shares registered in the name of the undersigned stockholder in the books of the Corporation at the meeting of the stockholders of the Corporation, and any adjournment thereof to held on 19 September 2016.

The proxy is authorized to vote on all matters, which may properly be taken in the said meeting of stockholders.

This proxy shall be valid only for the said meeting of the stockholders, unless withdrawn by the undersigned stockholder by written notice filed with the Corporate Secretary of the Corporation. This proxy shall not be valid for meetings where the undersigned stockholder personally registers and attends the aforementioned meeting, and at any adjournment thereof.

Signed this Proxy this ___ day of _____ 2016.

By:

____

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

19 2016
4:10pm

1. Check the appropriate box:
   [X] Preliminary Information Statement
   [ ] Definitive Information Statement

2. Name of Registrant as specified in its charter **PHILIPPINE NATIONAL CONSTRUCTION CORPORATION**

3. **Philippines**
   Province, country or other jurisdiction of incorporation or organization

4. SEC Identification Number **0000030930**

5. BIR Tax Identification Code **000-058-330-000**

6. **PNCC COMPLEX, KM. 15, EAST SERVICE ROAD, BICUTAN, PARAÑAQUE CITY** — **1700**
   Address of principal office — Postal Code

7. Registrant's telephone number, including area code **(632) 822-57-25 / (632) 846-3045**

8. Date, time and place of the meeting of security holders

   September 19, 2016, 2:00 p.m.
   PNCC Complex, Km. 15, East Service Road, Bicutan, Paranaque City

9. Approximate date on which the Information Statement is first to be sent or given to security holders

   August 26, 2016

10. *In case of Proxy Solicitations: Not applicable*
    Name of Person Filing the
    Statement/Solicitor:________________
    Address and Telephone No.: ________________

11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding
Common Shares (12/31/2012)	**174,444,759**

12. Are any or all of registrant's securities listed in a Stock Exchange?

    Yes __X__ No ______

    If yes, disclose the name of such Stock Exchange and the class of securities listed therein:

    The Registrant's common shares are listed on the Philippine Stock Exchange.

PART I.

INFORMATION STATEMENT

A. GENERAL INFORMATION

Item 1. **Date, time and place of meeting of security holders.**

Date: September 19, 2016
Time: 2:00 p.m.
Place: PNCC Complex, Km. 15, East Service Road, Bicutan, Parañaque City

The corporate mailing address of the principal office of the Registrant is PNCC Complex, Km. 15, East Service Road, Bicutan, Parañaque City.

The Information Statement will approximately be sent or given first to stockholders of record on 26 August 2016 or at least fifteen (15) business days before the meeting date.

Item 2. **Dissenters' Right of Appraisal**

There is an item in the agenda that will entitle a shareholder to exercise a right of appraisal as provided under Section 81, Title X, of the Corporation Code of the Philippines ("Corporation Code").

Any stockholder of the Registrant shall have the right to dissent and demand payment of the fair value of his shares only in the following instances, as provided by the Corporation Code:

(1) In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares or of authorizing preferences in any respect superior to those outstanding shares of any class, or **of extending** or shortening the term of corporate existence;
(2) In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets;
(3) In case of merger or consolidation; and
(4) In case of investments in another corporation, business or purpose.

The appraisal right when available, may be exercised by any stockholder who shall have voted against the proposed corporate action, by making a written demand on the corporation within thirty (30) days after the date on which the vote was taken, for payment of the fair value of his shares; Provided, That failure to make the demand within such period shall be deemed a waiver of the appraisal right. A stockholder must have voted against the proposed corporate action in order to avail himself of the appraisal right. If the proposed corporate action is implemented or effected, the corporation shall pay to such stockholder upon surrender of his certificate(s) of stock representing his shares, the fair value thereof as of the day prior to the date on which the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action.

If within a period of sixty (60) days from the date the corporate action was approved by the stockholders, the withdrawing stockholder and the corporation cannot agree on the fair value of the shares, it shall be determined and appraised by three (3) disinterested persons, one of whom shall be named by the stockholder, another by the corporation and the third by the two thus chosen. The findings of the majority of appraisers shall be final, and their award shall be paid by the corporation within thirty (30) days after such award is made: Provided, that no payment shall be made to any dissenting stockholder unless the corporation has unrestricted retained earnings in its books to cover such payment; and Provided, Further, That upon payment by the corporation of the agreed or awarded price, the stockholder shall forthwith transfer his shares to the corporation.

Item 3. **Interest of Certain Persons in or Opposition to Matters to be Acted Upon**

None of the officers or directors or any of their associates has any substantial interest, direct or indirect, in any of the matters to be acted upon in the stockholders' meeting.

No director has informed the Registrant in writing that he intends to oppose any action to be taken at the meeting.

B. CONTROL AND COMPENSATION INFORMATION

Item 4. **Voting Securities and Principal Holders Thereof**

(a) Number of shares outstanding as of 30 June 2016:

Common:	**174,444,759**
Preferred "D":	**25,500,000**
	199,944,759

(b) Record Date: 15 July 2016

Each common and preferred D share of stock of the Registrant is entitled to one (1) vote. Pursuant to Article IV, section 4.05 of the Registrant's Amended By-Laws, every holder of voting stock may vote for each share of stock standing in his name on the books of the Registrant, unless the law provides otherwise. Also Article IV section 4.07 provides that at all meetings of the Stockholders, a stockholder or by his duly authorized attorney-in-fact, only on forms prescribed by the Board of Directors and sealed with the Corporate Seal that, at his request, shall be furnished to him by the Secretary of the Corporation, who shall keep a record of all stockholders to whom proxy forms have been issued. Such proxies should be acknowledged before the Secretary of the Corporation or a notary public, and shall be filed with the Secretary at least three (3) business days before the meeting.

Shares standing in the name of another corporation may be voted by such officer, agent, or proxy as the By-Laws of such provision, as the Board of Directors of such Corporation may, by resolution determine. A Certificate of the Secretary of such corporation attesting to the vote authority of the officer, agent or proxy to vote the stock standing in its name shall be conclusive on the right to vote said shares.

Shares held by an administrator, executor, guardian or judicial trustee may be voted by him, either in person or by proxy, without a transfer of such shares in his name, upon presentation to the Secretary of the certified true copy of the letters of administration, testamentary guardianship or trusteeship duly issued to him. Share standing in the voting trust or trustee may be voted by him, either in person or by proxy, but no such trustee shall be entitled to vote shares held by him without a transfer of such shares in his name.

Shares standing in the name of a receiver may be voted by such receiver, and shares held or under the control of a receiver may be voted by such receiver without the transfer thereof into his name if his authority to do is contained in an appropriate order to the court by which such receiver was appointed.

A stockholder whose shares are pledged shall be entitled to vote such shares until the shares have been transferred to the name of the pledge; thereafter, the pledge shall be entitled to vote the shares so transferred.

Shares of its own stock belonging to the Corporation or held by it in a fiduciary capacity shall not be voted directly or indirectly at any meeting and shall not be counted in determining the total number of outstanding shares entitled to vote at any time.

Stockholders entitled to vote are also entitled to cumulative voting in the election of directors. Section 24 of the Corporation Code provides, in part, that: "...in stock corporations, every stockholder entitled to vote shall have the right to vote in person or by proxy the number of shares of stock standing, at the time fixed in the by-laws, in his own name on the stock books of the corporation, or where the by-laws are silent, at the time of the election; and said stockholder may vote such number of shares for as many persons as there are directors to be elected, or he may cumulate said shares and give one candidate as many votes as the number of directors to be elected multiplied by the number of his shares shall equal, or he may distribute them on the same principle among as many candidates as he shall see fit..."

Security Ownership of Certain Beneficial and Management

Security ownership of certain record and beneficial owners of more than 5.0% of the Registrant's voting securities as of 30 June 2016:

Title of Class of Securities	Name/Address of Record Owners and Relationship with Registrant / Citizenship	Amount/Nature of Record Beneficial Ownership	Percent of Class
Common	PRIVATIZATION MANAGEMENT OFFICE 104 Gamboa St., Legaspi Village, Makati City Shareholder / Filipino	79,271,024	39.64%
Common	GOVERNMENT SERVICE INSURANCE SYSTEM Roxas Blvd., Pasay City Shareholder / Filipino	47,490,383	23.75%
Common	UNIVERSAL HOLDINGS CORP. CVCLAW Center, 11th Ave. cor. 39th St. Bonifacio Global City, 1634 Metro Manila Shareholder / Filipino	24,780,746	12.39%
Common	PCD Nominee Corporation 37/F Tower I The Enterprise Center, 1226 Ayala Avenue, Makati City Shareholder / Filipino	12,562,537	6.28%
Preferred D	PRIVATIZATION MANAGEMENT OFFICE 104 Gamboa St., Legaspi Village, Makati City Shareholder / Filipino	25,500,000	12.75%

By virtue of LOI 1295 (1983) 76.14% of voting equity has been held by various government financial institutions (GFIs), namely: PNB, Phil Guarantee, 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.

Only 23.86% of PNCC's voting equity is strictly under private ownership and 6.28% of which is being held by PCD Nominee Corporation. PCD Nominee Corporation is the registered owner of shares beneficially owned by participants in the Philippine Depository & Trust Corporation, a private company organized to implement an automated book entry system of handling securities transactions on the Philippines (PCD). Under the PCD procedures, when an issuer of a PCD-eligible issue will hold a stockholders' meeting, the PCD shall execute a pro-forma proxy in favor of its participants for the total number of shares in their respective principal securities account as well as for the total number of shares in their client securities account. For the shares in the principal securities account, the participant concerned is appointed as proxy, with the obligation to constitute a sub-proxy in favor of its clients with full voting and other rights for the number of shares beneficially owned by such clients. As of Record Date, the Registrant is not aware of any investor beneficially owning shares lodged with the PCD which comprise more than five percent (5%) of the Registrant's total outstanding common shares of stock.

Security ownership of management as of 30 June 2016:

Title of Class	Name of Beneficial Owner/ Address	Citizenship	Amount/Nature of Record Beneficial Ownership	% to Total Outstanding
BOARD				
Common	Rosanna E. Velasco	Filipino	50 (Direct)	00.00%
Common	Luis F. Sison	Filipino	1 (Direct)	00.00%
Common	Cristino L. Panlilio	Filipino	1,456 (Direct)	00.00%
Common	Tomas C. Alvarez	Filipino	101 (Direct)	00.00%
Common	Antonio T. Pido	Filipino	50 (Direct)	00.00%
Common	Nora O. Vinluan	Filipino	2 (Direct)	00.00%
Common	Rosendo T. Capco	Filipino	10 (Direct)	00.00%
Common	Robert G. Vergara	Filipino	50 (Direct)	00.00%
Common	Elpidio C. Jamora, Jr.	Filipino	1 (Direct)	00.00%
Common	Tomas C. Falgui II	Filipino	100 (Direct)	00.00%
Common	Elisea G. Gozun	Filipino	50 (Direct)	00.00%
MANAGEMENT				
Common	Janice Day E. Alejandrino	Filipino	6 (Direct)	00.00%
Common	Yolanda C. Mortel	Filipino	13 (Direct)	00.00%
Total			1,890	00.00%

Except as aforementioned, no other officers of the Registrant hold, directly or indirectly, shares in the Registrant.

Changes in Control

The Registrant is not aware of any voting trust agreements or any other similar agreements which may result in a change in control of the Registrant. No change in control of the Registrant has occurred since the beginning of its last fiscal year.

Item 5. Directors and Executive Officers of the Registrant

Term of Office

Each director holds office until their successors are elected and qualified in accordance with the By-Laws of the corporation except in case of death, resignation, disqualification or removal from office.

Background Information

The following are the names, ages and citizenship of the incumbent directors of the Registrant

Name	Age	Position	Citizenship
Elpidio C. Jamora, Jr.	62	Chairman of the Board	Filipino
Luis F. Sison	73	Director, President & CEO	Filipino
Tomas C. Alvarez	84	Director	Filipino
Rosendo T. Capco	66	Director	Filipino
Tomas C. Falgui II	55	Director	Filipino
Elisea G. Gozun	64	Director	Filipino
Cristino L. Panlilio	65	Director	Filipino
Antonio T. Pido	61	Director	Filipino
Rosanna E. Velasco	58	Director	Filipino
Nora O. Vinluan	75	Director	Filipino

Robert G. Vergara	55	Director	Filipino
Toni Angeli V. Coo	36	Director, Ex-Officio	Filipino

The following are the names, ages and citizenship of the Registrant's executive officers in addition to its executive and independent directors listed above as of 30 June 2016.

Name	Age	Position	Citizenship
Renato M. Monsanto	65	Asst. Corporate Secretary	Filipino
Janice Day E. Alejandrino	62	Senior Vice President for Human Resource and Administration	Filipino
Miriam M. Pasetes	64	Vice President - Corporate Treasurer	Filipino
Yolanda C. Mortel	61	Vice President for Materials Management & Asset Disposal	Filipino
Henry B. Salazar	46	Asst. Vice President & Corporate Legal Officer	Filipino
Felix M. Erece	55	Assistant Vice President - Corporate Controller	Filipino

The following states the business experience of the incumbent directors and officers of the Registrant for the last five (5) years:

ELPIDIO C. JAMORA, JR., *Chairman*, is the President of Epsilon 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 of the Philippines in 1982 and became a member of the Philippine Bar in 1983.

LUIS F. SISON, *President/Director*, 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 Examinations in the same year.

TOMAS C. ALVAREZ, *Director*, 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*, 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 1978.

ELISEA G. GOZUN, *Director*, graduated with a Bachelor of Arts from Southwestern University in Cebu City in 1976. She completed units for a Master's degree in Environmental Management at the Philippine Women's University in 1996. She was conferred Doctor of Environmental Management (*Honoris Causa*) by Ramon Magsaysay Technological University in 2004 and by Xavier University in 2008.

Aside from her current work at the GSIS as Trustee, she serves as Consultant to several World Bank projects including the Climate Public Expenditure and Institutional Review, Phil-Wealth Accounting and Valuation of Ecosystem Services, and Green Print 2030 Phase II. She is also a consultant to AECOM, which is a contractor for the United States Agency for International Development on the Climate Resiliency Team Leader, Be Secure Project. She has also worked with various UN Bodies, ADB, National Government Agencies and Local Government Units.

CRISTINO L. PANLILIO, *Director*, 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 Industry 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.

ANTONIO C. PIDO, *Director*, is currently 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 a 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 examinations given in the same year.

ROSANNA E. VELASCO, ***Director***, 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. Velasco 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.

ROBERT G. VERGARA, ***Director***, graduated with double degrees in Management Engineering and Mathematics from Ateneo de Manila University (Magna Cum Laude). In 1986, he obtained his Master's degree in Business Administration from Harvard Graduate School of Business Administration, with concentration on general management, finance and corporate strategy.

Prior to his appointment as President and General Manager and Vice Chairman of the GSIS Board of Trustees, he was the Managing Director and Founding Partner of Cannizaro (Hong Kong) Capital Partners Limited. He spent most of his career in Hong Kong where he was also a Trader of IFM Trading Limited, Managing Director of IFM Asia Limited, Principal of Morgan Stanley Dean Witter Asia Limited, Director of Dresdner Kleinwort Wasserstein Securities (Asia) Limited, Managing Director of Lionhart (Hong Kong) Limited.

NORA S. VINLUAN, ***Director***, 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), Eastern 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.

TONI ANGELI V. COO, ***Director, Ex-officio***, was an Associate of Lim and Leynes Law Offices from 2007 to 2010 and of Roque and Butuyan Law Offices from 2011 to 2012. She served as a Legal Counsel for Privatization and Management Office from January 2012 to July 2013 and as its Deputy Privatization Officer (DPO) for PMO's Marketing from August 2013 to present and DPO for Legal Division from August to November 2013. She became PMO's Officer in Charge of Office of the Chief Privatization Office from November 2013 to April 2015, then as Chief Privatization Officer starting May 2015 until today. She earned her Bachelor of Laws degree from the University of the Philippines in 2006 and her Bachelor of Arts major in Social Sciences from Ateneo de Manila University in 2002. She passed the Philippine Bar in 2007.

RENATO M. MONSANTO, ***Asst. Corporate Secretary***, holds a B.S. Journalism degree from Lyceum and reached two years legal education in UST. He has worked in the PNCC Corporate Secretariat for the past 15 years. His first tenure of 11 years started in June 1995 as Legal Assistant with the rank of Assistant Manager assigned at the Corporate Legal Division; in October 1995 concurrently as Assistant Corporate Secretary, he was transferred to the Office of the Chairman in January 1997 in the same capacity, until his promotion in rank as Manager since January 2004 to March 2006 when he applied for voluntary retrenchment due to downgraded corporate activities. Also in concurrent capacities, he served as Corporate Secretary and/or Assistant Corporate Secretary since October 1995 up to March 2006 in the following PNCC Group of Companies: Dasmarinas Industrial & Steelworks Corporation, Traffic Control Products Corporation, Tierra Factors Corporation, CDCP Farms Corporation, and PNCC Skyway Corporation. In 2011, he rejoined PNCC and was assigned in the Legal Division up to the present.

JANICE DAY E. ALEJANDRINO, ***Senior Vice President for Administration and Property Management***, has served PNCC since 1997 in the area of human resource and administrative services. She is now the Compliance Officer of the company and has earlier served as the Lead Internal Auditor for the company's Quality Management System. She has earned her degrees in B.S. in Hygiene and M.A. in Asian Studies from the University of the Philippines in 1975 and 1984, respectively. She completed the academic requirements of 36 units for a degree in Master of Arts in Economic Research from the University of Asia and the Pacific from 1984-1986. She has been engaged as a resource person in various government institutions in the area of training and systems development.

MIRIAM M. PASETES, ***Vice President & Corporate Treasurer***, has served PNCC since 1977 until today in various capacities in the field of finance. She started as a Management Economics and Financial Analyst 1 in 1977 and moved up to the position of Corporate Finance Officer in 1998 with the rank of Senior Vice President. She was promoted to the rank of Vice President and Senior Vice President. In February 2004 and May 2005, respectively. She now serves as Corporate Treasurer. Ms. Pasetes graduated *Cum Laude* with a degree in Bachelor of Science in Commerce from Centro Escolar University in 1972.

YOLANDA C. MORTEL, ***Vice President for Materials Management & Asset Disposal***, joined the company in 1975 and rose from the ranks to become the Head of the Materials Management Division from March 2001 up to the present. She has continued to serve as Head of the Asset Disposal Task Force from January 2004 and as Head of the Technical Working Group of the PNCC Bids and Awards Committee from 2005. She also has served as Director of CDCP Employees Salary and Loan Association from 2001 until today. She obtained her degree in Bachelor of Science in Education in 1975 from J. Rizal College of Taal, Batangas.

HENRY B. SALAZAR, ***Asst. Vice President & Corporate Legal Officer***, obtained his Bachelor of Laws degree from Arellano Law School in 1996. He was admitted to the Philippine Bar after passing the 1996 Bar Examinations. He has a degree in AB Economics from San Beda College where he graduated in 1991.

He headed the Litigation Department of PNCC until he was retrenched in June 2011. He rejoined PNCC a month after. At present, he is the Corporate Legal Officer of PNCC, with the rank of Assistant Vice President. He previously served as Trust Attorney in the Asset Privation Trust from July 1997 to December 2000.

FELIX M. ERECE, ***Asst. Vice President for Personnel Services and Records Management*** is the Head of Personnel Services and Records Control. In addition, he was tapped to oversee the operation of manpower supply contract with SOMCO (Skyway Maintenance and Operation) and the manpower requirements of Philphos Project in Leyte previously handled by the dissolved DISC Management.

He completed his elementary and high school education at Timoteo Paez Integrated Pilot School, a public school in Tondo, Manila. He studied in TUPP-Manila Technician Institute taking up a three-year Civil Technology course sponsored by PBSP. He also studied Civil Engineering at Feati University, took-up various computer related courses and attended trainings/seminars to equip him with the knowledge and skills needed in handling bigger responsibilities.

Board Meeting Attendance

	Directors Name	No. of Meetings Attended in 2013 *(Total No. of Meetings: 20)*	No. of Meetings Attended in 2014 *(Total No. of Meetings: 16)*	No. of Meetings Attended in 2015 *(Total No. of Meetings: 17)*
Chairman	Elpidio C. Jamora, Jr.[a]	7	16	17
Member	Luis F. Sison	20	15	15
Member	Tomas C. Alvarez	16	14	17
Member	Rosendo T. Capco	20	16	17
Member	Tomas G. Falgui II[b]	5	9	8
Member	Elisea G. Gozun[c]	4	8	11
Member	Cristino L. Panlilio[a]	7	15	12
Member	Antonio C. Pido	19	14	10
Member	Rosanna E. Velasco[a]	7	14	14
Member	Robert G. Vergara[c]	3	10	6
Member	Nora O. Vinluan	20	16	16
	Resigned:			
Acting Chairman	Jose Vicente C. Bengzon[d]	13		
Member	Thomas G. Aquino[e]	7		
Member	Elmer C. Hernandez[e]	9		
Member	Rodolfo C. Naguit[e]	7		
Member	Roman Felipe S. Reyes[f]	14		

Legend:

a - appointed to the Board on September 30, 2013
b - appointed to the Board on October 8, 2013
c - appointed to the Board on October 14, 2013
d - resigned to the Board on September 30, 2013
e - resigned to the Board on June 30, 2013
f - resigned to the Board on October 14, 2013

Some of the incumbent Directors named-above, have been elected during the organization meeting on January 11, 2011, while others were elected on various dates in October 2013. While all of them are on hold-over status until the appointment of their replacement by the Office of the President of the Philippines, all of them have been nominated for re-election to the Board of Directors by the Governance Commission for GOCCs (GCG).

Ms. Virginia G. Madrona, is stockholder who is not in any way related to the nominees, nominated to the Board the election of Mr. Roberto S. Cuenca and Mr. Rafael S. Cuenca as independent directors.

The following states the business experience of the last five (5) years of the nominees for independent directors:

ROBERTO S. CUENCA is the President of Capital Development Corporation and the Ferigate Philippines Corporation, from 2003 and 1992 respectively, until today. He served as President of the International School, Manila (1998-2001) and of the Marina Properties Corporation (1979-1983). He also served as Vice President for Expressways and Realty Group in the Construction and Development Corporation of the Philippines, now the Philippine National Construction Corporation.

RAFAEL S. CUENCA has been serving as Director of Operations of the Integrated Resources Corporation. He served as Project Manager in Smartmatic-TIM for Web-based education in the 2010 elections from 2009 to 2010.

He is a candidate for B.A. Political Science, Economics Minor in Turfs University in Massachusetts. He attended the course-seminar on Strategic Business Economics Program (SBEP) in the University of Asia & the Pacific (formerly CRC) for the school year 1994-1995. He also attended the Finance for Non-Financial Managers Course in the University of Chicago School of Business in Singapore.

The Revised Manual on Corporate Governance (RMCG) of the Registrant as approved by the PNCC Board during its meeting held on March 22, 2011 in compliance with the SEC Memorandum Circular No. 6 Series of 2009 conforms to SRC Rule 38 with regard to the nomination of independent directors of the Registrant. Article 2.1 and 2.7.2 of RMCG provides:

"2.1 **Composition of the Board**

2.1.1. The Board shall be composed of eleven (11) members who are elected by the stockholders entitled to vote at the annual meeting and shall hold office until their successors are elected and qualified in accordance with the By-Laws of the corporation. The corporation shall have at least two (2) independent directors.

2.1.2. The membership of the Board may be a combination of executive and non-executive directors (which include independent directors) in order that no director or small group of directors can dominate the decision making process. The non-executive directors should possess such qualifications and stature that would enable them to effectively participate in the deliberations of the Board.

...

2.7.2 Nomination Committee

The Nomination Committee shall be composed of at least three (3) voting Directors, one of whom must be an independent director. The committee shall have the following functions:

2.7.2.1 It shall review and evaluate the qualifications of all persons nominated to the Board and other appointments that require Board approval.

2.7.2.2 It shall assess the effectiveness of the Board's processes and procedures in the election or replacement of directors.

2.7.2.3 It shall consider the following guidelines in the determination of the capability of a director to serve as such:

a. The nature of the business of the corporation of which he is a director.

b. Age of the director.

c. Number of directorship/active memberships and officers in other corporations or organization; and

d. Possible conflict of interest.

Any optimum number of directorships shall be related to the capacity of a director to perform his duties diligently in general.

On the other hand, SRC Rule 38, as amended, provides in part as follows:

"8. Nomination and Election of Independent Director/s

The following rules shall be applicable to all covered companies:

A. The Nomination Committee (the "Committee") shall have at least three (3) members, one of whom is an independent director. It shall promulgate the guidelines or criteria to govern the conduct of the nomination. The same shall be properly disclosed in the

Registrant's information or proxy statement or such other reports required to be submitted to the Commission.

B. Nomination of independent director/s shall be conducted by the Committee prior to a stockholders' meeting. All recommendations shall be signed by the nominating stockholders together with the acceptance and conformity by the would-be nominees.
C. The Committee shall pre-screen the qualifications and prepare a final list of all candidates and put in place screening and parameters to enable it to effectively review the qualifications of the nominees for independent director/s.
D. After the nomination, the Committee shall prepare a Final List of Candidates which shall contain all the information about all the nominees for independent directors, as required under Part IV (A) and (C) of Annex "C" of SRC Rule 12, which list, shall be made available to the Commission and to all stockholders through the filing and distribution of the Information Statement, in accordance with SRC Rule 20, or in such other reports the Registrant is required to submit to the Commission. The name of the person or group of persons who recommended the nomination of the independent director shall be identified in such report including any relationship with the nominee.
E. Only nominees whose names appear on the Final List of Candidates shall be eligible for election as Independent Director/s. No other nominations shall be entertained after the Final List of Candidates shall have been prepared. No further nominations shall be entertained or allowed on the floor during the actual annual stockholders' /membership' meeting."

The Registrant has not complied with the guidelines on the nomination and election of independent directors set forth in Rule 38 of the Amended Implementing Rules and Regulations of the Securities Regulation Code. Since the election of the incumbent Board members in January 2011, there was no stockholders' meeting held. Hence, no independent directors could have been elected. The Nomination Committee is composed of Director Rosendo T. Capco as Chairman and Directors Antonio C. Pido and Cristino L. Panlilio as members.

No Director has resigned or declined to stand for re-election to the Board of Directors since the date of the last annual stockholders' meeting due to disagreement with the Registrant on any matter relating to the Registrant's operations, policies or practices.

The Registrant has no other significant employee other than its Executive Officers.

Luis F. Sison and Ms. Patricia Louise S. Punsalan, who are both employees of the Company, are father and daughter. Ms. Punsalan's employment has been approved through a resolution passed by the Board of Directors. Directors Robert

G. Vergara and Tomas C. Falgui II are related by affinity within the second civil degree (Falgui having been married to Vergara's sister, who is now deceased).

The Registrant has not had any transaction during the last three (3) years in which any Director or Executive Officer or any of their immediate family members has a direct or indirect interest.

None of the aforementioned Directors or Executive Officers is or has been involved in any criminal or bankruptcy proceeding, or is or has been subject to any judgment of a competent court barring or otherwise limiting his involvement in any type of business, or has been found to have violated any securities laws during the past five (5) years and up to the latest date.

Item 6. Compensation of Directors and Executive Officers

The compensation for the executive officers of the Registrant for the years 2014 and 2015 (actual) and 2016 (projected) are shown below:

Names	Position	Year	Salary	Bonus	Others
Luis F. Sison	President & CEO				
Janice Day E. Alejandrino	Senior Vice President for Human Resource and Administration				
Yolanda C. Mortel	Vice President for Materials Management				
Miriam M. Pasetes	Vice President - Acting Treasurer				
Felix M. Erece	Assistant Vice President - Personnel Services & Records Management				
Susan R. Vales*	Senior Assistant Vice President & Corporate Controller				
Atty. Henry B. Salazar	Assistant Vice President & Corporate Legal Officer				
Aggregate executive compensation for above named officers		**Actual 2014** **Actual 2015** **Projected 2016**	**₱15.53M** **₱14.53M** **₱14.46M**		
Aggregate executive compensation of all other officers and directors, unnamed		**Actual 2014** **Actual 2015** **Projected 2016**	**₱1.908M** **₱1.78M** **₱3.12M**		**₱629K** **P534K** **₱144K**

***Separated in December 2015**

Standard arrangement

The Board adopts Executive Order (E.O.) No. 24, prescribing rules to govern the compensation of members of the board of directors/trustees in Government-Owned or Controlled Corporations including Government Financial Institutions. Effective June 1, 2013, the Governance Commission for Government-Owned and

Controlled Corporations (GCG), in its letter dated May 27, 2013 determined the Company 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 Directors furthermore receive the following allowances:

Transportation & Gasoline:	**₱1,000.00** per meeting subject to submission of receipts, including normal /ordinary vehicle maintenance costs and gasoline expenses but not to exceed ₱60,000.00 per annum.
Communication:	**₱2,000.00** per month subject to submission of telephone/celphone bills or receipts, but not to exceed ₱24,000.00 per annum.
RFID:	**₱5,000.00** per month subject to submission of receipts but not to exceed ₱60,000.00 per annum.

Other arrangements

Other than payment of reasonable per diem for directors for every meeting, there are no standard arrangements pursuant to which directors of the company are compensated, or are to be compensated, directly or indirectly by the Company's subsidiaries, for any services provided as a director for 2013, 2014, and 2015.

Employment contract between the company and executive officers

Other than the service contract between the Company and the Corporate Secretary, there are no special employment contracts between the company and the named executive officers.

Warrants and options held by the executive officers and directors

There are no outstanding warrants or options held by the Company's CEO, the named executive officers, and all officers and directors as a group.

Significant employee

While the Company values the contribution of each of its executive and non-executive employees, the Company believes there is no non-executive employee that the resignation or loss of whom would have a material adverse impact on the business of the Company. Other than standard employment contracts, there are no special arrangements with non-executive employees of the Company.

Material Pending Legal Proceedings

The Corporation is involved in continuing litigations relating to labor and civil cases. The labor cases consist of those filed against the Corporation comprised mostly of claims of illegal dismissal, back wages, and separation pay. The civil cases filed by or against the Company involve breach of contract, damages, collection of money, and attorney's fees.

Notable among the cases filed against the Company is the claim of PMO that amounts to ₱5.55 billion. PNCC's debt remains unconverted as it is the Company's position, as supported by the Office of the Solicitor General (OSG) 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.

On the other hand, the PMO, still considers these unconverted debts as liabilities, claiming the total amount of ₱57.919 billion as of December 31, 2015, inclusive of accumulated interest charges and penalties amounting to ₱52.407 billion.

These ₱ 5.2.407 billion accumulated interest charges and penalties have not been recognized in the books of the Company based on the following reasons:

- The Supreme Court (SC) 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;
- The ₱5.55 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 interest and penalties is not warranted.

The above position of the Company is supported by the OSG and the Office of the Government Corporate Counsel (OGCC).

In view of the differences on the treatment of the ₱5.55 billion unconverted debt to equity, PNCC and the PMO have resolved to submit the matter to the DOJ for arbitration. The DOJ in its February 18, 2014 consolidated decision dismissed PNCC's Petition against PMO. PNCC filed a Motion for Reconsideration dated March 13, 2014, duly received at the DOJ on March 14, 2014. PNCC prayed that the DOJ consider the consolidation of decision as not proper and for the DOJ to decide on the NDC case separately separately from the PMO.

- Render judgment declaring that the interest and penalty charges being imposed by PMO on the actual outstanding debt of PNCC to the NG is without basis and violate LOI 1398;
- Declare that PNCC's outstanding debt to the NG is only in the amount of ₱5.55 billion, representing the amount of the unconverted debt-to-equity obligation to the GFIs; and
- Require or direct the debt-to-equity conversion of the ₱5.55 billion debt of PNCC pursuant to the clear and explicit instructions under LOI 1295.

On January 22, 2015, the DOJ denied PNCC's MR. Thereafter, PNCC filed a Supplement to the MR on May 28, 2015 which was also denied by the DOJ in its order dated July 13, 2015. On June 26, 2015, PNCC filed a Notice of Appeal with the Office of the President of the Philippines (OP) and filed the corresponding Appeal Memorandum on July 27, 2015, where the matter is now pending.

Independent Public Accountants

The Corporation has no independent public accountant but is subject to post-audit by the Commission on Audit ("COA"). The aggregate audit fees billed for the assigned COA Audit Team to the Company for the last three calendar years are ₱2,487,475.00 for CY 2013, ₱2,487,475.00 for 2014 and ₱2,168,438.00 for 2015.

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

The Audit Engagement is covered by a Term of Reference (TOR) executed by PNCC and COA to the joint Audit and Finance Committee for information/notation.

The appointment, approval or ratification of the registrant's public accountant shall be discussed during the Annual Meeting.

Representatives of COA are expected to be present at the Annual Meeting. They will have the opportunity to make a statement if they desire to do so and they are expected to be available to respond to appropriate questions.

There are no changes in or disagreements with accountants on accounting and financial disclosure.

Audit Committee's Approval Policies and Procedures

In relation to the audit of the Registrant's annual financial statements, the Registrant's Revised Corporate Governance Manual provides that the audit committee shall among other activities, (1) review the reports submitted by the internal and external auditors and (2) review the quarterly, half-year and annual financial statements before their submission to the Board, with particular focus on the following matters: any changes in accounting policies and practices, major judgmental areas, significant adjustments resulting from the audit, going concern assumptions, compliance with accounting standards, compliance with tax, legal and regulatory requirements. The Audit Committee of the Registrant is composed of Director Rosanna E. Velasco, Chairman and Directors Tomas C. Alvarez and Nora O. Vinluan as members.

Tax Fees

Except as provided above, the Registrant did not pay any tax fees and other fees to its external auditors.

Other Matters

Action with Respect to Reports

There are no acts of PNCC Board of Directors and Management that need stockholders ratification.

Other Proposed Actions

1. Ratification of all acts and resolutions of the Board of Directors and Management.

2. Election of Directors, including Independent Directors.

3. Appointment of Independent Auditors.

Voting Procedures

The election of the Board of Directors, as well as the appointment of the external auditors shall be decided by the plurality vote of stockholders present in person and entitled to vote thereat, provided that quorum is present.

Voting shall be by ballot unless the number of nominees does not exceed the number of directors to be elected in which case, voting by ballot may be dispensed with. Each ballot shall be signed by the stockholder voting, and shall state the number of shares voted by him. The votes will be counted manually and will be supervised by the transfer agent.

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PART II.

MANAGEMENT REPORT

I. FINANCIAL STATEMENTS

The Financial Statements of the Registrant as of and for the year ended December 31, 2012 are incorporated herein in the accompanying Index to Financial Statements and Schedules.

II. INFORMATION ON INDEPENDENT ACCOUNTANT

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

The Audit Engagement is covered by a Term of Reference (TOR) executed by PNCC and COA to the joint Audit and Finance Committee for information/notation. Usually, the audit shall cover transactions for the current year under review and shall include amounting or reporting area as follows:

1. Accounting books record
2. Recorder Financial and property
3. Compliance with the prior year's Audit recommendation

III. MANAGEMENT'S DISCUSSION AND ANALYSIS OR PLAN OF OPERATION

Year End 2015 vs. Year End 2014
(as restated)

Results of Operations

Revenue. Revenue for the year ended December 31, 2015 stood at ₱227.693 million, higher by 17.91% or ₱34.581 million compared to ₱193.112 million for the year ended December 31, 2014. The increase was mainly attributable to the recognized revenue and dividend share from the Joint Venture Companies and rental income from the leased Financial Center Area (FCA) property.

General and Administrative Overhead. Overhead account decreased by 63.95% or ₱112.343 million from ₱175,686 million for the year ended December 31, 2014 to ₱63.343 million for the year ended December 31, 2015 due mainly to the provision of allowance for doubtful accounts made in 2014. No major allowances were provided for 2015.

Income from Operation. Income from operation for the year ended December 31, 2015 increased by ₱138.711 million, higher by 796.01% or ₱156.137 million compared to the December 31, 2014 figure of ₱17.426 million. Said favorable variance was the resulting effect of the reasons discussed above.

Other Income (Charges). This account posted a balance of ₱244.934 million for the year ended December 31, 2015 compared to the amount of ₱21.713 million for the year ended December 31, 2014. The increase was mainly due to the recognition of gain in change in fair value of investment property account in 2015.

Net Income (Loss). Net Comprehensive Income for the year ended December 31, 2015 amounted to ₱235.178 million compared to the net loss of ₱218.863 million for the year ended December 31, 2014. The favorable variance was likewise due to the recognition of the gain in change in fair value of investment property and the favorable increase in Revenue.

Financial Position

Current Assets. Current assets increased by 29.26% or ₱252.757 million from ₱863.688 million as of December 31, 2014 to ₱1.116 billion as of December 31, 2015 mainly due to the cash flows provided by the Company's operating and investing activities.

Current Liabilities. Current liabilities increased by 2.89% or ₱263.389 million from ₱9.127 billion as of December 31, 2014 to ₱9.391 billion as of December 31, 2015 mainly due to the accrual of the 2% penalty charges on unpaid concession fee payable to the Toll Regulatory Board (TRB).

Stockholder's Equity (Capital Deficiency). Stockholder's equity improved to ₱87.272 million as of December 31, 2015 against a Capital deficiency as of December 31, 2014 of ₱146.995 million. The significant increase in the account is mainly attributable to the recognized gain in change in fair value of investment property in 2015.

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

Performance Indicators	As of 12/31/2015	12/31/2014 (As Restated)	Explanation
Current/Liquidity Ratios *Current Ratio* (Current Assets Divided by Current Liabilities)	0.12	0.095	This ratio evaluates the ability of the company to pay its current debt promptly. Current ratio of 0.12 as of December 31, 2015 is an improvement from 2014 of 0.095 mainly due to additional operating revenues and the liquidation of 50% investment in a subsidiary.
Solvency Ratios *Debt to Assets* (Total Liabilities Divided by Total Assets)	99.33%	101.18%	Shows what percentage of the business is not owned by the stockholders. Determines how much of the company is financed by debts. The ratio has improved from 101.18% as of December 31, 2014 to 99.33% as of December 31, 2015 .This improvement was caused by additional operating revenues that off-setted the yearly 2% penalty charges on unpaid concession fees.
Debt to Equity (Total Liabilities Divided by Total Equity)	14867.87%	-8554.95%	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 stockholders of the business. The ratio of 14867.87% as of December 31, 2015 vis-à-vis the negative ratio of -8554.95% as of December 31, 2014 resulted mainly from the reversal of the capital deficiency balance of ₱146.995 million as of December 31, 2014 to a positive stockholder's equity of ₱87.272 million as of December 31, 2015.
Asset to Equity Ratio (Total Assets Divided by Total Equity)	14967.87%	-8454.95%	Measures the total debt the company takes to acquire assets. Measures the company's capability to pay debts. The significant improvement of the ratio from -8454.95% as of December 31, 2014 to a positive ratio of 14967.87% as of December 31, 2015 is due to the aforesaid reversal of the capital deficiency balance to a positive stockholder's equity.
Interest Rate Coverage Ratio (Income Before Interest/Penalty)	1.55	0.15	Determines how easily a company can pay interest on outstanding debt. The ratio increase from 0.15 as of December 31, 2014 to 1.55 as of December 31, 2015 due to recognition of income resulting from the gain in change in fair value of investment property for the year ended 2015.
Profitability Ratios *Return on Assets* (Net Income (Loss) Divided by Total Assets)	1.80%	-1.76%	Measures the Company's earnings in relation to all the resources it had at its disposal. The ratio of 1.80% as of December 31, 2015 vis-à-vis the negative ratio of -1.76% resulted from the recognition of comprehensive income for the period ended December 31, 2015 in the amount of ₱235.178 million (mainly due to the gain in change in fair value of investment property and movement in revaluation increment) against the net loss of ₱218.863 as of December 31, 2014.
Return on Equity (Net Income (Loss) Divided by Total Equity)	269.48%	-148.89%	Measures the rate of return on the ownership interest of the company's stockholders. Determines the productivity of the owners' capital The increase in the ratio from -148.89% to 269.48% is attributable to the reversal of the capital deficiency for the year ended December 31, 2014 to a positive stockholder's equity in December 31, 2015.

(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 and are pending appeal by the Company before the National Labor Relation Commission (NLRC).

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

i.d Pending assessments on deficiency taxes. Discussion is contained under Note 26 of the 2015 Audited Financial Statements, including courses of actions already undertaken by the Company to address the issue.

Having encountered this liquidity concern, the Company 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 2015 was generated from its 10% revenue share from Joint Venture Companies and its earnings from leased FCA property.

The Company intends to pay all recognized debts using the proceeds from the sale of its investment properties. The Board approved the offer to apply part of the FCA to pay liabilities to the National Government (NG). The Company sent a letter to the Office of the President (OP) dated July 21, 2015 and a subsequent letter dated November 12, 2015 recognizing its liability to the NG in the amount of P7.9 billion and proposing settlement of its debt. The Company is awaiting the decision of the OP.

The Company 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 Stage 3 and the completion and commercial operation thereof, are projected to generate incremental revenues for the Company 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. Discussion, in details, is presented under Note 2 of the 2015 Audited Financial Statements.

(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 pending assessments on tax deficiencies.

(iii) There are no material off-balance sheet transactions, 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 the Company's percentage share in the toll fees collected by the joint venture companies currently operating the tollways.

Pending TRB's issuance of the Final Implementing Rules and Guidelines relative to the determination of the net income remittable by the Company to the National Government, the Company receives only the following revenue shares based on TRB's interim guidelines: 10% of 6% share on the MNTC gross revenue; 10% of 3.5% share on the CMMTC gross revenue; and 10% of 1.75% share on the SLTC gross revenue. It also receives 10% dividend in the equity share from the said Joint Venture Companies.

(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 2015 compared to December 31, 2014 (increased/decrease of 5% or more)**

Cash and cash equivalents increased by ₱295.096 million or 74.02% from ₱398.644 million as of December 31, 2014 to ₱693.740 million as of December 31, 2015 due to the cash flows provided by the Company's operating and financing activities.

Accounts Receivable - contract related receivables increased by ₱11.597 million or 9.63% from ₱120.413 million as of December 31, 2014 to ₱132.01 million as of December 31, 2015, due to the inclusion of the former DCBGSI, a wholly-owned subsidiary, operations giving manpower to SOMCO and construction projects for Philphos projects.

Accounts Receivable - other accounts receivable decreased by ₱60.50 million or 86.73% from ₱69.757 million to ₱9.255 million due mainly to the reclassification of account from receivable from BIR to deferred tax assets and the reversal to prior period adjustments of 2008-2010 prescribed MCIT payments.

Accounts receivable-subsidiaries and affiliates increased by ₱.486 million or 5.5% from ₱8.8 million as of December 31, 2014 to ₱ 9.287 million as of December 31, 2015. This is mainly due to additional accommodations to its subsidiary, DCBGSI.

Prepayments - prepayments increased by ₱5.521 million or 148.48% from ₱3.718 million as of December 31, 2014 to ₱9.240 million as of December 31, 2015 due to an increase of applicable creditable withholding taxes.

Prepayments - Inventories decreased by ₱2.690 million or 42.37% from ₱6.348 million as of December 31, 2014 to ₱ 3.658 million as of December 31, 2015 due to the recognition of Allowance for inventory write-down for obsolete and expired inventory set aside for disposal.

Investments - investment in stocks decreased by ₱127.5 million or 47.66% from ₱267.5 million as of December 31, 2014 to ₱140 million as of December 31, 2015 due to the liquidation of 50% investments in Alabang - Sto. Tomas Development Inc. (ASDI)

Property and equipment increased by ₱224.110 million or 39.80% from ₱563.070 million as of December 31, 2014 to ₱787.181 million as of December 31, 2015 due to an appraisal to fair market value of its Bicutan Property.

Deferred charges increased by ₱58.406 million or 118.27% from ₱49.383 million as of December 31, 2014 to ₱107.789 million as of December 31, 2015 due mainly to the reclassification of account from receivable from BIR to deferred tax assets.

Accounts payable increased by ₱3.454 million or 12.72% from ₱27.147 million as of December 31, 2014 to ₱30.601 million as of December 31, 2015 due to withheld government remittances and due to suppliers.

Accrued expenses increased by ₱0.810 million or 13.48% from ₱6.004 million as of December 31, 2014 to ₱6.813 million as of December 31, 2015 due to the accrual of construction cost of DISC operations in Philphos, employee benefits and unpaid accounts to suppliers of goods and services that are normally settled within twelve (12) months from the reporting period.

Customers deposit increased by ₱1.123 million or 9.42% from ₱11.926 million as of December 31, 2014 to ₱13.049 million as of December 31, 2015 due to an increase in advance rental deposits from tenants in the leased FCA property in Pasay.

Stockholders' equity increased by ₱235.178 million or 259.99% from a capital deficiency ₱ 146.995 million as of December 31, 2014 to a positive stockholder's equity of ₱87.272 million as of December 31, 2015 due to the recognized gain in change in fair value of investment property and revaluation increment in 2015.

Material changes to the Company's Statement of Income for the year ended December 31, 2015 compared to the year ended December 31, 2014 (increase/decrease of 5% or more)

Revenue and dividend share from joint venture companies increased by ₱14.356 million or 13.56% from ₱105.870 million as of December 31, 2014 to ₱120.226 million as of December 31, 2015 due to an increase in revenue share and increase in CMMTC's declaration and payment of dividend.

Rental income increased by ₱9.597 million or 11% from ₱87.242 million as of December 31, 2014 to ₱96.839 million as of December 31, 2015 due to increase in rental rate per sq.m. in the leased FCA property.

Service Income increased by ₱10.628 million or 100% from ₱0.00 as of December 31, 2014 to ₱10.628 million in December 31, 2015. This account arose from the absorption of the company of the operations of DCBGSI - a wholly owned subsidiary in Oct 1, 2015.

Cost of Service increased by ₱8.213 million or 100% from ₱0.00 as of December 31, 2014 to ₱8.213 million in December 31, 2015. This account arose from the absorption of the company of the operations of DCBGSI - a wholly owned subsidiary in Oct 1, 2015.

General and administrative overhead decreased by ₱112.34 million or 63.95% from ₱175.685 million for the year ended December 31, 2014 to ₱63.343 million for the year ended December 31, 2015 due mainly to the provision of allowance for doubtful accounts made in 2014.

Other income charges increased by ₱223.22 million or 1028.04% from ₱21.713 million as of December 31, 2014 to ₱244.934 million as of December 31, 2015 primarily due to the recognition of gain in change in fair value of investment property and revaluation increment in 2015.

<u>Year End 2014 (as restated) vs. Year End 2013 (as restated)</u>

Results of Operations

Revenue. Revenue for the year ended December 31, 2014 stood at ₱193.111 million, higher by 31.54% or ₱46.301 million compared to ₱146.810 million for the year ended December 31, 2013. The increase was mainly attributable to the recognized revenue and dividend share from the Joint Venture Companies and rental income from the leased Financial Center Area (FCA) property.

General and Administrative Overhead. Overhead account increased by 136.02% or ₱101.249 million from ₱74.436 million for the year ended December 31, 2013 to ₱175.685 million for the year ended December 31, 2014 due mainly to the provision of allowance for doubtful accounts.

Income from Operation. Income from operation for the year ended December 31, 2014 stood at ₱17.426 million, lower by 75.92% or ₱54.948

million compared to the December 31, 2013 figure of ₱72.374 million. Said unfavorable variance was the resulting effect of the reasons discussed above.

Other Income (Charges). This account posted a decrease in the balance of ₱21.713 million for the year ended December 31, 2014 compared to the amount of ₱2.604 billion for the year ended December 31, 2013. This was mainly due to the recognition of gain in change in fair value of investment property account in 2013.

Net Income (Loss). Net loss for the year ended December 31, 2014 amounted to ₱218.863 million compared to the net comprehensive income of ₱1.653 billion for the year ended December 31, 2013. The unfavorable variance was likewise due to the recognition of the gain in change in fair value of investment property as discussed above.

Financial Position

Current Assets. Current assets increased by 2.54% or ₱21.371 million from ₱842.317 million as of December 31, 2013 to ₱863.689 million as of December 31, 2014 mainly due to the cash flows provided by the Company's operating and investing activities.

Current Liabilities. Current liabilities increased by 2.84% or ₱251.801 million from ₱8.875 billion as of December 31, 2013 to ₱9.127 billion as of December 31, 2014 mainly due to the accrual of the 2% penalty charges on unpaid concession fee payable to the Toll Regulatory Board (TRB).

Stockholder's Equity (Capital Deficiency). Capital deficiency as of December 31, 2014 totalled₱146.995 million vis-à-vis the stockholders' equity as of December 31, 2013 in the amount of ₱114.864 million. The significant decrease in the account is mainly attributable to the recognized gain in change in fair value of investment property in 2013.

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

Performance Indicators	As of 12/31/2014	As of 12/31/2013 (As Restated)	Explanation
Current/Liquidity Ratios			
Current Ratio (Current Assets Divided by Current Liabilities)	0.095	0.095	This ratio evaluates the ability of the company to pay its current debt promptly. Current ratio of P0.095 as of December 31, 2013 is maintained as of December 31, 2014.
Solvency Ratios			
Debt to Assets (Total Liabilities Divided by Total Assets)	101.18%	99.08%	Shows what percentage of the business is not owned by the stockholders. Determines how much of the company is financed by debts. The ratio increased from 99.08% as of December 31, 2013 to 101.18% as of December 31, 2014 brought about mainly by the accrual of the 2% penalty charges on unpaid concession fee.
Debt to Equity (Total Liabilities Divided by Total Equity)	-8554.95.%	10731.37%	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 stockholders of the business. The ratio of 10731.37% as of December 31, 2013 vis-à-vis the negative ratio of 8554.95% as of December 31, 2014 resulted mainly from the reversal of the equity balance of ₱114.864 million as of December 31, 2013 to a capital deficiency of ₱146.995 million as of December 31, 2014.
Asset to Equity Ratio (Total Assets Divided by Total Equity)	-8454.95%	10831.37%	Measures the total debt the company takes to acquire assets. Measures the company's capability to pay debts. The significant decrease of the ratio from 10831.37% as of December 31, 2013 to a negative ratio of 8454.95% as of December 31, 2014 is due to the aforesaid reversal of the equity balance to a capital deficiency balance.
Interest Rate Coverage Ratio (Income Before Interest/Penalty)	0.15	10.423	Determines how easily a company can pay interest on outstanding debt. The ratio decreased from 10.423 as of December 31, 2013 to 0.15 as of December 31, 2014 due to recognition of income resulting from the gain in change in fair value of investment property for the year ended 2013.
Profitability Ratios			
Return on Assets (Net Income (Loss) Divided by Total Assets)	-1.76%	13.29%	Measures the Company's earnings in relation to all the resources it had at its disposal. The ratio of 13.29% as of December 31, 2013 vis-à-vis the negative ratio of 1.76% resulted from the incurrence of loss of ₱218.863 million for the reporting period compared with the recognized income of ₱1.653 billion for the year ended 2013 improved due to the recognition of comprehensive income for the period ended December 31, 2013 in the amount of ₱1.642 billion (mainly due to the gain in change in fair value of investment property).
Return on Equity (Net Income (Loss) Divided by Total Equity)	-148.89%	1439.05%	Measures the rate of return on the ownership interest of the company's stockholders. Determines the productivity of the owners' capital The decrease in the ratio from 1439.05% to a negative 148.89% is attributable to the incurrence of loss and capital deficiency for the year ended December 31, 2014.

(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 consists 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 the Company before the National Labor Relation Commission (NLRC).

i.c Pending civil cases which consists 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 2014 Audited Financial Statements, including courses of actions already undertaken by the Company to address the issue.

Having encountered this liquidity concern, the Company 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 2014 was generated from its 10% revenue share from Joint Venture Companies and its earnings from leased FCA property.

The Company intends to pay all recognized debts using the proceeds from the sale of the FCA property. The Board will come up with the terms of the proposed sale subject to required approvals.

The Company 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 Stage 3 and the completion and commercial operation thereof, are projected to generate incremental revenues for the Company 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. Discussion, in details, is presented under Note 2 of the 2014 Audited Financial Statements.

(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 pending assessments on tax deficiencies.

(iii) There are no material off-balance sheet transactions, 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.aThe 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.dThe 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 the Company's percentage share in the toll fees collected by the joint venture companies currently operating the tollways.

Pending TRB's issuance of the Final Implementing Rules and Guidelines relative to the determination of the net income remittable by the Company to the National Government, the Company receives only the following revenue shares based on TRB's interim guidelines: 10% of 6% share on the MNTC gross revenue; 10% of 3.5% share on the CMMTC gross revenue; and 10% of 1.75% share on the SLTC gross revenue. It also receives 10% dividend in the equity share from the said Joint Venture Companies.

(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 2014 compared to December 31, 2013 (increased/decrease of 5% or more)**

Cash and cash equivalents increased by ₱217.521 million or 120.09% from ₱181.124 million as of December 31, 2013 to ₱398.645 million as of December 31, 2014 due to the cash flows provided by the Company's operating and financing activities.

Billed contract receivables decreased by ₱24.905 million or 17.14% from ₱145.318 million as of December 31, 2013 to ₱120.414 million as of December 31, 2014, due mainly from the collection of its work accomplishments from the Alabang - Sto. Tomas Development, Inc. (ASDI).

Accounts receivable-subsidiaries and affiliates decreased by ₱88.669 million or 90.97% from ₱97.469 million as of December 31, 2013 to ₱8.800 million as of December 31, 2014. This is mainly due from the Company's collection of its account from one of its subsidiaries, DCBGSI.

Other accounts receivable decreased by ₱66.074 million or 48.64% from ₱135.832 million as of December 31, 2013 to ₱69.757 million as of December 31, 2014 resulting mainly from the reclassification of the amount representing the carry forward benefit of unused tax credits from Other accounts receivable-BIR to deferred tax assets.

Prepayments decreased by ₱12.637 million or 77.27% from ₱16.356 million as of December 31, 2013 to ₱3.719 million as of December 31, 2014 due to the reduction in prepaid income tax account and/or application of creditable withholding taxes.

Accounts receivable-trade decreased by ₱74.230 million or 59.34% from ₱125.109 million as of December 31, 2013 to ₱50.879 million as of December 31, 2014 mainly due to the provision of allowance for doubtful accounts.

Deferred charges increased by ₱34.930 million or 241.66% from ₱14.454 million as of December 31, 2013 to ₱49.384 million as of December 31, 2014 due mainly to the reclassification of account from receivable from BIR to deferred tax assets.

Other assets decreased by ₱0.645 million or 57.79% from ₱1.117 million as of December 31, 2013 to ₱0.471 million as of December 31, 2014 due to closing of various dormant bank accounts.

Accounts payable decreased by ₱11.284 million or 29.36% from ₱38.431 million as of December 31, 2013 to ₱27.147 million as of December 31, 2014 due to payments of accounts with the suppliers.

Accrued expenses increased by ₱3.583 million or 148.02% from ₱2.421 million as of December 31, 2013 to ₱6.004 million as of December 31, 2014 due to the accrual of the employee benefits and unpaid accounts to suppliers of goods and services that are normally settled within twelve (12) months from the reporting period.

Customers deposit increased by ₱2.001 million or 20.16% from ₱9.925 million as of December 31, 2013 to ₱11.926 million as of December 31, 2014 due to advance rental deposits from new tenants in the leased FCA property in Pasay.

Stockholders equity decreased by ₱218.863 million or 190.54% from ₱114.864 million as of December 31, 2013 to a capital deficiency of ₱146.995 million as of December 31, 2014 due to the recognized gain in change in fair value of investment property in 2013.

Material changes to the Company's Statement of Income for the year ended December 31, 2014 compared to the year ended December 31, 2013 (increase/decrease of 5% or more)

Revenue and dividend share from joint venture companies increased by ₱20.768 million or 24.40% from ₱85.102 million as of December 31, 2013 to ₱105.870 million as of December 31, 2014 due to CMMTC's declaration and payment of dividend.

Rental income increased by ₱25.534 million or 41.37% from ₱61.708 million as of December 31, 2013 to ₱87.242 million as of December 31, 2014 due to contracts entered into with new tenants in the leased FCA property.

General and administrative overhead increased by ₱101.250 million or 136.02% from ₱74.436 million for the year ended December 31, 2013 to ₱175.686 million for the year ended December 31, 2014 due mainly to the provision of allowance for doubtful accounts.

Other income charges decreased by ₱2.583 billion or 99.16% from ₱2.604 billion as of December 31, 2013 to ₱21.713 million as of December 31, 2014 primarily due to the recognition of gain in change in fair value of investment property in 2013.

Year End 2013 (as restated) vs. Year End 2012

Results of Operations

Revenues. Revenues for the year ended December 31, 2013 amounted to ₱146.810 million, up by 26.37% or ₱30.640 million vis-à-vis the ₱116.170 million for the year ended December 31, 2012. The increased 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 19.83% or ₱18.415 million from ₱92.851 million for the year ended December 31, 2012 to ₱74.436 million fro 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 210.36% or ₱49.055 million from ₱23.319 million for the year ended December 31, 2012 to ₱72.374 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 ₱258.002 million for the year ended December 31, 2013 and December 31, 2012.

Other Income (Charges). This account posted a positive balance of ₱2.604 billion for the period ended December 31, 2013, 11,011.26% or ₱2.581 billion higher than last year's positive amount of ₱23.438 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 ₱2.419 billion, posting a 1,245% or ₱2.630 billion increase from last year's net loss of ₱211.245 million. This was due to the reason discussed in the preceding paragraph.

Deferred Tax Expense. The deferred tax expense of ₱778.186 million for the period ended December 31, 2013 represents 30% of the gain in change in fair value of investment property of ₱2.594 billion.

Net Profit (Loss). The company realized a net profit of ₱1.641 billion for the period ended December 31, 2013, 876.64% or ₱1.852 billion higher compared to the net loss of ₱211.245 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₱842.317 million vis-à-vis December 31, 2012 balance of ₱898.322 million, higher by 6.23% or ₱56.005 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 ₱2.594 billion, from ₱7.848 billion as of December 31, 2012 to ₱10.442 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 ₱11.434 million, from ₱557.770 million as of December 31, 2012 to ₱569.204 million as of December 31, 2013. The increased resulted from the appraisal conducted in 2013 by independent firms of appraisers, net of depreciation during the year.

Other Assets. The account amounted to ₱191.347 million as of December 31, 2012 compared with ₱325.856 million as of December 31, 2013, an increase of 70.29% or ₱134.509 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 ₱8.875 billion as of December 31, 2013, increased by 3.41% or ₱293.175 million compared to ₱8.852 billion as of December 31, 2012. The increase was mainly due to the accrual of the 2% penalty charges on unpaid concession fee payable to the Toll Regulatory Board (TRB).

Long-term Debt. The account increased by 27.78% or ₱750.556 million, from ₱2.701 billion as of December 31, 2012 to ₱3.451 billion as of December 31, 2013, which was due to the recognition of deferred ta 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.

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

Performance Indicators	As of 12/31/2013	As of 12/31/2012	Explanation
Current/Liquidity Ratios *Current Ratio* (Current Assets Divided by Current Liabilities)	0.095	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)	99.08%	115.63%	Shows what percentage of the business is 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)	10731.37%	-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 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 by Total Equity)	10831.37%	-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)	10.423	0.090	Determines how easily a company can pay interest on outstanding debt. The ratio improved in year 2013 due to the recognition of income resulting from the gain in change in fair value of investment property.
Profitability Ratios *Return on Assets* (Net Income (Loss) Divided by Total Assets)	13.29%	-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 ₱1.653 billion.
Return on Equity (Net Income (Loss) Divided by Total Equity)	1439.05%	-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 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 and are pending appeal by the company 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 being litigated before the various Regional Trail 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 2011 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 its 10% 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 the company notably the 12.9 hectare Financial Center Area. The property was valued at ₱9.714 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.

The Company 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 the tollways operations.

v.b The turn of the North Luzon Tollway operation 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 operations to the SLTC on May 2, 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 4, 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 the company'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 increased by ₱153.398 million or 553.3% from ₱27.726 million as of December 31, 2012 to ₱181.124 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 ₱84.397 million or 36.73% from ₱229.717 million as of December 31, 2012 to ₱145.319 million as of December 31, 2013 due to the collection of work accomplishments for Daang Hari SLEX Linkroad Project.

Investment property increased by ₱2.594 billion or 33.05% from ₱7.848 billion as of December 31, 2012 to ₱10.442 billion as of December 31, 2013 as a result of the appraisal conducted by independent frms of appraisers in 2013.

Accounts payable and accrued expenses increased by ₱35.172 million or 225.39% from ₱15.604 million as of December 31, 2012 to ₱50.777 million as of December 31, 2013 resulting mainly from the tenants' advance rental/deposits.

Deferred tax liabilities increased by ₱783.241 million or 31.45% from ₱2.490 billion as of December 31, 2012 to ₱3.273 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 ₱32.685 million or 15.51% from ₱210.643 million as of December 31, 2012 to ₱177.958 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 ₱10.634 million or 14.28% from ₱74.468 million for the period ended December 31, 2012 to ₱85.102 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 ₱20.006 million or 47.97% from ₱41.702 million for the period ended December 31, 2012 to ₱61.708 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 ₱18.415 million or 19.83% from ₱92.851 million for the period ended December 31, 2012 to ₱74.436 million for the period ended December 31, 2013 due to 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) increased by ₱2.581 million or 11,011.26% from ₱23.438 million for the period ended December 31, 2012 to ₱2.604 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 ₱778.186 million or 100% from zero for the period ended December 31, 2012 to ₱778.186 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.

IV. NATURE AND SCOPE OF BUSINESS

The Philippine National Construction Corporation (PNCC) is known for its vision, expertise and landmark projects and has been distinguished partner in Philippine progress and economic development,

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 billion 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. 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 (MME), 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.

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. However, 24% of GSIS shares is considered private because owned by government employees and financed by the premiums they pay.

The Company's debt of ₱5.552 billion which remained unconverted to equity is treated as part of equity in the Company's books, instead of a liability with the interest and penalties unilaterally charged thereon by the PMO/BTr amounting to ₱52.066 billion and ₱52.482 billion as of December 31, 2014 and 2013, respectively, are not considered or taken up in the Company's books. The Company maintains the position that the account/amount shall be booked as equity and not as a liability (inclusive of interests and penalty charges). The assertion that the ₱5.552 billion should be part of equity is supported by a Supreme Court ruling that recognizes the validity of LOI 1295 confirming that the ₱5.552 billion is no longer a debt but equity. The Office of the Government Corporate Counsel, and a private firm engaged by PMO have concurred with this ruling. Pursuant to the mutual agreement between the Company and the PMO, the option/authority to convert the mentioned debt into equity was submitted to the Department of Justice (DOJ) on June 21, 2012 for arbitration. In DOJ decision dated February 18, 2014 dismissing the Company's petition against the PMO, the former filed a Motion for Reconsideration (MR) at the DOJ on March 14, 2014. On January 22, 2015, the DOJ denied the Company's MR.

Thereafter, the Company filed a Supplement to the MR on May 28, 2015 which was also denied by the DOJ in its order dated July 13, 2015.

On June 26, 2015, the Company filed a Notice of Appeal at the Office of the President (OP) of the Philippines and filed the corresponding Appeal Memorandum on July 27, 2015. The Company is awaiting the resolution of the OP on its appeal.

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 disputes 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. (MTESI). PNCC owns 20% of SLTC and 40% of MTESI.

San Miguel Corporation and its partner Citra Group of Indonesia had acquired an 80% indirect equity interest in SLTC and 60% in MTESI. 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 continued 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 tothe 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."Detailed discussion on revenue and dividend share from joint venture companies were described in Notes 19 of Financial Statement, page 81 of this report.

On May 3, 2011, the company and its partner for Skyway Toll Projects, CITRA Lamtoro Gung Persada, submitted to TRB an Updated Joint Venture Investment Proposal (UJVIP) for the Metro Manila Skyway (MMS) Stage 3 Projectpursuant to one of the provisions of Supplemental Toll Operations Agreement dated November 27, 1995 as amended on July 18, 2007. The 14.8 kilometer Stage 3 Project starts from the existing Buendia interchange and will be extended and eventually connected to the North Luzon Expressway at Balintawak - EDSA Interchange. The Toll Regulatory Board (TRB) reviewed, evaluated and approved the UJVIP.

On January 9, 2012, a Supplement to the Business and Joint Venture Agreement (Supplement BJVA) was executed by the Company and CITRA which governs the implementation of the MMS Stage 3 Project and Stage 4 of the Project also known as Metro Manila Expressway (MME). The parties also executed the Second Supplement to the Business Joint Venture Agreement (Second Supplement to BJVA) which contains the terms and conditions for the implementation of both MMS and MME.

On September 6, 2012, the Restated Second Supplement to BJVA was executed which contains the entire agreement of the parties ad embodies the final terms and conditions for MMS.

On November 12, 2012, following Section 1 of the Restated Second Supplement to BJVA, Citra Central Expressway Corporation (CCEC), the joint venture company, was incorporated as the vehicle to implement the financing, design, and construction of the MMS.

On September 26, 2013, the Supplemental Toll Operation Agreement (STOA) governing the design, construction, operation and maintenance of the MMS

Stage 3 was approved by the Office of the President of the Philippines. Under the STOA, the Company is provided with 20% equity in CCEC, 10% is free carry and can never be diluted while the other 10% is to be paid for. In 2015, when the call was made for a capital increase investment in CCEC, the Company waived its subscription rights for the 10%. The initial 10% investment in CCEC amounted to P12.5 million. The Company waived its right in the Operation and Maintenance (O&M) company in exchange for the shares in gross revenues. The start of commercial operations of the MMS Project is expected in 2017.

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 (OP) of the Philippines.

In January 2014, the Restated Supplement to the BJVA for MME was executed. The MME or C6 Project or the Stage 4 of SMMS will stretch from Bicutan to San Jose Delmonte and then will connect to the proposed MRT7 Project which will extend to the NLEX. The toll road will have a length of 34.33 km. Patterned from the MMS Project, the Company is provided with 20% equity in Citra Intercity Tollways Inc. (CITI), the joint venture company incorporated as the vehicle to implement the financing, design, and construction of the MME. 10% of the CITI equity is free carry and can never be diluted. On August 11, 2014, the Supplemental Toll Operation Agreement was approved by the Office of the President of the Philippines. The start of commercial operations of the MMS Project is expected in 2018.

Stockholders

There are 4,815 holders of common equity security of the Company as of June 30, 2016 (based on the number of account registered with the Stock Transfer Agent). The following are the top 20 holders of the common securities of the Company:

	Stockholders Name	No. of Common Shares	% (of Common Shares)[1]
1	Republic of the Phils. through the PMO	79,271,024	45.4419%
2	Government Service Insurance System (GSIS)	47,490,383	27.2237%
3	Universal Holdings Corp.	24,780,746	14.2055%
4	PCD Nominee Corp. - Filipino	12,562,537	7.2014%
5	Cuenca Investment Corp.	2,088,132	1.1970%
6	Cuenca, Rodolfo M.	698,116	0.4002%
7	Land Bank of the Philippines	657,836	0.3771%
8	Unigrowth Development Corp.	630,625	0.3615%
9	Gow, Jimmy N.	274,000	0.1571%
10	Cruz, F. F. & Co., Inc.	252,630	0.1448%
11	Blue Chip Assets, Inc.	244,700	0.1403%
12	Adachi, Sueo	184,025	0.1055%
13	Chung, Felix	173,900	0.0997%
14	Alpapara, Johnson	170,000	0.0975%
15	Go, Manuel	150,000	0.0860%
16	Benpres Corporation	140,000	0.0803%
17	Cruz, Felipe F.	135,993	0.0780%
18	Montelibano, A. Hijos, Inc.	120,750	0.0692%
19	Carnet Machineries & Invest. Corp	119,842	0.0687%
20	Filipinas Bag Corporation	106,936	0.0613%

[1]based on the total common shares issued of 174,444,759

V. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDERS MATTERS

Market Information

Registrant's 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.

Dividends

Dividends may be declared annually or often as the Board of Directors may determine. The Board of Directors may declare dividend only from the surplus profits of the Corporation.

With the approval of the stockholders representing two-thirds ($^2/_3$) of all the outstanding capital stock entitled to vote, given at a general meeting or at a special meeting duly called for the purpose, the Board may declare that dividends ne paid in stock.

Recent Sale of Unregistered Securities

None

Stock Options

None

VI. COMPLIANCE WITH LEADING PRACTICE ON CORPORATE GOVERNANCE

The Board of Directors adopted the Revised Manual on Corporate Governance on March 23, 2011 as a conscious attempt to significantly enhance PNCC's corporate organization to make it valuable partner of the national government being its majority shareholder and to its public stockholders as well. On September 3, 2014, the Revised Manual on Corporate Governance has been amended in compliance with the Revised Code of Corporate Governance, SEC Memorandum Circular No. 9, Series of 2014, and consistent with commitments made in the 2013 Annual Corporate Governance Report (ACGR) that was filed by the Company with the SEC and PSE.

Board meetings are held monthly or as often as necessary. The Board maintained the following committees to assist in good governance:

Executive Committee. Has the power to pass and act upon matters affecting general policy and upon such matters as the Board of Directors may entrust to it for action in between meetings of the Board.

Audit & Finance Committee. Worked hand in hand to oversee the financial reporting process, system of internal control, audit process and monitoring of compliance with applicable laws, rules and regulations.

Nomination and Compensation Committee. Establishes a formal and transparent procedure for developing a policy on remuneration of directors and officers to ensure that their compensation is consistent with the corporation's culture, strategy and the business environment in which it operates.

Legal Committee. Review major issues regarding the status of the Company's compliance with laws and regulations, as well as major legislative and regulatory developments that may have significant impact on the Company.

As of January 31, 2016, there were not able to fully satisfy the Company's Manual of Corporate governance and the Company because of peculiar circumstances of PNCC as a corporation. The Board is taking the preliminary steps to move towards the adherence to principles and practices of good corporate governance.

PART III.

SIGNATURE PAGE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this report is true, complete and correct. This report is signed in the City of Paranaque on July 18, 2016.

By:

....
(Signature)

RENATO M. MONSANTO / ASST. CORPORATE SECRETARY
....
(Printed Name/Title)

COVER SHEET

3 0 9 3 9

S.E.C. Registration Number

P H I L I P P I N E   N A T I O N A L
C O N S T R U C T I O N   C O R P O R A T I O N

(Company's Full Name)

P N C C   C O M P L E X   K M   1 5   E A S T   S E R V I C
E   R O A D   B I C U T A N   P A R A N A Q U E   C I T Y

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

JANICE DAY E. ALEJANDRINO

Contact Person

846-2906

Company Telephone Number

1 2 | 3 1
Month | Day
Fiscal Year

17C

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-Q

QUARTERLY REPORT PURSUANT TO SECTION 17 OF SECURITIES REGULATION CODE AND SRC RULE 17(2)b THEREUNDER

1. For quarterly period ended March 31, 2016

2. SEC Identification Number 30939 BIR Tax Identification No. 410-000-058-V

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

4. 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 [ ]

If yes, state the name of such Stock Exchange and the class/es of securities listed therein:

PHILIPPINE STOCK EXCHANGE (PSE)

12. Indicate by check mark whether the registrant:

(a) has filed all reports required to be filed by section 17 of the Code and SRC Rule 17 thereunder or Section 11 of the RSA Rule 11(a)-1 thereunder, and Section 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports);

Yes [x] No [ ]

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

Yes [ ] No [x]

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

Financial Statements and, if applicable, Pro Forma Financial Statements meeting the requirements of RSA Rule 68, Form and Content of Financial Statements shall be furnished as specified therein. (Refer to attached)

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations. (Refer to attached)

PART II – OTHER INFORMATION

The issuer may, at its option, report under this item any information not previously report in a report on SEC Form 17-C. If disclosure of such information is made under this Part II, it need not be repeated in a report on Form 17-C which would otherwise be required to be filed with respect to such information or in a subsequent report on Form 17-Q.

SIGNATURES

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Issuer **PHILIPPINE NATIONAL CONSTRUCTION CORPORATION**

Signature and Title .... President/CEO

Duly Authorized Representative LUIS F. SISON

Date 12 May 2016

Signature and Title .... Chief Finance Officer

Signature and Title .... Corporate Controller

Date 12 May 2016

Principal Financial/Accounting Officer/Controller MIRIAM M. PASETES / BRENDA MOSCOSA

Date 12 May 2016

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
STATEMENTS OF FINANCIAL POSITION
As of March 31, 2016
With Comparative Figures as of December 31, 2015
(In Thousand Pesos)

		March 31 2016 (Interim)		December 31 2015 (Audited)
ASSETS				
Current Assets				
Cash and cash equivalents	₱	773,640	₱	693,740
Accounts receivables		342,537		365,539
Receivables from officers and employees		44,237		44,268
Prepayments		12,777		12,898
Total Current Assets		1,173,191		1,116,446
Noncurrent Assets				
Investments		144,944		144,944
Investment property		10,669,948		10,669,948
Property and equipment, net		785,454		787,181
Other assets, net		345,783		344,311
Total Noncurrent Assets		11,946,129		11,946,384
TOTAL ASSETS	₱	13,119,320	₱	13,062,830
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current Liabilities				
Accounts payable and accrued expenses	₱	48,877	₱	50,463
Due to the National Government and its Instrumentalities		8,200,917		8,137,300
Due to Government Owned or Controlled Corporation		1,203,000		1,203,000
Total Current Liabilities		9,452,794		9,390,762
Noncurrent Liabilities				
Deferred tax liabilities		3,409,933		3,409,933
Other payables		174,862		174,862
Total Noncurrent Liabilities		3,584,795		3,584,795
Stockholders' Equity (Capital Deficiency)		81,731		87,272
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	₱	13,119,320	₱	13,062,830

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
AGING OF RECEIVABLES & ADVANCES
As of March 31, 2016
(In Thousand Pesos)

	Amount	Allowance for Doubtful Accounts	Net Amount	Current	Past Due					
					1-30 Days	31-60 Days	61-90 Days	91 Days but not over 1 Yr.	Over 1 Yr. but not over 5 Yrs.	Over 5 Years
Current Assets:										
Unbilled Contract Receivables	8,595		8,595	1,361			7,234			
Billed Contract Receivables	60,713		60,713	3,742	2,759	1,580	25			52,607
Contract Retention Receivables	2,755		2,755							2,755
Claims Receivable	65,051		65,051							65,051
Accounts Receivalbe - Trade	35,381		35,381	11,106	10,730	6,246	6,119	1,180		
Accounts receivable - Subs. and Aff. (net)	9,723		9,723	437		3	3		9,280	
Other Accounts Receivable	11,317	1,116	10,201	946				23	9,228	4
Advances for SSS/ECC Benefits	42		42	4		38				
Advances to Suppliers	59		59			55			4	
Advances to CESLA	17		17			12	5			
Advances to Bureau of Treasury	150,000		150,000	150,000						
Total Accounts Receivable	343,653	1,116	342,537	167,596	13,489	7,934	13,386	1,203	18,512	120,417
Receivables from Officers and Employees	44,237		44,237		221	1	1,435		39,420	3,160
Sub-total (Current Assets)	**387,890**	**1,116**	**386,774**	**167,596**	**13,710**	**7,935**	**14,821**	**1,203**	**57,932**	**123,577**
Non-Current Assets:										
Accounts Receivable - Trade	50,879		50,879						22,868	28,011
Receivables from Officers and Employees	12,582		12,582						12,082	500
Sub-total (Non-Current Assets)	**63,461**	**-**	**63,461**	**-**	**-**	**-**	**-**	**-**	**34,950**	**28,511**
Total	**451,351**	**1,116**	**450,235**	**167,596**	**13,710**	**7,935**	**14,821**	**1,203**	**92,882**	**152,088**

PART 1 - FINANCIAL INFORMATION (Item 1 -Financial Statements)
(Item 1.2 -Statements of Profit or Loss)

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION

STATEMENTS OF PROFIT OR LOSS

For the First Quarter of 2016 and 2015
(In Thousand Pesos)

	January to March			
		2016		2015
REVENUES				
Revenue/dividend shares from Joint Venture Companies	₱	44,464	₱	39,207
Rental income		27,674		23,972
Service Income		10,430		
		82,568		63,179
COST OF SERVICES		8,155		
GENERAL AND ADMINISTRATIVE OVERHEAD		18,320		16,891
PROFIT FROM OPERATIONS		56,093		46,288
OTHER INCOME (CHARGES):				
Penalty charges		(63,617)		(63,617)
Interest income		2,032		1,081
Other income		15		130
		(61,570)		(62,406)
NET PROFIT (LOSS)	₱	(5,477)	₱	(16,118)

Earnings (loss) per share:		
(a) income (loss)	(0.03)	(0.09)
(b) number of outstanding common shares	174,444,749	174,444,749

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
STATEMENTS OF CHANGES IN EQUITY
For the First Quarter of 2016 and 2015
(In Thousand Pesos)

	Capital Stock P10 Par Value	Capital in Excess of Par Value	Subscriptions Receivable	Treasury Stock	Revaluation Increment in Propery	Equity Adjustment-Loans Transf. to Nat'l Gov't	Retained Earnings (Deficit)	Total Equity
Balances, December 31, 2015	2,283,758	46,137	(56,159)	(16,699)	537,088	5,551,726	(8,258,579)	87,272
Correction of prior years' income and expenses							(64)	(64)
	2,283,758	46,137	(56,159)	(16,699)	537,088	5,551,726	(8,258,643)	87,208
Net loss							(5,477)	(5,477)
Other comprehensive income								-
	-	-	-	-	-	-	(5,477)	(5,477)
As at March 31, 2016	2,283,758	46,137	(56,159)	(16,699)	537,088	5,551,726	(8,264,120)	81,731
Balances, December 31, 2014	2,283,758	46,137	(56,159)	(16,699)	377,332	5,551,726	(8,296,644)	(110,549)
Correction of prior years' income and expenses							(8,380)	(8,380)
	2,283,758	46,137	(56,159)	(16,699)	377,332	5,551,726	(8,305,024)	(118,929)
Net loss							(16,118)	(16,118)
Other comprehensive income								-
	-	-	-	-	-	-	(16,118)	(16,118)
As at March 31, 2015	2,283,758	46,137	(56,159)	(16,699)	377,332	5,551,726	(8,321,142)	(135,047)

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
STATEMENTS OF CASH FLOWS
For the First Quarter of 2016 and 2015
(In Thousand Pesos)

	January to March 2016	2015
CASH FLOW FROM OPERATING ACTIVITIES:		
Cash receipts from customers:		
Revenue share	₱ 55,551	₱ 50,973
Rental	29,851	28,125
Service income	6,204	
Others	936	184
	92,542	79,282
Payments to:		
Suppliers	(15,819)	(12,778)
Employees	(17,104)	(7,014)
Directors	(878)	(522)
Consultants/retainers		(114)
Cash provided by operations	58,741	58,854
Penalties		(50)
Taxes and licenses	(2,181)	(1,658)
Deficiency taxes	-	-
Net cash flows provided by operating activities	56,560	57,146
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of property and equiptment	(215)	(3)
Proceeds from sale of fixed assets/scrap materials		-
Interests	2,032	1,120
Dividends	21,523	18,334
Others		300
Net cash flows provided by investing activities	23,340	19,751
NET DECREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	79,900	76,897
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	693,740	398,342
CASH AND CASH EQUIVALENTS AT END OF FIRST QUARTER	773,640	475,239

Item 1.5 Earnings (loss) Per Share

The Company's earning (loss) per share is presented on the face of the Income Statement (Item 1.2). Said earning (loss) per share is computed by dividing the net income (loss) by the number of outstanding common shares.

Item 1.6 Disclosure that the issuer's interim financial report is in compliance with the generally accepted accounting principles

The interim financial statements of the Philippine National Construction Corporation 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. The amounts are rounded off to the nearest thousand pesos.

Item 1.7 Notes to Financial Statements

1.7.a Accounting Policies and Methods

1.7.a.1 The same accounting policies and methods of computation are followed in the interim financial statements as compared with the most recent annual financial statements.

1.7.a.2 <u>Revenue Recognition</u>

Pursuant to the Supreme Court En Banc Decision, 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% of its share from the Joint Venture Companies' gross toll revenues, in accordance with the interim guidelines issued by the Toll Regulatory Board (TRB).

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

1.7.a.3 <u>Allowance for Doubtful Accounts</u>

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.

1.7.a.4 Prepayments

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

This account also includes 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 write down is provided for all non-moving/obsolete items of the inventory account.

1.7.a.5 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, except for DISC Contractors, Builders, and General Services, Inc. (DCBGSI) which has been incurring losses, resulting to accumulated deficit.

In a regular board meeting held on November 14, 2011, the PNCC Board resolved to comply with the mandate of the Supreme Court to transfer and turn over the shares of stock in tollway joint venture companies which PNCC is holding in trust for the National Government.

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

1.7.a.6 Investment Property

Investment property are 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.

1.7.a.7 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-furniture 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 are 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 the disposal is directly charged or credited in the current operations.

1.7.a.8 Revaluation Increment in Property

The increase in the asset's carrying amount as well 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 credited to Retained Earnings account.

Piecemeal realization of the revaluation increment is effected on a yearly basis.

1.7.a.9 Borrowing Costs

Borrowing costs are expensed as incurred. These costs represent the 2 per cent penalty charges imposed by the Toll Regulatory Board (TRB) on unpaid concession fee.

1.7.a.10 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 the balance sheet 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 income tax assets can be utilized.

The carrying amount of deferred tax assets is reviewed at each balance sheet 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 income 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 balance sheet date.

1.7.a.11 Adoption of New and Revised PFRS

The Company adopted the following PFRS effective January 01, 2012, 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 derecognized and an entity's continuing involvement in the derecognized 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 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 PFRS have no significant impact on the amounts and disclosures in the financial statements of the Company.

1.7.a.12 New and Revised PFRS 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 01, 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 (Amendments) – 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, 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 PFRS

  The omnibus amendments to PFRS 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 01, 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 01, 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.

1.7.b Comments about the seasonality or cyclicality of interim operations

- Not applicable -

1.7.c Nature and amount of items affecting assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size, or incidents

Cash and cash equivalents increased by P79.900 million or 11.52% from P693.740 million as of December 31, 2015 to P773.640 million as of the first quarter of 2016 due mainly to the cash flow provided by the Company's operating and investing activities.

Accounts receivable decreased by P23.002 million or -6.29% from P365.539 as of December 31, 2015 to P342.537 million as of March 31, 2016 attributable to the collection of accounts from the Joint Venture Companies and the tenants in the leased FCA property in Pasay.

Revenue and dividend shares from Joint Venture Companies increased by P5.257 million or 13.41 % from P39.207 million for the quarter ended March 31, 2015 to P44.464 million for the quarter ended March 31, 2016 due to the increase in revenue share from JV companies.

Rental income increased by P3.702 million or 15.44 % from P23.972 million for the quarter ended March 31, 2015 to P27.674 million for the quarter ended March 31, 2016 due to the additional revenue generated from increase of rental charges.

Service income increased by P10.430 million or 100% for the quarter ended March 31, 2016. This is an additional income derived by the company from services like supplying labor and construction. This income came from the operations of DISC (wholly-owned subsidiary) which was fully absorbed by the Company in Oct. 1, 2015.

General and administrative overhead increased by P1.429 million or 8.46% from P16.891 million for the quarter ended March 31, 2015 to P18.320 million for the quarter ended March 31, 2016 due to additional overhead expenses incurred for DISC operations absorbed by the company.

Interest income increased by P0.951 million or 87.97% from P1.081 million for the quarter ended March 31, 2015 to P2.032 million as of March 31, 2016 resulting from the interest earned from bank deposits and money market placements.

Other income decreased by P.115 million or 88.46 % from P0.130 million for the quarter ended March 31, 2015 to P0.015 million for the quarter ended March 31, 2016. No other additional revenues were recognized.

1.7.d Nature and amount of changes in estimates of amounts reported in prior interim periods of the current financial year or changes in estimates of amounts reported in prior financial years, if those changes have material effects in the current interim period

- Not applicable -

1.7.e Issuances, repurchases, and repayments of debt and equity securities

PNCC was not able to make any settlement of its concession fee obligation to the Toll Regulatory Board (TRB) during and as of the first quarter of March 31, 2016. The last payment was made on July 16, 2010. Penalty charges of 2% accruing from the TRB loan are continuously recognized in the books.

The Company intends to pay recognized debts using the proceeds from the sale of its investment properties. The Board approved the offer to apply part of FCA to pay liabilities to the National Government (NG). The Company sent a letter dated July 21, 2015 to the Office of the President (OP) recognizing to the NG in the amount of P7.9 billion and proposing to "pay off" the recognized obligations, particularly given that the obligation to the TRB carries a 2% penalty charge. The Company is awaiting the decision of the OP.

1.7.f **Payment of dividend**

There were no dividends paid during and as of the first quarter of 2016.

1.7.g Segment revenue and segment result for business segments or geographical segments, whichever is the issuer's primary basis of segment reporting

PNCC's sources of revenues are as follows:

1. Revenue and dividend shares from Joint Venture Companies; and
2. Rental income from the leased FCA property.

The turn over of the NLEX and SLEX operations to the new operators in February 2005 and in May 2010, respectively, resulted to PNCC's entitlement/recognition of 10% of its share from the Joint Venture Companies gross toll revenues, in accordance with the interim guidelines issued by the Toll Regulatory Board (TRB).

Rental income is derived out of the PNCC's real estate properties not used in business and being leased out to third parties, renewable under such terms and conditions as maybe agreed upon by both parties.

The following tables present the revenue and income information and certain asset and liability information regarding the business segments for the quarters ended March 31, 2015 and March 31, 2014. Segment assets and liabilities exclude income tax assets and liabilities.

For the Period Ended March 31, 2015 (P000):	Revenue/ Dividend Shares	Rental Income	Others	Total
Revenue:				
Total revenue	44,464	27,674	10,430	82,568
Segment results			(88,045)	(88,045)
Net income				-5,477
Assets and Liabilities:				
Segment assets			1,545,403	1,545,403
Segment liabilities			9,627,655	9,627,655
Other segment information:				
Investment Property			10,669,948	10,669,948
Property, Plant, & Equipment (net)			785,454	785,454
Depreciation/Amortization			1,840	1,840

For the Period Ended March 31, 2015 (P000):	Revenue/ Dividend Shares	Rental Income	Others	Total
Revenue:				
Total revenue		23,972		23,972
Segment results				-
Net income	39,207	23,972	(79,297)	-16,118
Assets and Liabilities:				
Segment assets			1,406,144	1,406,144
Segment liabilities			9,362,625	9,362,625
Other segment information:				
Investment Property			10,442,198	10,442,198
Property, Plant, & Equipment (net)			561,851	561,851
Depreciation/Amortization			1,219	1,219

I.7.h Material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period

- None -

1.7.i Effect of changes in the composition of the issuer during the interim period, including business combinations, acquisition, or disposal of subsidiaries and long-term investments, restructurings, and discontinuing operations.

- Not applicable -

1.7.j Changes in contingent liabilities or contingent assets since the last annual balance sheet date

- None -

1.7.k Existence of material contingencies and any other events or transactions that are material to an understanding of the current interim period

1.7.k.1 Pending Lawsuits and 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 Labor Arbiter in favor of the complainant. However, these cases are on appeal by the Company before the National Labor Relation Commission (NLRC).

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

1.7.k.2 Tax Matters:

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

1.7.k.2.a 1980 Deficiency income tax, deficiency contractor's tax and deficiency documentary stamp tax assessments by the BIR totaling P212.52 million.

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

The Company, in its letter of February 15, 2005, informed the BIR that it had filed a Petition with the Department of Justice (DOJ) seeking reversal of the Bureau's resolution holding the Company still liable for the aforesaid tax deficiencies and had applied for an interim order or measure from the DOJ to suspend or stop the collection of subject amount pending resolution of the Petition.

1.7.k.2.b Deficiency business tax of P64 million due the Belgian Consortium, the Company's partner in its LRT Project.

1.7.k.2.c 1992 Deficiency income tax, deficiency value-added tax and deficiency expanded withholding tax of P1.04 billion which was reduced to P709 million after the Company's written protest.

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 Bureau has not responded to date.

1.7.k.2.d 2002 Deficiency internal revenue taxes 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.

1.7.k.2.e 2006 Proposed deficiency taxes 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 pursuant to Section 203 of the NIRC of 1997 (Prescription of limitation upon assessment and collection) and Revenue Regulations (RR) No. 12-99 (which requires discussion between the Company and the BIR Examiner/s before submission of the report to the BIR Chief 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 of October 29, 2010.

1.7.k.2.f 2009 Proposed deficiency taxes in the amount of P51.957 million (exclusive of interest and penalty charges of P35.457 million).

After series of written protests/communications with and presentation of documentary evidences to the BIR, the proposed deficiency taxes of P87.414 million was reduced to P21.147 million (basic tax of P11.384 million and interest/penalty charges of P9.763 million).

The basic tax of P6.565 million (expanded withholding tax, withholding tax on compensation, and fringe benefit tax) and P4.819 million (final withholding tax) were paid on November 28, 2013 and on January 10, 2014, respectively.

On January 10, 2014, the Company requested consideration 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.

PART 1 - **FINANCIAL INFORMATION** (Item 2 – Management Discussion and Analysis [MDA] of Financial Condition and Results of Operations)

Item 2.1 Comparable discussion that will enable the reader to assess material changes in financial condition and results of operation since the end of the last fiscal year and for the comparable interim period in the preceding financial year.

Financial Position:

As of March 31, 2016, the Company's resources totaled P13.119 billion, higher by P56.49 million or 0.4% compared to the December 31, 2015 figure of P13.063 billion.

The increase in resources was mainly attributable to the increase in cash and cash equivalents provided by the Company's operating and investing activities.

Results of Operation:

The Company's net loss of P5.477 million for the quarter ended March 31, 2016 decreased by P10.641 million or 66 % compared to the reported net loss of P16.118 million for the same period of 2015. This is mainly due to the. 21.2% increase in profit from operations, practically brought about by the 30.7% increase in revenue and dividend share from Joint Venture Companies and rental income from its leased FCA property in Pasay City and the inclusion of service income from DISC operations.

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

Performance Indicators	As of March 31, 2016	As of March 31, 2015	Explanation
Current Ratio (Current Assets / Current Liabilities)	0.124	0.099	The Company's ability to meet its current obligations as they fall due increased from P0.099 to P0.124 as of the 1st quarter of 2016 against the same period of 2015. This was mainly due to the higher increase in current assets that compensated for the increase in liabilities.
Quick Ratio (Quick Assets / Current Liabilities)	0.088	0.098	The decrease in the quick ratio or acid test ratio was due to the 7.8% decrease in quick assets vis-à-vis the 2.88% increase in current liabilities.
Total Debt to Total Assets	99.38%	101.08%	The ratio measures the Company's ability to pay its maturing obligations. The Company's debt to assets ratio or solvency ratio increased from 101.08% as of March 31, 2015 to 99.38% as of same period of 2016. This is due to the 4.9% increase in total assets vis-à-vis the 3.18% increase in total liabilities resulting from the accrual of the 2% penalty charges on unpaid concession fee.
Total Debt to Equity	15951.79%	-9356.57%	The ratio measures the Company's ability to pay its maturing obligations. The Company's debt to equity ratio from a negative 9356.57% as of March 31, 2015 to a positive 15951.79% as of March 31, 2016 due to the reversal of the Company's capital deficiency to a positive equity balance.

Item 2.2 Discussion and analysis of material event/s and uncertainties known to Management that would address the past and would have an impact on future operations on the following:

2.2.a Any known trends, demands, commitments, events, uncertainties that will have a material impact on the issuer's liquidity

2.2.a.1 The Company's inability to settle its outstanding obligations with the TRB and the National Government brought about by the difficulties in collecting receivables from various government agencies.

2.2.a.2 Pending labor cases which consist of those filed against the Company involving dismissal, backwages, and separation pay; most of which had been ruled by the Labor Arbiter in favor of the complainants, pending appeal by PNCC before the National Labor Relation Commission (NLRC).

2.2.a.3 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).

2.2.a.4 Pending assessments on deficiency taxes. Discussion is contained under Item 1.7.k.2 including courses of actions already undertaken by the Company to address the issue.

To address PNCC's liquidity concern, the Company implemented a program of manpower rightsizing in 2001 and has been pursued gradually during the quarter. The program will be considered in the succeeding quarters/years until the Company attains manpower complement to match its present revenue level which is generated by its share in the Joint Venture Companies' gross toll revenue and its earnings from the leased FCA property.

The Company intends to pay all recognized debts using the proceeds from the sale of the FCA property. The Board will come up with the terms of the proposed sale subject to required approvals.

The Company does not have material off-balance sheet transaction and arrangement during the reporting period.

As of reporting quarter, there is nothing that trigger direct or contingent financial obligation that is material to the Company, except for the default in payment of its TRB loan and the recognition of debts to the National Government.

2.2.b Any material commitments for capital expenditures, the general purpose of such commitments and the expected sources of funds for such expenditures

- None -

2.2.c 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/revenues/income from continuing operations

The following had affected the revenue generating capacity of the Company:

- The veering away from the construction business since 2002;
- The turn over of the North Luzon Tollway operations to the MNTC on February 10, 2005;
- The turn-over of its South Luzon Tollway operations to SLTC/MATES on May 02, 2010; and
- DPWH's take over of the Daang Hari Project (pursuant to its PPP mandate).

2.2.d Any significant elements of income or loss that did not arise from the issuer's continuing operations

- Not applicable -

2.2.e The causes for any material change/s (5% or more) from period to period in one or more line items of the issuer's financial statements

Material change/s (5% or more) from period to period in one or more line items of the issuer's financial statements

Balance Sheet (P000)	As of		Increase (Decrease)		Explanation of Variances
	March 31, 2016	Dec. 31, 2015	Amount	%	
Cash and cash equivalents	773,640	693,740	79,900	11.52	Attributable to the cash flow provided by the Company's operating and investing activities.
Accounts receivables	342,537	365,539	-23,002	-6.29	Collection of receivables from the Joint Venture Companies and tenants in the leased FCA property in Pasay.

Income Statement (P000)	For the First Quarter Ended		Increase (Decrease)		Explanation of Variances
	March 31, 2016	March 31, 2015	Amount	%	
Revenue and dividend shares from Joint Venture Companies	44,464	39,207	5,257	13.41	Increase in revenue shares from JV companies
Rental income	27,674	23,972	3,702	15.44	Additional revenue from increase of rental charges in the leased FCA property.
Service Income	10,430	0	10,430	100	Income derived from supplying labor for DISC operations
General and administrative overhead	18,320	16,891	1,429	8.46	Additional overhead expesnses incurred from DISC operations
Interest income	2,032	1,081	951	87.97	Interest earned on bank deposits and money market placements.
Other Income	15	130	-115	-88.46	No other additional revenues were recognized.

2.2.f Any seasonal aspects that had a material effect on the financial condition or results of operations

- Not applicable -

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
FINANCIAL SOUNDNESS INDICATORS
For the First Quarter of 2016 and 2015

	January to March 2016	2015
1 Current/Liquidity Ratios:		
Current Ratio	0.124	0.099
Quick Asset Ratio	0.088	0.098
2 Solvency Ratios:		
Debt to Assets	99.38%	101.08%
Debt to Equity Ratio	15951.79%	-9356.57%
3 Asset to Equity Ratio	16051.79%	-9256.57%
4 Interest Rate Coverage Ratio	0.882	0.728
5 Profitability Ratios:		
Gross Profit Ratio	67.94%	73.26%
Return on Assets	-0.04%	-0.13%
Return on Equity	-6.70%	-11.94%

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR ANNUAL INCOME TAX RETURN

The Management of the Philippine National Construction Corporation is responsible for all information and representations contained in the Annual Income Tax Return for the year ended December 31, 2015. Management is likewise responsible for all information and representations contained in the financial statements accompanying the Annual Income Tax Return covering the same reporting period. Furthermore, the Management is responsible for all information and representations contained in all the other tax returns filed for the reporting period, including, but not limited to the value added tax and/or percentage tax returns, withholding tax returns, documentary stamp tax returns, and any and all other tax returns.

In this regard, the Management affirms that the attached *Board Approved-Audited Financial statements* as of and for the year ended December 31, 2015 and the accompanying Annual Income Tax Return are in accordance with the books and records of Philippine National Construction Corporation, complete and correct in all material respects. Management likewise affirms that:

(a) the Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;

(b) any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to financial accounting standards and the preparation of the income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the company's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances; and

(c) the Philippine National Construction Corporation has filed all applicable tax returns, reports, and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.

ATTY. LUIS F. SISON
President and CEO

MIRIAM M. PASETES
Acting Treasurer

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date APR 14 2016 SD
RECEIVED
ELMER B

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

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 years ended December 31, 2015 and 2014, 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

APR 20 2016

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

ATTY JESUS F. APUYOD
Appointment No. 16 (2016-2017)
Notary Public for Taguig, Pateros and Pasig
Until December 31, 2017
Notary Public
140 Gen. Santos Ave., Lower Bicutan, Taguig City
Roll No. 57266
PTR No. A-2789197 / 4 Jan. 2016 / Taguig City
IBP Lifetime No. 012164 / RSM Chapter
MCLE Compliance No. IV-0019294 / 26 April 2013

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Page No. 69
Book No. 4
Series of 2016

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, 2015, 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.

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

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BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION I
Date APR 14 2016 SDS
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ELMER B. TANAY

Notary Public

ATTY. BENJAMIN F. ALFONSO
NOTARY PUBLIC
UNTIL DECEMBER 31, 2016
PTR NO. 2147797 1/4/2016 - QUEZON CITY
IBP NO. 1015954 1/4/2016 - QUEZON CITY
ROLL NO. 13296
COMMISSION NO. NP-144 (2015-2016) QUEZON CITY
TIN NO. 177-967-619
MCLE EXEMPTED

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Page No. 98
Book No. 254
Series of 2016

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

ANNUAL AUDIT REPORT

on the

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION

For the Year Ended December 31, 2015

EXECUTIVE SUMMARY

Introduction

The Philippine National Construction Corporation (PNCC), previously known as the Construction Development Corporation of the Philippines (CDCP), was granted the franchise to construct, operate and maintain the North Luzon Expressway (NLEX), South Luzon Expressway (SLEX) and Metro Manila Expressway by virtue of PD No. 1113 issued on March 31, 1977, as amended by PD No. 1894 issued on December 22, 1983. The debt-to-equity conversion pursuant to and under the directives of LOI 1295 promulgated on February 23, 1983 gave the Government majority ownership of the Company.

From 1987 to 2001, PNCC 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 focused more on the operation and maintenance of its tollways. However, further financial difficulties prevented PNCC from operating and maintaining its tollways in a manner required of a public utility. Therefore, starting in 1995, PNCC entered into Joint Venture Agreements (JVAs) that resulted in the division of the Tollways into three portions, the North Luzon Expressway (NLEX), the South Luzon Expressway (SLEX), and the South Metro Manila Skyway (SMMS).

On February 10, 2005, PNCC turned over the Operation and Maintenance (O&M) of the North Luzon Tollways to the Manila North Tollways Corporation (MNTC), while the O&M for the South Metro Manila Skyway was turned over to the Skyway Operation and Maintenance Corporation on December 31, 2007.

Prior to the expiration of the franchise of PNCC on April 30, 2007, the Company submitted to Congress all the requirements needed for the renewal of the same, but it was not able to get the required Senate approval. The Toll Regulatory Board (TRB) issued a Toll Operation Certificate to PNCC on April 30, 2007 for the O&M of the SLEX and to collect toll fees, in the interim, after its franchise expiration. The PNCC handed over the O&M of the SLEX to Manila Toll Expressway System Inc. on May 2, 2010.

Scope and Objectives of Audit

The audit covered the accounts, transactions and operations of PNCC for calendar years 2015 and 2014. It was aimed at expressing an opinion on the financial statements, and at determining the Company's compliance with pertinent laws, rules and regulations, as well as the efficiency and economy of operations.

Financial Highlights

Comparative Financial Position
(In million pesos)

	2015	2014	Increase (Decrease)
Assets	13,062,830	12,428,381	634,449
Liabilities	12,975,558	12,575,376	400,182
Equity (Capital Deficiency)	87,272	(146,995)	234,267

Comparative Results of Operations
(In million pesos)

	2015	2014	Increase (Decrease)
Revenue	633,061	214,825	417,525
Employee Costs	32,472	34,664	(2,192)
Operating expenses	297,086	399,024	(101,938)
Profit (loss) before tax	303,503	(218,152)	521,655
Deferred tax expense	68,325	0	68,325
Net profit (loss)	235,178	(218,863)	453,330

Independent Auditor's Report on the Financial Statements

We rendered an adverse opinion on PNCC's financial statements because of the recognition of the unconverted debt of P5.552 billion as part of equity and the non-recognition of the interest and penalties thereon of P55.084 billion and P52.066 billion as of December 31, 2015 and 2014, respectively.

Summary of Observations and Recommendations

The following are the other significant observations and the corresponding recommendations:

1. Replacement by PNCC with a dated check the postdated check it earlier issued to IAC as a cash collateral enabled IAC to withdraw the amount of P71.072 million, depriving PNCC of the interest thereon estimated at P2.369 million.

   We recommended that Management:

   a. Request from IAC a bank statement or any document that would show that the P71.072 million plus the interest thereon since August 29, 2012 up to the present remained intact, considering that the said amount was paid to IAC for collateral purposes only;

   b. Arrange with the IAC Legal Department for the replacement of the cash collateral with a Deed of Assignment in the amount of P71.072 million in favor of IAC; and

   c. File the necessary legal action to recover the P71.072 million plus interest effective August 12, 2012 to the present should IAC refuse to cooperate.

2. Cash advances totaling P57.927 million remained outstanding for almost 10 years.

   We recommended that Management:

   a. Take the appropriate legal actions to enforce the liquidation or recovery of unliquidated cash advances; and

b. Monitor regularly and follow-up with OGCC the status of the cases endorsed to them related to unliquidated cash advances.

3. Miscellaneous deposits of P.838 million are not supported with documents and pertain to transactions or services which are no longer being availed of by PNCC.

We reiterated our previous year's recommendations that Management:

a. Validate whether the services with corresponding MERALCO meter/service deposit receipts are still being availed of by PNCC. If not, steps should be taken to have the deposits refunded; and

b. Locate the documents of the undocumented deposits and then apply for refund.

4. Investment in PLDT shares per books is over by P77,599 when compared with balance per inventory count. Further, PLDT shares in the amount of P273,200 had not yet been redeemed.

We recommended that Management:

a. Reconcile the variance between the balance per books vis-à-vis the actual PLDT stock certificates on hand and effect any adjustment as may be necessary; and

b. Redeem the PLDT shares.

Summary of Suspensions, Disallowances and Charges as of Year-end

As of December 31, 2015, the unsettled Notices of Suspension and Disallowance amounted to P69,900 and P522.447 million, respectively. Of the unsettled Notices of Disallowance (NDs), 19 NDs in the amount of P299.343 million are under appeal with the Cluster Director still awaiting decision; 11 NDs in the amount of P124.636 million have been affirmed in the decision rendered by the Cluster Director; and 5 NDs in the amount of P98.467 million are with Petition for Review with the Commission Proper.

Status of Implementation of Prior Year's Audit Recommendations

Out of the six prior year's recommendations, three were implemented, one was partially implemented, and two were not implemented.

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

INDEPENDENT AUDITOR'S REPORT

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, 2015 and 2014 and the statements of comprehensive income, 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

Letter of Instruction (LOI) No. 1295 was issued in 1983 directing the conversion into equity all obligations and guarantees of the then Construction Development Corporation of the Philippines, now PNCC, from Government Financial Institutions. It provides that, after the obligations of PNCC are converted into PNCC shares of common stock, it would result in the payment/prepayment of PNCC's various obligations enumerated in the LOI and PNCC shall not be required to make further payments for interest on such obligations up to, and inclusive of, December 31, 1983. However, due to the then Central Bank of the Philippines', now Bangko Sentral ng Pilipinas, rule on Single Borrower's Limit, the amount of P5.552 billion debts, inclusive of the advances made by the Bureau of the Treasury (BTr) in servicing these debts, remained unconverted and were eventually transferred to and assumed by the National Government (NG), thru the Asset Privatization Trust, now Privatization Management Office (PMO), pursuant to Proclamation No. 50 issued in 1986.

The unimplemented debt-to-equity conversion was treated by PNCC as equity, instead of liability, believing that the P5.552 billion is no longer a debt but simply represents unissued shares of stock awaiting conversion into equity. The PMO/BTr, however, still considered these unconverted debts as liability, claiming the total amount of P60.636 billion and P57.618 billion as of December 31, 2015 and 2014, inclusive of accumulated interest charges and penalties amounting to P55.084 billion and P52.066 billion.

The Office of the Government Corporate Counsel, in its Opinion No. 245 dated November 15, 2007, opined that PNCC may enter into an agreement with PMO for the conversion of PNCC's remaining liabilities into PNCC's shares of common stock and that after the completion of the equity conversion, PNCC shall no longer have any remaining obligations with the NG and PMO under LOI No. 1295, subject to the approval by higher authorities as may be required by law or regulation.

Due to their conflicting positions, the parties submitted the issue for resolution by the Department of Justice (DOJ). The DOJ dismissed 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. PNCC's Motion for Reconsideration (MR) and Supplement to the MR were, likewise, denied by the DOJ on January 22, 2015 and July 13, 2015, respectively. On June 26, 2015, PNCC filed a Motion for Appeal at the Office of the President of the Philippines and filed the corresponding Appeal Memorandum on July 27, 2015.

Earlier, on April 15, 2015, the Department of Finance (DOF) served to PNCC a Statement of Account as of March 31, 2015 informing that its outstanding obligations are due and demandable, and that there is no longer any basis to consider the conversion into equity of the subject obligation under LOI 1295.

Considering the time that had elapsed and the DOJ's decision and the DOF's demand, we believe that, more likely than not, the planned conversion to equity may no longer materialize. Corollary to this, Securities and Exchange Commission (SEC) Financial Reporting Bulletin (FRB) No. 006, which was 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, provides that an entity shall classify deposits for future subscriptions, or in the case of the PNCC, debts subject of the debt-to-equity conversion, as part of equity, if and only if, all of the following elements are present as of the reporting period: a) the unissued authorized capital stock of the entity is insufficient to cover the amount of shares indicated in the contract; b) there is Board of Directors' approval on the proposed increase in authorized capital stock; c) there is stockholders' approval of said proposed increase; and d) the application for the approval of the proposed increase has been filed with SEC. PNCC was able to meet only the first element.

The recognition by PNCC of the P5.552 billion unconverted debts as equity instead of liability and its non-recognition of interests and penalties thereon accumulating to P55.084 billion and P52.066 billion as of December 31, 2015 and 2014, respectively, resulted in the understatement in total liabilities by P60.636 billion, understatement in accumulated deficit by P55.084 billion and understatement in capital deficiency by P60.636 billion as of December 31, 2015. (As of December 31, 2014, understatement in total liabilities, understatement in accumulated deficit and understatement in capital deficiency amounted to P57.618 billion, P52.066 billion, and P57.618 billion, respectively.)

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, 2015 and 2014 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 2, 26 and 27 to the financial statements which discuss matters pertaining to PNCC's going concern status, the Bureau of Internal Revenue assessments on PNCC's deficiencies in various taxes, and the uncertainties related to the outcome of the various pending lawsuits, litigations and arbitrations the PNCC is involved in. 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.

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

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on taxes, duties and license fees in Note 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

ZVdeVilla

ZENAIDA V. DE VILLA
OIC, Supervising Auditor

March 14, 2016

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION I
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PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
STATEMENTS OF FINANCIAL POSITION
December 31, 2015 and 2014
(In Philippine Peso)

	Notes	December 31, 2015	December 31 2014 (As Restated)	January 1 2014 (As Restated)
ASSETS				
Current Assets				
Cash and cash equivalents	4	**693,740,491**	398,644,597	181,123,529
Accounts receivable	3.4, 5	**365,539,337**	412,077,364	594,046,160
Receivables from officers and employees	3.4, 6	**44,267,803**	42,899,957	42,813,387
Prepayments	3.5, 7	**12,898,230**	10,066,593	22,733,050
		1,116,445,861	863,688,511	840,716,126
Non-Current Assets				
Investments	3.6, 8	**144,944,252**	273,484,252	261,750,919
Investment property	3.7, 9	**10,669,948,000**	10,442,198,155	10,442,198,155
Property and equipment, net	3.8, 10	**787,180,979**	563,070,872	569,204,473
Other assets, net	11	**344,310,696**	285,939,538	286,533,430
		11,946,383,927	11,564,692,817	11,559,686,977
TOTAL ASSETS		**13,062,829,788**	12,428,381,328	12,400,403,103
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current Liabilities				
Accounts payable and accrued expenses	12	**50,462,850**	45,075,986	50,776,709
Due to national government and its instrumentalities	13	**8,137,299,616**	7,879,297,416	7,621,295,216
Due to government-owned or controlled corporations	14	**1,203,000,000**	1,203,000,000	1,203,000,000
		9,390,762,466	9,127,373,402	8,875,071,925
Non-Current Liabilities				
Deferred tax liabilities	25	**3,409,933,250**	3,273,141,560	3,273,432,335
Other payables	15	**174,861,629**	174,861,629	177,958,110
		3,584,794,879	3,448,003,189	3,451,390,445
Stockholders' Equity (Capital Deficiency)		**87,272,443**	(146,995,263)	73,940,733
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		**13,062,829,788**	12,428,381,328	12,400,403,103

See accompanying Notes to Financial Statements.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION 1
Date APR 14 2016 SDS
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PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended December 31, 2015 and 2014
(In Philippine Peso)

	Notes	December 31, 2015	December 31, 2014 (As restated)
REVENUES			
Revenue and dividend share from Joint Venture Companies	3.3, 19	120,226,215	105,870,068
Rental income	3.3, 20	96,839,025	87,241,704
Service Income	21	10,627,519	0
TOTAL REVENUES		227,692,759	193,111,772
COST OF SERVICES	22	(8,213,446)	0
GENERAL AND ADMINISTRATIVE OVERHEAD	23	(63,342,573)	(175,685,920)
INCOME FROM OPERATIONS		156,136,740	17,425,852
PENALTY CHARGES ON UNPAID CONCESSION FEE	3.10, 13	(258,002,200)	(258,002,200)
OTHER INCOME, net	24	244,934,334	21,713,279
NET INCOME (LOSS) BEFORE TAX		143,068,874	(218,863,069)
DEFERRED TAX EXPENSE		(68,324,953)	0
NET INCOME (LOSS)		74,743,921	(218,863,069)
OTHER COMPREHENSIVE INCOME			
Movement in revaluation increment, net of tax	3.9	160,434,195	0
COMPREHENSIVE INCOME (LOSS)		235,178,116	(218,863,069)

See accompanying Notes to Financial Statements.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION I
Date APR 14 2016 SDS
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PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
STATEMENTS OF CHANGES IN EQUITY
For the Years Ended December 31, 2015 and 2014
(In Philippine Peso)

	Capital Stock P10 Par Value (Note 16)	Capital in Excess of Par Value	Subscriptions Receivable (Note 17)	Treasury Stock	Revaluation Increment in Propery	Equity Adjustment-Loans Transf. to Nat'l Gov't (Note 18)	Retained Earnings (Deficit)	Total Equity
Balances, December 31,2013	2,283,758,120	46,137,443	(56,158,831)	(16,699,918)	378,010,684	5,551,726,307	(8,071,909,989)	114,863,816
Expiration of 2006-2010 Minimum Corporate Income Tax	0	0	0	0	0	0	(39,322,148)	(39,322,148)
Correction of prior year's income and expense (Note 29)	0	0	0	0	0	0	(1,600,935)	(1,600,935)
As at January 01, 2014, as restated	2,283,758,120	46,137,443	(56,158,831)	(16,699,918)	378,010,684	5,551,726,307	(8,112,833,072)	73,940,733
Expiration of 2011 Minimum Corporate Income Tax	0	0	0	0	0	0	(2,363,702)	(2,363,702)
Piecemeal realization of revaluation surplus	0	0	0	0	(969,251)	0	969,251	0
Reduction in deferred tax liability	0	0	0	0	290,775	0	0	290,775
Net loss							(218,863,069)	(218,863,069)
Balances, December 31, 2014, as restated	2,283,758,120	46,137,443	(56,158,831)	(16,699,918)	377,332,208	5,551,726,307	(8,333,090,592)	(146,995,263)
As at January 01, 2015	2,283,758,120	46,137,443	(56,158,831)	(16,699,918)	377,332,208	5,551,726,307	(8,333,090,592)	(146,995,263)
Expiration of 2012 Minimum Corporate Income Tax	0	0	0	0	0	0	(2,767,289)	(2,767,289)
Piecemeal realization of revaluation surplus	0	0	0	0	(969,251)	0	969,251	0
Reduction in deferred tax liability	0	0	0	0	290,775	0	0	290,775
Others	0	0	0	0	0	0	1,566,104	1,566,104
Net income	0	0	0	0	0	0	74,743,921	74,743,921
Other comprehensive income								
Movement in revaluation increment, net of tax	0	0	0	0	160,434,195	0	0	160,434,195
Balances, December 31, 2015	2,283,758,120	46,137,443	(56,158,831)	(16,699,918)	537,087,927	5,551,726,307	(8,258,578,605)	87,272,443

See accompanying Notes to Financial Statements.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION I
Date APR 14 2016 SDS
RECEIVED
ELMER B. TANAY

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2015 and 2014
(In Philippine Peso)

	Note	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES			
Rental		**103,970,201**	103,940,982
Revenue share		**88,930,936**	74,079,423
Others		**6,923,342**	2,518,103
		199,824,479	180,538,508
Payments to:			
Suppliers		**(38,798,833)**	(57,988,214)
Employees		**(36,962,014)**	(31,759,479)
Directors		**(2,629,495)**	(2,706,569)
Consultants/retainers		**(341,883)**	(565,982)
Cash provided by operations		**121,092,254**	87,518,264
Taxes and licenses		**(2,748,016)**	(2,627,140)
Penalties		**(600,000)**	(150,000)
Deficiency taxes		**0**	(4,818,810)
Net cash provided by operating activities		**117,744,238**	79,922,314
CASH FLOWS FROM INVESTING ACTIVITIES			
Liquidation of ASDI 50% investment shares		**127,500,000**	0
Dividends		**42,617,712**	39,280,476
Interests		**5,463,149**	3,216,515
Proceeds from sale of fixed assets/scrap materials		**905,605**	2,990,346
Liquidation of CESLA investment shares		**900,000**	300,000
Others (various adjustments)		**0**	91,816,007
Purchase of property and equipment		**(34,810)**	(4,590)
Net cash provided by investing activities		**177,351,656**	137,598,754
NET INCREASE IN CASH AND CASH EQUIVALENTS		**295,095,894**	217,521,068
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**398,644,597**	181,123,529
CASH AND CASH EQUIVALENTS AT END OF YEAR	4	**693,740,491**	398,644,597

See accompanying Notes to Financial Statements.

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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 and By Laws were 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, 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 May 1, 2007.) PD 1113 was amended by PD 1894 in 1983 to include, among others, the Metro Manila Expressway (MME) to serve as an additional artery in the transportation of trade and commerce in the Metro Manila Area and gave the Company another period of 30 years "from the completion of the project."

On May 7, 1981, 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.

On February 23, 1983, then President Ferdinand E. Marcos issued LOI 1295, directing the creditor Government Financial Institutions (GFIs) to convert into CDCP shares of stock the following: (1) all of the direct obligations of CDCP and those of its wholly-owned subsidiaries, including, but not limited to loans, credits, accrued interests, fees and advances in any currency outstanding as of December 31, 1982; (2) the direct obligations of CDCP maturing in 1983; and (3) obligations maturing in 1983 which were guaranteed by the GFIs. With the implementation of LOI 1295, the GFIs became the majority stockholder of CDCP.

The amount of the debt to be converted into equity was around P7 billion. However, only P1.4 billion of the debt was issued shares of stocks while the remaining P5.552 billion was left unconverted.

On December 07, 1983, the Securities and Exchange Commission (SEC) approved the increase of its authorized capital stock from P1.6 to P2.7 billion in accordance with LOI 1295.

CDCP was later renamed to Philippine National Construction Corporation (PNCC) to reflect the Philippine Government's stockholding, and became a government-acquired asset corporation. Consequently, the various GFIs were given seats in the Board of Directors of the Company and participated in its management.

In 1986, under Proclamation No. 50, the Company was placed under the Committee on Privatization (COP) and the Asset Privatization Trust (APT). Also in 1986, under Administrative Order No. 64, certain assets of the Philippine Export and Foreign Loan Guarantee Corporation (Philguarantee) and the National Development Company (NDC) were transferred to the National Government (NG) which also assumed certain liabilities of both Philguarantee and NDC. A total of P1.918 billion was transferred to the NG.

By virtue of LOI 1136 and 1295, 55.72 per cent of the Company's equity was held by the Asset Privatization Trust (APT) (now the Privatization Management Office or PMO), which was created on December 08, 1986 by virtue of Proclamation No. 50. The other 21.25 per cent was held by the Government Service Insurance System (GSIS) and the Land Bank of the Philippines (LBP) 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.

In 1988, pursuant to Administrative Order Nos. 14 and 64, DBP, PNB, Philguarantee, and NDC transferred their interests in the Company to the Republic of the Philippines which in turn conveyed them to the APT (now the PMO) for disposition to the private sector pursuant to the government's privatization program.

From 1987 to 2001, the Company still engaged in construction business but this resulted in losses. It veered away from active involvement in construction operations, and focused more on the operation and maintenance of its tollways. It entered into Joint Venture Agreements (JVAs) that resulted in the division of the Tollways into the South Luzon Expressway (SLEX), the North Luzon Expressway (NLEX) and the Skyway.

In August 1995, the Company entered into a Business and Joint Venture Agreement (BJVA) with Indonesia's P.T.Citra Lamtoro Gung Persada (CITRA) and formed the joint venture company, Citra Metro Manila Tollways Corporation (CMMTC) which was granted the Supplemental Toll Operation Agreement (STOA) to finance, design and construct the South Metro Manila Skyway (SMMS) Project. The project covered the construction of the 9.5-kilometer elevated road from Bicutan, Parañaque City to the Makati Central Business District, as well as the rehabilitation of the 13.5 kilometer section of the SLEX from Alabang to Magallanes. The Company's wholly-owned subsidiary, PNCC Skyway Corporation (PSC), originally managed the operation and maintenance of the SMMS Project. October 1999 marked the start of full operations of the entire Skyway Stage 1.

In 1997, the Company entered into a JVA with the First Philippine Infrastructure Development Corporation (FPIDC), for the rehabilitation of the NLEX. The Manila North Tollways Corporation (MNTC) was incorporated as its joint venture company. MNTC was granted the STOA in June 1998 to finance, design, construct, operate and maintain the toll roads, toll facilities and other facilities generating toll-related income, in respect of the NLEX. (The FPIDC was acquired by the Metro Pacific Investments Corporation (MPIC) in 2008.) The operation and maintenance (O&M) of the NLEX is with the Tollways Management Corporation (TMC). Following the issuance of the Toll Operation Permit (TOP), commercial operations started on February 1, 2005.

In 2002, the Company, as a Government-Owned and Controlled Corporation (GOCC) was attached to the Department of Public Works and Highways (DPWH) for policy and program coordination and general supervision by virtue of Executive Order No. 148.

In 2004, "pending privatization," the Company was placed under and attached to the Department of Trade and Industry (DTI) as per Executive Order No. 331.

In February 2006, the Company entered into a JVA with Malaysian Corporation MTD Manila Expressways, Inc. (MTDME) and formed its joint venture company South Luzon Tollway Corp (SLTC). By virtue of the STOA entered into with the Toll Regulatory Board (TRB) and the Company, SLTC committed to undertake all works required for the SLEX Project including its total financing without sovereign guarantees and with the recovery of its investment being in the form of the collection of toll by the Manila Toll Expressway Systems, Inc. (MATES), its O&M company. The SLEX Rehabilitation and Upgrading Project consisted of the rehabilitation and expansion of the existing toll road from Alabang to Calamba (28.53 km) and the construction of the extension of the SLEX to Sto. Tomas, Batangas (5.81 km.) with the associated spur to the Southern Tagalog Arterial Road (1.79 km.) SLTC was granted a 30-year concession period from February 2006 to February 2036. It includes the period of construction which began in June 2006.

On April 27, 2007, the TRB issued a Toll Operation Certificate (TOC) to the Company for the O&M 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 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. In 2010, the operation was officially turned over to SLTC and MATES.

In December 2007, the Company entered into a Memorandum of Agreement (MOA) with CMMTC and PNCC Skyway Corporation (PSC) where the Company was to have been provided P2 million by CMMTC in order for the Company to subscribe to the par value up to 20 per cent of the total outstanding capital stock of the O&M company, Skyway Operation and Maintenance Corporation (SOMCO). PSC turned over the operation and maintenance of the South Metro Manila Skyway Project to SOMCO which operates the 16.2-kilometer elevated tollway from Buendia to Alabang and the 13.5-kilometer at-grade toll road from Magallanes to Alabang. (The Company is awaiting for the issuance of 4,864 shares of stock which will give it 8.107 per cent share in SOMCO.)

On November 14, 2008, a Subscription Agreement was executed by and among the Alabang-Sto. Tomas Development Inc. (ASDI), the National Development Company (NDC), and the Company, wherein the Company subscribed to 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 which was incorporated to undertake the Daang Hari-SLEX connector road.

In 2009, a MOA for the Advance Works on the Daang Hari-SLEX Link Road Project (DHSLRP) was entered by and between 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 project was 25 per cent complete when the DPWH, pursuant to its Public Private Partnership (PPP) mandate, took over the project for the purpose of bidding it out. ASDI was to be reimbursed with 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 turnover of the project.

On April 27, 2009, CMMTC received the Notice to Proceed (NTP) from the TRB and it officially started the South Metro Manila Skyway Project Stage 2, the 6.8 kilometer elevated expressway from Bicutan to Alabang. On May 2011, Skyway Stage 2 was completed with toll facilities and other ancillary requirements already in place.

In 2009 and 2010, in the case of Ernesto B. Francisco vs. TRB, PNCC et. al. (G.R. Nos. 166910, 169917, 173630, and 183599, October 19, 2010 or the Francisco Case) and in the case of Strategic Alliance Development Corporation vs. Radstock Securities Limited et. al. (G.R. No. 178158, December 04, 2009 or the Radstock Case), the Supreme Court (SC) 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 NG at no cost and consequently, this inevitably resulted in the NG owning too of the toll fees and the net income derived, after May 1, 2007 from the toll assets and facilities, including the Company's percentage share in the toll fees collected by the Joint Venture Companies (JVCs) currently operating the tollways, including NLEX and Skyway.

The Supreme Court, in its resolution dated April 12, 2011 and in connection with the Francisco Case, directed the TRB, with the assistance of the Commission on Audit (COA), to prepare and finalize the Implementing Rules and Guidelines (IRG) relative to the determination of net income remittable by the Company to the NG. An interim rules and guidelines was issued on March 9, 2012, for the remittance by the JVCs to the National Treasury of the net income that are supposed to be remitted by the JVCs from the revenues of the SLEX, NLEX and Skyway in accordance with the Francisco Case. The company has been receiving 10 per cent of the revenue and dividend shares form the JVCs while 90 per cent is remitted by the JVCs to the National Treasury.

In February 2012, the Company's shares in JVCs i.e. CMMTC, MNTC, TMC, SLTC and MATES were turned over to the government in February 2012 through a Deed of Compliance to Transfer Shares of Stocks to the National Government (NG) in compliance with the SC decision in the Francisco Case. (Note 2 equity participation in CMMTC)

The impact of the aforesaid SC Decision on the Radstock and Francisco Cases has been appropriately reflected in the financial statements.

In 2013, the Company was attached and placed under the Office of the President (OP) of the Philippines from the DTI per Executive Order No. 141. The Company entered into Joint Venture Projects with Citra Central Expressway Corporation (CCEC) for Metro Manila Skyway (MMS) or Stage 3 Project and with Citra Intercity Tollways Inc. (CITI) for the Metro Manila Expressway (MME) or C-6 Project. (Note 2, Going Concern - New Projects)

The Governance Commission for GOCCs (GCG), in its memorandum for the President of the Republic of the Philippines dated June 24, 2013, recommended the abolition of the five (5) subsidiaries of the company, namely: Alabang-Sto.Tomas Development Inc. (ASDI), DISC Contractors, Builders and General Services Inc. (DCBGSI), Traffic Control Products Corporation (TCPC), CDCP Farms Corporation (CDCP FC) and Tierra Factors Corporation (TFC) which was approved by His Excellency, the President through a memorandum from the Executive Secretary dated August 7, 2014. The Company is in the process of abolishing the five (5) subsidiaries.

On March 3, 2015, the Company submitted its Performance Agreement to the GCG. On December 1, 2015, the Makati Regional Trial Court (RTC) issued a Writ of Preliminary Injunction for Civil Case No. 15-384 in favor of Forum Holdings Corporation restraining the GCG, its representatives and officers, and the Company's Board of Directors from implementing the said Performance Agreement. The Company is not impleaded as a party to the case filed by Forum.

In August 2013, CDCP founder, Rodolfo M. Cuenca, filed a case against the TRB, COA, the Company, MNTC and MATES, seeking the remittance of revenues and dividends on the toll road projects to the Company alleging that TRB has not finalized the IRG. The Makati RTC "enjoined petitioner TRB, and PNCC from implementing the TRB's Interim Rules and Guidelines dated 22 March 2012." In a resolution dated August 4, 2014, the Supreme Court issued a Temporary Restraining Order (TRO) against the Makati RTC's TRO, thus sustaining the status quo that revenue and dividends to be remitted directly to the NG.

In January 2016, three (3) GSIS members filed a case against the Company's Board of Directors, Members of the Board of Trustees of the GSIS and GCG seeking to enjoin the implementation of the Performance Agreement. On February 12, 2016, the RTC ordered the re-raffle of the case to a commercial court.

Pursuant to R.A. 10149, the Company is listed as a non-chartered Government-Owned or Controlled Corporation (GOCC) under the supervision of the GCG which is the central advisory, monitoring, and oversight body of the NG under the OP.

The Company's corporate life will expire on November 22, 2016. The Company has sent a letter dated March 3, 2016 to the GCG regarding the extension of the corporate life of the Company.

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

The financial statements as of and for the years ended December 31, 2015 and 2014 were approved and authorized for issue by the Board of Directors on April 6, 2016.

2. GOING CONCERN

New Projects

The Company holds updated partnerships for new Toll Road projects. The projects will enable the Company to generate sufficient cash flow from dividend and revenue shares from the JV Companies for the next 30 years.

Metro Manila Skyway (MMS) or Stage 3 Project

The Metro Manila Skyway Stage 3 Project starts from the existing Buendia interchange and will be extended and eventually connected to the North Luzon Expressway (NLEX) at the Balintawak-EDSA Interchange. The project is 14.80 kilometers in length.

- On May 3, 2011, CITRA and the Company submitted to TRB an Updated Joint Venture Investment Proposal for the said project pursuant to one of the "Whereas Clauses" of South Metro Manila Skyway (SMMS) Supplemental Tollway Operation Agreement (STOA) dated November 27, 1995 as amended on July 18, 2007. Pursuant to its mandate and authority granted under PD No. 1112, the TRB reviewed, evaluated and approved the Updated Joint Venture Investment Proposal for Stage 3.

- On January 9, 2012, CITRA and the Company executed a Supplement to the Business and Joint Venture Agreement (Supplement to BJVA) which governs the implementation of the Stage 3 of the MMS and Stage 4 of the Project also known as the Metro Manila Expressway (MME). The parties also executed the Second Supplement to the Business and Joint Venture Agreement (Second Supplement to BJVA) which contains the terms and conditions for the implementation of both MMS and MME.

- On September 6, 2012, the Restated Second Supplement to the Business and Joint Venture Agreement (Restated Second Supplement to BJVA), which contains the entire agreement of the parties and embodies the final terms and conditions for MMS, was executed.

- On November 12, 2012, following Section 1 of the Restated Second Supplement to BJVA, Citra Central Expressway Corporation (CCEC), the joint venture company, was incorporated as the vehicle to implement the financing, design, and construction of the MMS.

  Under this agreement, the Company is provided with the following:

- 20 per cent equity in CCEC, 10 per cent of which is "Free Carry" i.e. not paid for by the Company and can never be diluted; while the other 10 per cent is to be paid for. In case of the Company's inability to fund the 10 per cent, CITRA needs to get the Company's approval to nominate another shareholder. In 2015, when the call was made for a capital increase in CCEC, the Company waived its subscription rights for the 10 per cent. The 10 per cent initial investment in CCEC amounted to P12.5 million.

- Projected share in gross revenues amounting to about P35.06 billion for the duration of the operation period (30 years);

- Projected share in net profits amounting to about P21.42 billion for the duration of the operation period (30 years);

- One permanent seat with one non-voting director to the Board of CCEC, regardless of its shareholdings;

- Membership in all Board Committees and Chairmanship of the Board's Audit Committee.

The Company agreed to forego any equity share in the O&M provided the latter remains a cost center and not a profit center.

On September 26, 2013, the STOA governing the design, construction, operation and maintenance of the SMMS-Stage 3 Project was approved by the Office of the President of the Philippines.

Metro Manila Expressway (MME) or C-6 Project

The Metro Manila Expressway (MME) or C-6 Project is actually Stage 4 of the SMMS. This toll road will stretch from Bicutan to San Jose Del Monte and will then connect to the proposed MRT 7 Project which will extend to the NLEX. The toll road will have a length of 34.33 km, 7.62 km of which is the elevated portion, six lanes, with six interchanges and 20 ramps, and a close toll collection system. The construction cost is estimated at P19.76 billion out of the total P29.84 billion project cost.

In January 2014, the Restated Supplement to the Business and Joint Venture Agreement (Restated Supplement to BJVA) for MME Project was executed.

Patterned from the MMS Project, the MME will provide the Company with the following:

- 20 per cent equity in Citra Intercity Tollways Inc. (CITI), 10 per cent of which is "Free Carry" i.e. not paid for by the Company and can never be diluted. In case of the Company's inability to fund the 10 per cent, CITRA needs to get the Company's approval to nominate another shareholder;

- Projected share in gross revenues amounting to about P43.86 billion for the duration of the operation period (30 years);

- Projected share in net profits amounting to about P27.21 billion for the duration of the operation period (30 years);

- One permanent seat and one non-voting director to the Board of Joint Venture Company, regardless of its shareholdings;

- Membership in all Board Committees and Chairmanship of the Board's Audit Committee.

On August 11, 2014, the STOA was approved by the Office of the President (OP) of the Philippines. The start of commercial operations of the C-6 project is expected in 2018.

<u>Revenue Shares from New Projects</u>

The Company will earn revenue shares on net toll revenue from the projects at the following rates: 2.5 per cent for the 1st 4 years; 3 per cent from the 5th to the 7th year; 3.5 per cent from the 8th to the 10th year; and 4 per cent from the 11th year onward.

10 per cent Revenue Share from Toll Fee Collections and 10 per cent Share in Declared Dividends from Joint Venture Companies

On March 22, 2012, the TRB issued interim rules and guidelines covering the amount of money the Company will receive in order to cover operating expenses in relation to the Francisco and Radstock Cases. Both the TRB and the Company agreed to a 10 per cent revenue share from toll collection fees and declared dividends from joint venture companies.

The Company receives the following revenue shares:

- 10 per cent of 6 per cent share on the Manila North Tollways Corporation (MNTC) Gross Revenue;

- 10 per cent of 3.5 per cent share on the Citra Metro Manila Tollways Corporation (CMMTC) Gross Revenue; and

- 10 per cent of 1.75 per cent share on the South Luzon Tollway Corporation (SLTC) Gross Revenue.

For 2015 and 2014, the Company received revenue share from MNTC, CMMTC and SLTC in the amounts of P83.803 million and P72.965 million, respectively, while it received dividends amounting to P36.423 million (from CMMTC) in 2015 and P32.905 million (from CMMTC and TMC) in 2014.

Rental Income

Rental income is derived from renting out investment property which includes the Financial Center Area in Pasay City, the PNCC compound in Bicutan, Parañaque, and a property in Porac, Pampanga.

In 2015, the Board approved the minimum rental rate of P140.00 per square meter for the FCA Property. Total rent income for 2015 amounted to P96.839 million and P87.242 million in 2014. For 2016, the minimum rental rate will be in full effect and will result in a bigger increase in rental income.

Equity Participation in CMMTC

It is the position of the Company that it has equity participation in CMMTC on the basis of PD 1894 and pursuant to the provisions of the SMMS Supplemental Tollway Operation Agreement (STOA) dated November 27, 1995 which was approved by then President Fidel V. Ramos. While the Company's franchise expired in May 2007, Section 2 of PD 1894 provides that the "franchise granted for the Metro Manila Expressway and all extensions, linkages, stretches and diversion that may be constructed after the date of approval of this decree shall likewise have a term of thirty (30) years commencing from date of completion of the project" which the Supreme Court (SC) affirmed in the Francisco Case.

The Office of the Government Corporate Counsel (OGCC) rendered its opinion that the PD 1894 projects (namely the SMMS – Skyway Stage 1 and 2 and MMS Stage 3 and MME Stage 4) are "clearly covered by a still existing congressional franchise. For the same reason, too, the PD 1894 assets, facilities and shares are still held by PNCC." It is also the opinion of the Department of Justice (DOJ) that the Company still has a subsisting non-exclusive legislative franchise under PD 1894 and that only assets "that are related to its franchise under PD 1113 have accrued to the National Government (NG) and thus, ought to be turned over to the NG."

The shares in CMMTC were turned over to the NG by way of a Deed of Compliance of Shares of Stock to the NG in February 2012. However, in 2013, after having secured the opinions of both the OGCC and the DOJ regarding the validity of PD 1894, the Company requested CMMTC to refrain from transferring the shares of the Company to the NG and refrain from remitting the dividends and share in gross revenues of CMMTC to the NG. The matter is still awaiting actions from CMMTC, who has referred the matter to their legal counsel. On the other hand, the Department of Finance (DOF) has requested for clarification on the matter from the DOJ. Meanwhile, the shares still remain in the name of the Company.

The Company shares in CMMTC are worth P551.87 million which is equivalent to 8.11 per cent of total outstanding shares of CMMTC. The dividends and revenue shares from 2008 to 2015 amount to P2.085 billion of which the Company received 10 per cent or P208.6 million pursuant to the interim rules and guidelines issued by the TRB. However, it is the position of the Company that all revenue and dividends arising from its investment in CMMTC belong to the Company.

Issuance of Final Implementing Rules and Guidelines by the Toll Regulatory Board (TRB)

A Supreme Court (SC) Resolution clarifying the automatic remittance to the NG of the toll fees and net income derived from the Company's toll assets and facilities was issued in relation to the *Francisco Case*. The Resolution directed the TRB, with the assistance of Commission on Audit (COA), to "prepare and finalize the implementing rules and guidelines relative to the determination of the net income remittable by PNCC to the National Government and to proceed with the same with dispatch."

On March 22, 2012, the TRB issued a Director's Certificate approving the Interim Rules and Guidelines (IRG) for the remittance by the Joint Venture Companies (JVCs) of the revenues of the SLEX, NLEX and Skyway in accordance with the *Francisco Case*. As subsequently agreed upon, the Company and TRB, as an interim arrangement, set aside 10 per cent of all amounts that are supposed to be remitted by the JVCs for remittance to the Company while 90 per cent goes to the National Treasury. The IRG also stated that if the 10 per cent is in excess of what is allowed by the guidelines, the Company shall remit to the TRB for the National Treasury the excess amount. On the other hand, in case the 10 per cent is less than what is allowed under the guidelines, the shortfall shall be deducted in the next remittance to be made by the JVC.

It is the position of the Company that the determination of the "the net income remittable by it to the National Government" should include penalty charges on unpaid concession fee amounting to P258 million per year as part of its administrative expenses.

In March 2013, the Company proposed to TRB that overhead and administrative expenses plus the penalty charges be deducted from gross revenue from the Joint Venture Agreements Income in order to arrive at the Net Income to be remitted to the NG.

A follow-up letter dated December 2, 2015 was sent. The Company has booked penalty charges on unpaid concession fees from 2010-2015 amounting to P1.54 billion.

The Company is still awaiting the issuance of the Final Implementing Rules and Guidelines from TRB.

Debt of P5.552 Billion Remained Unconverted to Equity

The Company's debt of P5.552 billion which remained unconverted to equity is treated as part of equity in the Company's books, instead of a liability. The interest and penalties unilaterally charged thereon by the Privatization Management Office (PMO)/ Bureau of the Treasury (BTr) amounting to P55.084 billion and P52.066 billion as of December 31, 2015 and 2014 were not taken up in the Company's books.

The assertion that the P5.552 billion should be part of equity is supported by a Supreme Court (SC) ruling that recognizes the validity of Letter of Instruction (LOI) 1295 confirming that the P5.552 billion is no longer a debt but equity. The Office of the Solicitor General (OSG) and the Office of the Government Corporate Counsel (OGCC) have concurred with this ruling.

Pursuant to the mutual agreement between the Company and the PMO, the option/authority to convert the mentioned debt into equity was submitted to the Department of Justice (DOJ) on June 21, 2012 for arbitration.

On February 18, 2014, the DOJ dismissed the Company's petition against the PMO. The Company filed a Motion for Reconsideration (MR) with DOJ on March 14, 2014 which was denied by the DOJ on January 22, 2015. Thereafter, the Company filed a Supplement to the MR on May 28, 2015 which was likewise denied by the DOJ in its order dated July 13, 2015.

On June 26, 2015, the Company filed a Notice of Appeal with the Office of the President (OP) of the Philippines and filed the corresponding Appeal Memorandum on July 27, 2015.

The Company is awaiting the resolution of the OP on its appeal.

Payment of Company Obligation to the National Government

The Company intends to pay recognized debts using the proceeds from the sale of its investment properties. The Board approved the offer to apply part of FCA to pay liabilities to the National Government (NG). The Company sent a letter dated July 21, 2015 to the OP recognizing its liability to the NG in the amount of P7.9 billion and proposing to "pay off the recognized obligations, particularly given that the obligation to the TRB for unpaid concessions fees carries with it a penalty of two percent per month." The Company is awaiting the decision of the OP.

Reorganization and Streamlining of Company Operations

The Board has reorganized and streamlined the Company operations as follows:

1. Initiated the process of closing its subsidiaries that are no longer operational and those that are losing;

2. Initiated the process of bidding out properties in order to pay off liabilities;

3. Proposed to the Office of the President the disposition of a part of the Financial Center Area property in order to pay off recognized obligations;

4. Sent a letter to TRB for the issuance of the final implementing guidelines to include the penalty charges;

5. Separated seven employees in 2015 to cut down on labor cost; and

6. Assumed the operations of its subsidiary, the DISC Contractors, Builders and General Services Inc. (DCBGSI) which now operates as a separate division of the Company.

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 rules and 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.

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 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.

These accounts also include 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 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, except for DISC Contractors, Builders and General Services, Inc. (DCBGSI) which has been incurring losses, resulting to accumulated deficit .

In a regular board meeting held on November 14, 2011, the PNCC Board resolved to comply with the mandate of the Supreme Court to transfer and turn over to the National Government (NG) the shares of stock in tollway joint venture companies which PNCC is holding in trust for the NG.

Available for sale equity securities (club shares) are recorded/ measured/presented at fair market value as provided for under PFRS 9, *Financial Instruments: Classification and Measurement.*

3.7 Investment Property

Investment property is 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.

3.8 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 (in years)
Land improvements	10
Buildings and improvements	10 to 33
Construction equipment	2 to 10
Transportation equipment	3 to 5
Office equipment, furniture and fixtures	5
Others	2 to 7

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.

3.9 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, 2015 and 2014 in the same amount of P0.969 million are reflected in the financial statements. Piecemeal realization of the revaluation increment is effected on a yearly basis.

3.10 Revenue Recognition of Service Income

Service revenue and costs are recognized on the basis of percentage of completion method.

3.11 Borrowing Costs

Borrowing costs are expensed as incurred. These costs represent the 2 per cent penalty charges imposed by the Toll Regulatory Board (TRB) on unpaid concession fee.

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 comprehensive income.

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:

- 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

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 Ventures* – 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:

	2015	2014
Cash in banks	23,880,731	46,727,310
Cash equivalents	669,659,760	351,594,287
Petty cash and revolving fund	200,000	323,000
	693,740,491	398,644,597

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. ACCOUNTS RECEIVABLE

The account consists of the following:

	2015	2014
Advances to the Bureau of the Treasury (BTr)	150,000,000	150,000,000
Contract related receivables	132,010,696	120,413,785
Accounts receivable-trade	64,852,231	63,069,379
Accounts receivable-subsidiaries and affiliates	9,286,689	8,800,268
Advances to CESLA	18,789	27,659
Advances to suppliers	76,908	3,690
Advances for SSS/EC benefits	38,409	5,400
Other accounts receivable	9,255,615	69,757,183
	365,539,337	412,077,364

Advances and receivables account in CY 2015 consists of the following:

- Remittances to the 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 to BTr is recorded in the books of the Company (as discussed in Notes 13 and 18).

- Contract related receivables

    - ➢ 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 six per cent interest per annum from the date of first demand on June 24, 2004. The Office of the Government Corporate Counsel (OGCC) was requested to file a Petition for money claims with the Commission on Audit (COA) in behalf of the Company.

    - ➢ 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 six per cent per annum from the date of first demand on January 31, 1989 until the same is fully paid.

      On June 18, 2014, the Company wrote the Commission on Audit (COA) in connection with the status of money claims filed by the former to the latter against MIAA docketed as COA-CPCN 2012-013 and COA-CPCN 2012-084.

      The COA, in its letter reply of August 07, 2014, informed the Company that the aforesaid cases are under the evaluation of the Commission under the Legal Services Sector, Claims and Adjudication Office-Corporate. Accordingly, the Company will be provided with the pertinent decisions after approval of the Commission Proper. The case is still pending resolution by COA.

- Accounts receivable-trade consists of the following:

    - ➢ Uncollected Revenue shares from Joint Venture Companies (JVCs) in the amount of P52.375 million.

    - ➢ Receivable from various tenants at the Financial Center Area (FCA) amounting to P12.477 million.

- Accounts receivable-subsidiaries and affiliates totaling P9.286 million represent various accommodations to the Company's subsidiaries: Alabang-Sto. Tomas Development, Inc. (ASDI) - P6,535; DISC Contractors, Builders and General Services, Inc. (DCBGSI) - P8.856 million; and Traffic Control Products Corporation (TCPC) - P0.424 million.

- Other accounts receivable consists mainly of the Supersedeas/cash bonds re: various NLRC cases filed by present and former employees of the Company totaling P8.858 million, which consist mostly of claims for non-payment of benefits, such as mid-year bonus, exit bonus, and other benefits. The decrease from P69.757 million in 2014 to P9.255 million in 2015 was mainly due to the expiry of the Minimum Corporate Income Tax (MCIT) amounting to P59.749 million.

6. RECEIVABLES FROM OFFICERS AND EMPLOYEES

The account consists of the following:

	2015	2014
Former officers and consultants	**42,510,000**	42,510,000
Officers and employees	**1,651,384**	379,457
Directors	**106,419**	10,500
	44,267,803	42,899,957

- The amount of P42.51 million represents cash advances for franchise extension granted to former officers and consultants, of which, P2.99 million are receivables from former consultants which are covered by Notices of Disallowance with corresponding Memorandum of Appeal filed with the Commission on Audit. The balance of P39.52 million is a receivable from a former officer which was referred to the OGCC for legal action.

- Receivables from officers and employees totaling P1.651 million are broken down as follows: cash advances of P1.339 million which formed part of the health care insurance premium of P1.818 million paid by the Company in 2015 and was covered by an Undertaking dated March 4, 2015, stating that the employees and officers will pay the Company in 12 equal monthly installment to commence in June 2016 or after the ruling of the Governance Commission on Government-Owned and Controlled Corporation (GCG) on the petition filed in their office for the inclusion of the said health care benefit, whichever comes first; employees' 2015 under withheld tax on compensation of P156,066 which are being paid through payroll deduction up to April 2016.

7. PREPAYMENTS

This account consists of the following:

	2015	2014
Prepayments	**9,239,804**	3,718,481
Inventories	**3,658,426**	6,348,112
	12,898,230	10,066,593

7.1 Breakdown of the prepayments account:

	2015	2014
Prepaid income tax	**8,081,311**	2,122,280
Prepaid taxes and licenses	**1,089,940**	1,093,968
Prepaid insurance	**66,633**	502,233
Prepaid expenses	**1,920**	0
	9,239,804	3,718,481

7.2 Composition of the inventory account:

	2015	2014
Spare parts and supplies	**2,537,049**	2,538,996
Construction materials	**586,993**	0
Fuel, oil, and lubricants	**308,411**	139,133
Others	**3,568,012**	3,669,983
	7,000,465	6,348,112
Allowance for inventory write-down	**(3,342,039)**	0
	3,658,426	6,348,112

In 2015, the Company failed in its attempt to bid out the remaining inventories due to lack of bidders but the Company will still pursue its disposal in 2016. A 60 per cent allowance was provided for inventories that are due for disposal based on its appraised value.

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

8. INVESTMENTS

This account consists of:

	2015	2014
Investments in stocks		
Subsidiaries and affiliates		
Alabang-Sto Tomas Development, Inc.	**127,500,000**	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
Citra Central Expressway Corporation	**12,500,000**	12,500,000
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
	317,180,811	444,680,811
Allowances for losses	**(177,180,811)**	(177,180,811)
	140,000,000	267,500,000

	2015	2014
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)	**181,158**	181,158
Puerto Azul Beach and Country Club	**100,000**	100,000
Architectural Centre, Inc.	**3,500**	3,500
	4,292,427	4,292,427
Market adjustment - available for sale securities	**(1,729,500)**	(1,589,500)
	2,562,927	2,702,927
Investment-others		
CDCP Employees Savings & Loan Association	**2,094,725**	2,994,725
Others	**286,600**	286,600
	2,381,325	3,281,325
	144,944,252	273,484,252

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

The Governance Commission for GOCCs (GCG), in its memorandum for the President of the Republic of the Philippines dated June 24, 2013, recommended the abolition of the five subsidiaries of the Company, namely: Alabang-Sto.Tomas Development, Inc. (ASDI); DISC Contractors, Builders and General Services Inc. (DCBGSI); Traffic Control Products Corporation (TCPC); CDCP-Farms Corporation (CDCP-FC); and Tierra Factors Corporation (TFC).

Through a Memorandum from the Executive Secretary dated August 07, 2014, the GCG was informed that its recommendation to abolish the PNCC subsidiaries had been approved by His Excellency, the President, subject to pertinent laws, rules, and regulations.

- On October 16, 2012, ASDI's corporate life was shortened up to December 31, 2012. On August 7, 2014, this Board resolution was revoked. Investment in ASDI was originally 255,000 common shares with a par value of P1,000 per share representing equity ownership of the Company at 51 per cent, with the remaining 49 per cent owned by the National Development Company (NDC). On December 09, 2015, ASDI liquidated 127,500 common shares of PNCC as part of its dissolution process paying PNCC P127.5 million. ASDI has a pending collection balance of P4.2 million from DPWH.

- On September 26, 2013, TCPC Board Resolution BD-006-2013 was issued to proceed with TCPC's abolition/dissolution. The conveyance of TCPC assets to PNCC has already been completed. Part of these assets has already been disposed through public bidding. The remaining undisposed assets are now being classified according to commodity classification for appraisal and for purposes of higher return upon sale.

- On September 30, 2015, DCBGSI was closed pursuant to DCBGSI Shareholders' Resolution dated August 7, 2015. On October 1, 2015, PNCC absorbed DCBGSI functions. On January 18, 2016, the Board of Directors of DCBGSI approved the shortening of its corporate life to January 31, 2016.

- On September 30, 2015, Special Stockholders Meetings of TFC and CDCP-FC were held to dissolve these subsidiaries. Management is still awaiting the appointment of Directors for both companies in order to call a Board Meeting to put into effect the closure of the two companies. A letter dated March 10, 2016 has been sent to the GCG regarding this matter.

- On June 30 2014, Citra Central Expressway Corporation issued a 10 per cent "free carry" equity share worth P12.5 million as the Company's share in the JV Company.

9. INVESTMENT PROPERTY

This account consists of the following:

	Land	Buildings and Improvements	Total
At December 31, 2014			
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**
At December 31, 2015			
Cost			
Opening Net Book Value	70,772,301	0	70,772,301
Additions	0	0	0
Net Book Value	**70,772,301**	0	**70,772,301**
Fair Value Adjustment			
Balance at beginning of year	10,031,522,854	339,903,000	10,371,425,854
Appraisal Adjustment	296,432,345	(68,682,500)	227,749,845
Balance at end of year	**10,327,955,199**	**271,220,500**	**10,599,175,699**
	10,398,727,500	**271,220,500**	**10,669,948,000**
At December 31, 2015			
Cost	70,772,301	0	70,772,301
Appraisal	10,327,955,199	271,220,500	10,599,175,699
	10,398,727,500	**271,220,500**	**10,669,948,000**

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).

Administrative Order (AO) No. 397, which was signed and approved by then President Fidel V. Ramos on 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 as of report date, the Office of the Government Corporate Counsel (OGCC) issued an opinion on April 21, 2001 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.

On August 02, 2013, the OGCC issued another opinion that the Company may not sell or transfer its ownership of the FCA to a private corporation but may only lease it for a period not exceeding 25 years, renewable for not more than 25 years, and not to exceed 1,000 hectares in area. The Company may only sell it to Filipino citizens subject to the 12-hectare Constitutional limitation. Under these circumstances, the Company can either: (1) secure a presidential proclamation officially declaring that the FCA is no longer needed for public use; or (2) dispose it, consistent with the constitutional restriction, to a qualified Filipino citizen, but only to the extent of 12 hectares.

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, P9.72 billion in 2013 and P9.987 billion in 2015.

The subject property has been rented out and has been generating rental revenue since 2005. Rental income earned, net of vat, amounted to P96.839 million and P84.991 million in 2015 and 2014, respectively

A portion of the subject property is intended for sale through public bidding, with the proceeds to be used to pay recognized debts.

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	86,600,516	87,678,000
Dasmariñas, Cavite	75,000	625,800	340,624,200	341,250,000
Mabalacat, Pampanga	27,905	32,027	14,478,973	14,511,000
Rizal, Tagaytay	98,207	1,367,339	54,814,661	56,182,000
Antipolo, Rizal	14,770	1,185,531	45,582,469	46,768,000
Porac, Pampanga	116,591	145,737	20,258,763	20,404,500
Sta. Rita, Bulacan	20,000	1,579,950	90,175,050	91,755,000
Bocaue, Bulacan	9,926	162,678	23,661,322	23,824,000
	423,019	**6,176,546**	**676,195,954**	**682,372,500**

In 2011, Land Bank of the Philippines, engaged by the Company to conduct an inspection and appraisal of its properties situated in the different areas in the Philippines, disclosed that the property located in Dasmariñas, Cavite with a total area of 75,000 sq.m. is not titled and registered under the name of the Company.

The Dasmariñas property is located within the First Cavite Industrial Estate (FCIE), a joint venture project of the National Development Company (NDC), Marubeni Corporation, and Japan International Development Organization (JAIDO). The 75,000 sq.m. lot was excluded from the Contract of Sale executed between the Company and NDC on April 07, 1983, which covers the sale of the Company's several parcels of property to NDC. On April 10, 1992, the Committee on Privatization (COP) approved the sale of the property to NDC at a price not lower than P150/sq.m. The Asset Privatization Trust (APT), however, suggested that the price should instead be P180/sq.m. The sale was not consummated due to the disagreement in the price to be used. Thereafter, the property was developed by NDC, absent any contract of sale yet.

The Dasmariñas property is supported by a Transfer Certificate of Title (TCT) No. T-98739 which was cancelled after the sale in April 1983. The Company was not able to acquire a new TCT under its name for the remaining lots but is conducting further negotiations with NDC for compensation on the property.

As discussed in Note 14, the Company, in its Motion for Reconsideration dated March 13, 2014, prayed that the Department of Justice order the NDC to pay the Company the value of the 7.5 hectares of Dasmariñas property which was excluded in the Contract of Sale but developed and sold by NDC to locators of the First Cavite Industrial Estate (FCIE), plus legal interest thereon from the time of demand up to the actual date of payment.

10. PROPERTY AND EQUIPMENT

This account includes the following:

	Land & Land Improvements	Buildings & Improvements	Construction Equipment	Transportation Equipment	Others	Total
At December 31, 2014						
Cost	10,115,936	37,904,340	23,266,350	44,030,239	41,915,769	157,232,634
Accumulated Depreciation	(2,186,645)	(26,893,559)	(22,416,443)	(40,434,760)	(41,276,367)	(133,207,774)
Net Book Value	**7,929,291**	**11,010,781**	**849,907**	**3,595,479**	**639,402**	**24,024,860**
Appraisal Increase	539,213,259	67,759,775	7,827,127	107,172	2,471,117	617,378,450
Accumulated Depreciation	(21,271,590)	(46,659,519)	(7,826,972)	(107,172)	(2,467,185)	(78,332,438)
Net Book Value	**517,941,669**	**21,100,256**	**155**	**0**	**3,932**	**539,046,012**
	525,870,960	32,111,037	850,062	3,595,479	643,334	563,070,872

	Land & Land Improvements	Buildings & Improvements	Construction Equipment	Transportation Equipment	Others	Total
Cost						
Opening Net Book Value	7,929,291	11,010,781	849,907	3,595,479	639,401	24,024,859
Additions	0	0	0	0	56,890	56,890
Disposals/Write off	0	0	(46,900)	(416,364)	(45,445)	(508,709)
Adjustments	0	0	0	0	0	
Depreciation for the Year	(52,713)	(1,576,421)	(5,988)	(1,555,983)	(469,423)	(3,660,528)
Closing Net Book Value	**7,876,578**	**9,434,360**	**797,019**	**1,623,132**	**181,423**	**19,912,512**
Appraisal Increase						
Opening Net Book Value	517,941,669	21,100,256	155	0	3,933	539,046,013
Appraisal Adjustment	230,954,310	(1,762,605)	0	0	0	229,191,705
Disposals/Write off	0	0	0	0	0	0
Depreciation for the Year	0	(969,251)	0	0	0	(969,251)
Closing Net Book Value	**748,895,979**	**18,368,400**	**155**	**0**	**3,933**	**767,268,467**
At December 31, 2015						
Cost	10,115,936	37,904,340	22,689,448	34,957,176	41,498,347	147,165,247
Accumulated Depreciation	(2,239,358)	(28,469,980)	(21,892,429)	(33,334,044)	(41,316,924)	(127,252,735)
Net Book Value	**7,876,578**	**9,434,360**	**797,019**	**1,623,132**	**181,423**	**19,912,512**
Appraisal Increase	770,167,569	65,997,170	7,827,127	107,172	2,471,117	846,570,155
Accumulated Depreciation	(21,271,590)	(47,628,770)	(7,826,972)	(107,172)	(2,467,184)	(79,301,688)
Net Book Value	**748,895,979**	**18,368,400**	**155**	**0**	**3,933**	**767,268,467**
	756,772,557	**27,802,760**	**797,174**	**1,623,132**	**185,356**	**787,180,979**

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	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.
2015	456.941	CAL-FIL Appraisal & Management, Inc., Asset Consult, Top Consult &Royal Asia

10.2 Others

The Company also owns some 278,477 sq.m. of property, with a total value of P174.127 million, 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. The Company is working on the transfer of title to its name.

11. OTHER ASSETS

This account consists of:

	2015	2014
Restricted cash	**100,327,360**	100,327,360
Accounts receivables-trade	**50,879,182**	50,879,182
Receivables from officers and employees	**12,581,589**	12,581,589
Deferred charges	**107,789,748**	49,383,528
Guarantee deposits	**71,072,000**	71,072,000
Miscellaneous deposits	**1,231,639**	1,224,542
Other assets	**429,178**	471,337
	344,310,696	285,939,538
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
Other assets	**694,807,068**	713,606,857
Allowance for doubtful accounts	**(694,807,068)**	(713,606,857)
	0	0
	344,310,696	285,939,538

The Company 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 the Company.

Accounts receivable-trade is for operating access fees due from oil companies totaling P50.879 million, of which P46.728 million was referred to Legal for appropriate action, P2.646 million is subject of an on-going reconciliation, and P1.505 million is being paid on installment basis. One of the oil companies referred to Legal had informed the Company that the funds for payment of the royalty fees are in escrow because of the Writ of Garnishment issued in 2005 prohibiting it from making any payments to the Company. Payments will accordingly be made once the garnishment is lifted.

Receivables from officers and employees consist of cash advances granted to the former officers and employees of the Company in the amount of P12.498 million and former directors' car plan equity balance of P0.084 million.

Deferred charges account consists mainly of the deferred tax assets recognized for the carry forward benefit of unused tax credits of P95.983 million and the excess of the Minimum Corporate Income Tax (MCIT) over the regular corporate income tax of P11.807 million (Note 25).

Guarantee deposits account pertains specifically to the guarantee/collateral for the Investors Assurance Corporation (IAC) Bond No. G(16) 0015764 in favor of IAC 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
Miscellaneous deposits	1,897,000
Guarantee deposits	812,000
	9,615,422,000

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

The Company, in its letter of June 03, 2014, requested authority from the Commission on Audit (COA) to adjust/write-off the aforesaid long outstanding accounts in consonance with COA Circular No. 97-001 dated February 05, 1997. As of December 31, 2015, no decision has been made by COA.

Other assets, which have also been provided with 100 per cent allowance for doubtful accounts, are as follows:

	2015	2014
Accounts receivable-subsidiaries and affiliates	240,286,465	240,323,379
Other accounts receivables	175,200,317	175,200,317
Billed contract receivables	90,522,501	109,285,376
Advances to joint venture, net	74,021,620	74,021,620
Accounts receivable-trade	60,149,526	60,149,526
Claims receivable	24,406,064	24,406,064
Advances to subcontractors	17,169,107	17,169,107
Deferred charges	6,802,733	6,802,733
Contract retention receivable	2,380,025	2,380,025
Advances to suppliers	2,190,126	2,190,126
Advances to contract owners	636,431	636,431
Other assets-dormant account	636,088	636,088
Unbilled contract receivable	234,456	234,456
Accounts receivable-officers & employees	171,609	171,609
	694,807,068	713,606,857

The Company will request authority from COA to write-off the accounts as soon as documentation is completed.

12. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

This account consists of the following:

	2015	2014
Accounts payable	**30,600,749**	27,146,554
Accrued expenses	**6,813,117**	6,003,550
Customers' deposits	**13,048,984**	11,925,882
	50,462,850	45,075,986

12.1 Accounts payable

	2015	2014
Vouchers payable	**30,302,076**	26,361,815
CESLA savings and loan dues	**198,172**	126,605
Other accounts payable	**100,501**	658,134
	30,600,749	27,146,554

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 as of December 31, 2015 consists mostly of over withheld tax on compensation refunded to the concerned officers and employees in January 2016.

12.2 Accrued expenses

Accrued expenses account of P6.813 million as of December 31, 2015 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.

12.3 Customers' deposits

Customer's deposit account consists of one month deposit and two months advance rental paid by tenants from the leased FCA property and 10 per cent bid deposit posted by winning bidders with regard to the Company's disposal of assets and scrap materials.

13. DUE TO NATIONAL GOVERNMENT AND ITS INSTRUMENTALITIES

This account consists of payables for the following:

	2015	2014
Concession fees (TRB)	**5,270,431,000**	5,012,428,800
Toll revenue (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
	8,137,299,616	7,879,297,416

Concession fees

The concession fees of P5.270 billion (principal amount of P1.06 billion plus penalty charges of P258 million in 2015 and P3.952 billion in 2014 and prior years) pertain to the Company's payable to the Toll Regulatory Board (TRB) pursuant to the Toll Operation Agreement (TOA) dated October 1977. The Company is being charged of two per cent penalty charges per month on unpaid concession fees which amounts to over P250 million annually.

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 while the P50 million was unilaterally applied by the BTr against an outstanding advances from the National Government (NG).

On July 16, 2010, the Company remitted to the NG, through the BTr, the amount of P200 million to be applied to outstanding concession fees. However, the BTr applied only P100 million and the other P100 million against advances from NG.

These payments bring the Company's total remittances to P495 million from 2006 to report 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 (SLEX) under the Toll Operation Certificate from May 2007 to April 2010 in the amount of P1.537 billion, based on the Toll Regulatory Board's (TRB) computation, which accordingly was arrived at by deducting from gross toll revenue the allowable 40 per cent operations and maintenance (O&M) expenses or actual O&M expenses, whichever is lower.

Joint venture companies' revenue/dividends

As discussed in Note 1, the expiration of the Company's franchise in 2007 resulted in the National Government's (NG) owning the toll fees and the net income derived from the toll assets and facilities and also the Company's percentage share in the toll fees collected by the Joint Venture Companies (JVCs) currently operating the tollways.

In line with the above and pending finalization of the Implementing Rules and Guidelines (IRG) relative to the determination of the net income remittable by the Company to the NG, 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 rules and guidelines issued by the Toll Regulatory Board (TRB) in compliance with the decision of the Supreme Court (SC) in the Francisco Case (Note 1).

The SC directed TRB, with the assistance of the Commission on Audit (COA), to prepare and finalize the Implementing Rules and Guidelines (IRG) for the determination of the amounts that the Company is entitled for its administrative expenses.

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 31, 2009. The issue covering the various advances from NDC is under arbitration before the OGCC Arbitral Tribunal:

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

  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 value of 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 Department of Justice (DOJ), in its February 18, 2014 Consolidated Decision, granted the NDC's Petition against the Company, 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.

Preferred "B"			
(8-17 per cent cumulative, non- participating, non-voting) Authorized- 42,114,879 shares			
Issued and outstanding		Republic of the Philippines Through the APT (now PMO) – previously under PNB	
15,000,000	Shares		150,000,000
3,689,500	Shares	Marubeni	36,895,000
18,689,500			**186,895,000**
Preferred "C"			
(14 per cent cumulative, non-participating, non-voting) Authorized- 6,485,121 shares			
Issued and outstanding		Republic of the Philippines Through the APT (now PMO) – previously under NDC	
6,485,121	Shares		**64,851,210**
Preferred "D"			
(8 per cent 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 Authorized-182,200,000 shares		FEBTC Trustee-PNCC Stock Trust Fund	**14,842,600**
Issued and outstanding-			
79,271,024	Shares	Republic of the Philippines Through the APT (Now PMO) - 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 preferred 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. 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 2015) are as follows:

Name of Stockholders (a)	Class of Stock (b)	Shareholdings (c)	Undeclared Dividend (b x c x 9 yrs)
Republic of the Phil. Through the PMO (previously under PNB)	Preferred "B" (8 per cent-17 per cent, cumulative, non-participating, non-voting)	150,000,000	108,000,000
Marubeni	Preferred "B" (8 per cent-17 per cent, cumulative, non-participating, non-voting)	36,895,000	26,564,400
Republic of the Phil. Through the PMO (previously under NDC)	Preferred "C" (14 per cent, cumulative, non-participating, non-voting)	64,851,210	81,712,525
Republic of the Phil. Through the PMO (previously under PNB)	Preferred "D" (8 per cent, cumulative, non-participating, non-voting)	255,000,000	183,600,000
		506,746,210	**399,876,925**

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 2015, 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 (NG)

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.

	(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 indebtedness remains unconverted as it is the Company's position, as supported by the Office of the Solicitor General (OSG) 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 considers these unconverted debts as liabilities, claiming the total amount of P57.919 billion as of December 31, 2015 and P54.91 billion as of December 31, 2014, inclusive of accumulated interest charges and penalties amounting to P52.407 billion and P49.398 billion, respectively.

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 (SC) 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 (OSG) and the Office of the Government Corporate Counsel (OGCC).

In like manner, the Bureau of the Treasury (BTr) is claiming as of December 31, 2015 the amount of P2.717 billion (inclusive of P1.308 billion interest) representing advances made by the BTr to settle the Company's foreign obligations with creditors. It is the Company's position that 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 P2.717 billion.

In view of the differences on the treatment of the P5.552 billion unconverted debt to equity, the Company and the PMO resolved to submit the matter to the Department of Justice (DOJ) for arbitration:

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

  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 October 31, 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 or not the unconverted portion of CDCP's debts are liable for interest and penalty charges; and

  - Whether LOI No. 1295 repealed the general provisions of R.A. 337 General Banking Act, 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."

  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.*"

  The Company filed a Motion for Reconsideration (MR) dated March 13, 2014, duly received at the DOJ on March 14, 2014. The Company prayed that the DOJ consider the consolidation as not proper and decide on OSJ Case No. 02-2012 separately:

  - 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 January 22, 2015, DOJ denied PNCC's Motion for Reconsideration (MR). PNCC filed a supplement to the MR on May 28, 2015 which was also denied by the DOJ on its order dated July 13, 2015.

On June 26, 2015 PNCC filed a Motion for Appeal at the Office of the President (OP) of the Philippines and filed the corresponding appeal memorandum on July 27, 2015.

The Company is awaiting for the resolution of the OP.

19. REVENUE AND DIVIDEND SHARE FROM JOINT VENTURE COMPANIES

This account consists of the following:

	2015	2014
Revenue Share		
MNTC	**43,649,658**	39,955,949
CMMTC	**27,566,205**	25,281,618
SLTC	**12,586,932**	7,727,181
	83,802,795	72,964,748
Dividend Share		
CMMTC	**36,423,420**	26,219,320
TMC	**0**	6,686,000
	36,423,420	32,905,320
	120,226,215	105,870,068

As discussed in Note 13, pending issuance of the Implementing Rules and Guidelines (IRG) for the determination of the amounts due to the Company for its administrative expenses by the Toll Regulatory Board (TRB) and the Commission on Audit (COA), the Company recognized 10 per cent of its share from the joint venture companies gross toll revenues in accordance with the interim rules and guidelines issued by the TRB.

Relative to the aforesaid interim rules and guidelines, a complaint (entitled: Rodolfo M. Cuenca vs. Toll Regulatory Board, et., al., Civil Case No. 13-919) was 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 PD 1113 to operate, construct, and maintain toll facilities in the North and South Luzon Tollways for a period of 30 years expired on May 1, 2007. With its expiration, the toll assets and facilities of PNCC were automatically turned over to the government at no cost. The Supreme Court (SC), 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 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 rules and guidelines 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 guidelines provide that *"As subsequently agreed upon by PNCC and TRB as an interim arrangement, 10 per cent 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 90 per cent shall be remitted to the TRB for the National Treasury immediately."*

In his petition, Cuenca said that "there is the very real possibility that what the respondent corporations MNTC, CMMTC, SLTC and MATES 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 respondent 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 are 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 respondent corporations, namely: MNTC, CMMTC, SLTC and MATES were directed to forward the entire amounts to be remitted by them under their respective Supplemental Toll Operations Agreement (STOA) to the Company.

It appearing that the government stands to suffer gravely and irreparably from the aforesaid ruling of the RTC as it deprives the government of income based on the government's direct ownership of the assets and facilities of the Company, the Supreme

Court (SC) resolved, on August 04, 2014, to require respondents to file Comment on the petition, not a motion to dismiss, within ten (10) days from notice and to issue, effective immediately and continuing until further orders from the SC, a Temporary Restraining Order (TRO), enjoining the RTC of Makati Branch 132 the private respondent, their representatives, agents or other persons acting on their behalf from implementing the RTC Resolution dated April 30, 2014 in Civil Case No. 13-919.

The Petition is still pending resolution before the SC.

20. RENTAL INCOME

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

	2015	2014
Pasay City	**95,894,390**	86,152,462
Bicutan, Parañaque	**527,625**	703,500
Porac, Pampanga	**417,010**	326,271
Others	**0**	59,471
	96,839,025	87,241,704

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.

21. SERVICE INCOME

This account consists of the following:

	2015	2014
Plantwide structural steel rehabilitation – Philphos	**8,078,264**	0
Supply of manpower to Skyway O&M Corporation	**2,549,255**	0
	10,627,519	0

Starting October 1, 2015, the Company assumed the operations of DISC Contractors, Builders and General Services Inc. (DCBGSI), a wholly-owned subsidiary of the Company.

22. COST OF SERVICES

This account consists of the following:

	2015	2014
Labor	**7,126,596**	0
Materials	**800,287**	0
Equipment operations costs	**282,828**	0
Others	**3,735**	0
	8,213,446	0

23. GENERAL AND ADMINISTRATIVE OVERHEAD

This account consists of the following:

	2015	2014
Salaries, wages, and allowances	**24,579,611**	24,142,144
Bonuses and gratuities	**2,212,418**	4,327,984
Employees' terminal pay - vacation/sick leave	**2,160,153**	2,180,875
Employees' terminal pay - retrenchment	**1,552,588**	0
Employees' welfare	**644,017**	741,587
SSS/ECC contribution	**482,626**	428,884
Fringe benefit expense	**273,564**	1,736,624
Sports and recreation	**215,605**	86,739
PhilHealth contribution	**152,450**	145,750
Fringe benefit tax expense	**128,736**	817,235
Pag-IBIG contribution	**41,200**	35,500
Medical and dental expenses	**29,367**	21,275
Employee costs	**32,472,335**	34,664,597
Obsolete inventory	**3,342,039**	0
Taxes and licenses	**3,072,229**	3,249,353
Professional fees	**3,028,081**	3,471,959
Light and water	**2,753,859**	3,201,496
Directors' fees and allowances	**2,143,882**	2,275,176
Other outside services	**1,913,127**	2,164,016
Transportation and traveling	**1,833,649**	3,457,283
Legal and documentation	**1,790,092**	1,886,442
Security services - salaries of guards/agency fee	**1,662,001**	1,729,753
Janitorial and messengerial services	**1,374,652**	2,093,751
Postage and other communications	**946,991**	1,036,338
Insurance premium	**676,840**	1,134,391
Repairs and maintenance – materials/labor	**644,078**	998,341
Office supplies and stationery	**419,088**	383,893
Conferences and conventions	**247,165**	250,879
Advertising and promotions	**59,670**	16,320
Membership fees	**27,600**	49,498
Rent expense	**26,088**	0
Entertainment, amusement, and representation	**23,324**	71,926
Contributions and donations	**12,483**	0
Manpower recruitment, training, and development	**8,400**	143,113
Subscriptions	**8,443**	17,359
Bank charges	**6,079**	1,250
Miscellaneous expense	**220,599**	770,369
Operating expenses	**26,240,459**	28,402,906
	58,712,794	63,067,503

	2015	2014
Depreciation	**4,629,779**	6,252,496
Bad debts/doubtful accounts	**0**	106,365,921
Others	**4,629,779**	112,618,417
	63,342,573	175,685,920

24. OTHER INCOME (CHARGES)

This account comprises of the following:

	2015	2014
Gain in change in fair value of investment property	**227,749,845**	0
Dividend income	**6,194,292**	3,174,771
Interest income	**5,727,264**	3,586,377
Equity share in Citra Central Expressway Corporation (CCEC)	**0**	12,500,000
Gain in reversal of allowance for inventory write-down	**0**	1,402,607
Unrealized gain (loss) – available for sale securities	**(140,000)**	148,000
Gain (loss) on sale of property and equipment	**(282,556)**	633,117
Gain (loss) on sale of inventory	**(367,804)**	190,918
Miscellaneous income	**6,053,293**	77,489
	244,934,334	21,713,279

25. INCOME TAXES

The Company's income tax due for the year 2015 is P4.648 million, computed under the Minimum Corporate Income Tax (MCIT).

Of the carry forward benefit of MCIT of P14.588 million presented under "Deferred Charges" account as of December 31, 2015 (see Note 11), P2.364 million was closed to Retained Earnings at the beginning of CY 2015 due to the three-year prescription period, as follows:

Date Incurred	Amount	Application	Expired	Balance	Expiry Date
2015	4,634,538	0		4,634,538	2018
2014	4,016,686	0	0	4,016,686	2017
2013	3,155,276	0	0	3,155,276	2016
2012	2,767,289	0	2,767,289	0	2015
	14,573,789	**0**	**2,767,289**	**11,806,500**	

As of December 31, 2015 and 2014, 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:

	2015	2014
Allowance for losses on assets for write off	**9,615,422,219**	9,615,422,219
Allowance for doubtful accounts	**695,236,245**	713,988,425
Allowance for inventory write-down	**3,342,039**	0
Allowance for losses on investments	**177,180,811**	177,180,811
NOLCO	**407,999,112**	619,244,592
	10,899,180,426	11,125,83,607

Net Operating Loss Carry-Over (NOLCO) amounting to P 407.999 million can be carried forward and claimed as deduction from regular taxable income, as follows:

Date Incurred	Amount	Application	Expired	Balance	Expiry Date
2014	231,940,260	0	0	231,940,260	2017
2013	176,058,852	0	0	176,058,852	2016
2012	211,245,480	0	211,245,480	0	2015
	619,244,592	**0**	**211,245,480**	**407,999,112**	

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

As of December 31, 2015 and 2014, deferred tax liabilities pertain to the following:

	2015	2014
Fair value adjustment of investment property	**3,179,752,710**	3,111,427,757
Revaluation increment in property	**230,180,540**	161,713,803
	3,409,933,250	3,273,141,560

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*."

26. 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 Company, in its letter of February 15, 2005, informed the BIR that it had filed a Petition with the Department of Justice (DOJ) seeking the reversal of the BIR'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 as of 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 pursuant to Section 203 of the NIRC of 1997 (Prescription of limitation upon assessment and collection) and Revenue Regulations (RR) No.12-99 (which requires discussion between the Company and BIR Examiner/s before submission of the report to the BIR Chief 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).

  After series of written protests/communications with and presentation of documentary evidences to the BIR, the proposed deficiency taxes of P87.414 million was reduced to P21.147 million (basic tax of P11.384 million and interest/penalty charges of P9.763 million).

The basic taxes of P6.565 million (expanded withholding tax, withholding tax on compensation, and fringe benefit tax) and P4.819 million (final withholding tax) were paid on November 28, 2013 and on January 10, 2014, respectively.

On January 10, 2014, the Company 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. To date, it has not yet received any formal communication from the BIR on its request.

27. 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.

28. RELATED PARTY TRANSACTIONS

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

<u>Agreements</u>:

- In 2014, the Company entered into contracts with DISC Contractors, Builders, and General Services, Inc. (DCBGSI), a wholly-owned subsidiary, for contractual labors such as janitors and service drivers which were extended until September 30, 2015. The amount billed by DCBGSI for the period ended September 30, 2015 totaled P1.543 million.

  On October 1, 2015, the functions of the DCBGSI were then transferred to the Company pursuant to the Company's proposal which was approved by the Governance Commission for Government-Owned and Controlled Corporation (GCG).

- The Company, lawful owner and possessor of a real property situated at the Financial Center Area (as lessor), entered into a Contract of Lease with

AHEAD-Operations and Nutritional Enterprises, Inc. (as lessee), incorporators and stockholders of which are executives and officers of the Company. The parties mutually agreed to and accepted the terms and conditions specifically provided for in the Contracts of Lease.

	Particulars	Date of Contract	Lease Period	Area in Sq.M.	Rate/ Sq.M.	Monthly Rental
1	Contract of Lease	01/2014	06/01/14 to 05/31/15	300	100	30,000
2	Contract of Lease	05/2014	05/01/14 to 04/30/15	170	112	19,040
				470		49,040

For the year ended December 31, 2015, the Company billed the lessee the amount of P.635 million which amount was fully collected as of reporting date.

AHEAD-Operations and Nutritional Enterprises, Inc.'s Contract of Lease was not renewed after its expiration in April 2015.

Other Transactions

Compensation/other benefits of key management personnel amounted to P14.341 million and P15.538 million for the years ended December 31, 2015 and 2014, respectively.

29. RESTATEMENT OF ACCOUNTS

The 2014 financial statements were restated to reflect the following transactions/adjustments and to conform with the presentation of the 2015 financial statements.

	December 31, 2013 (As previously reported)	Restatement/ Adjustment	January 1, 2014 (As restated)
STATEMENT OF FINANCIAL POSITION			
Accounts receivable	595,647,095		**594,046,160**
a) Unrecorded interest income from placements in 2013		*225,140*	
b) Unrecorded lease rental		*711,420*	
c) Reversal of PNCC charges to ASDI for professional fees		*(1,260,000)*	
d) Legal fees recorded as receivables		*(1,277,495)*	
Other assets	325,855,578		**286,533,430**
e) Expiration of 2006-2010 Minimum Corporate Income Tax (MCIT)		*(39,322,148)*	
STATEMENT OF CHANGES IN EQUITY			
Deficit (adjustments a to e above)	114,863,816	(40,923,083)	**73,940,733**

	December 31, 2014 (As previously reported)	Restatement/ Adjustment	December 31, 2014 (As restated)
STATEMENT OF FINANCIAL POSITION			
Cash and cash equivalents	398,342,129		**398,644,597**
f) Unrecorded interest income from placements in 2014		*302,468*	
Accounts receivable	419,140,464		**412,077,365**
g) Under accrual of rental income for 2014		*2,961,961*	
h) Over accrual of 2014 revenue share		*(7,487,566)*	
i) Derecognition of revenue recognized in c) and d) above		*(2,537,495)*	
Investments	260,984,252		**273,484,252**
j) Free carry investment in Citra Central Expressway Corporation on June 30, 2014		12,500,000	
Other assets	327,625,388		**285,939,538**
k) Expiration of 2011 MCIT		*(2,363,702)*	
l) Removal from 2014 of the expired MCIT in e) above		*(39,322,148)*	
Accounts payable and accrued expenses	44,575,886		**45,075,986**
m) SEC penalty charges for 2014		*500,000*	
STATEMENT OF CHANGES IN EQUITY	110,548,781		**146,995,263**
Deficit			
n) Expiration of 2011 MCIT		*(2,363,702)*	
o) Removal from 2014 of the revenue recognized in c) and d) above		*(2,537,495)*	
p) Removal from 2014 of the expired MCIT in e) above		*(39,322,148)*	
Net loss		*7,763,863*	
STATEMENT OF COMPREHENSIVE INCOME			
Net loss	(225,703,372)		**(218,863,069)**
Revenue and dividend share from Joint Venture Companies			
q) Over accrual of 2014 revenue share		*(7,487,566)*	
Rental income			
r) Under accrual of rental income for 2014		*2,961,961*	
General and administrative overhead			
s) SEC penalty charges for 2014		*(500,000)*	
Other income			
t) Unrecorded interest income from placements in 2014		*302,468*	
u) Free carry investment in Citra Central ExpresswayCorporation on June 30, 2014		*12,500,000*	
v) Reversal of 2013 income erroneously recorded in 2014		*(936,560)*	

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

30. 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 Company's Board of Directors and the Management review and approve the policies for managing each of this risk.

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, 2015 and 2014.

	Carrying Amount		Fair Value	
	2015	2014	**2015**	2014
Financial assets				
Cash and cash equivalents	**693,740,491**	398,342,129	**693,740,491**	398,342,129
Accounts receivable	**365,539,337**	419,140,464	**365,539,337**	419,140,464
Receivables from officers and employees	**44,267,803**	42,899,957	**44,267,803**	42,899,957
	1,103,547,631	860,382.550	**1,103,547,631**	860,382.550
Financial liabilities				
Accounts payable and accrued expenses	**50,462,850**	44,512,491	**50,462,850**	44,512,491
Due to National Government and its Instrumentalities	**8,137,299,616**	7,879,297,416	**8,137,299,616**	7,879,297,416
Due to Government Owned or Controlled Corporation	**1,203,000,000**	1,203,000,000	**1,203,000,000**	1,203,000,000
Other accounts payable	**171,072,000**	171,072,000	**171,072,000**	171,072,000
Trust liabilities	**2,768,583**	2,768,583	**2,768,583**	2,768,583
Advances from contract owners	**1,021,046**	1,021,046	**1,021,046**	1,021,046
	9,565,624,095	9,301,671,536	**9,565,624,095**	9,301,671,536

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 2015:

31.1 The Company is a VAT-registered company with VAT output tax declaration of P21.372 million for the year based on the amount reflected in the Sales Account of P178.104 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	302,562
Capital goods subject to amortization	0
Capital goods not subject to amortization	6,623
Services lodged under cost of goods sold	0
Services lodged under other accounts	994,218
Claims for tax credit/refund and other adjustments	0
Balance at the end of the year	1,303,403

31.3 Other taxes and licenses:

Local:	
Real Estate Tax	1,499,340
Mayor's Permit	1,223,786
Community tax	10,500
Total	2,733,626

National:	
BIR Annual Registration	500
VAT/Percentage Taxes	465,339
Others (CGT/DST)	26,522
Total	492,361

31.4 The amount of withholding taxes paid/accrued for the year amounted to P6.372 million, broken down as follows:

Tax on compensation and benefits	5,605,945
Creditable withholding tax/es	766,551
Final withholding taxes	0
Total	6,372,496

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION I
Date APR 14 2016 SDS
RECEIVED
ELMER B. TANAY