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

PNCC-CORP. CONTROLLERSHIP
DATE: APR 13 2016

PHILIPPINE NATIONAL
CONSTRUCTION CORPORATION

SECURITIES AND EXCHANGE COMMISSION
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TIME: 9/10

STATEMENT OF MANAGEMENTS'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, including the additional components therein, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and the implementing internal controls relevant to the 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

SUBSCRIBED AND SWORN to before me this ________day of AUG 24 2016 affiants exhibiting to me their Tax Identifications, as follows:

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

Notary Public

PTR NO. [illegible] QUEZON CITY
IBP NO. [illegible] QUEZON CITY
COMMISSION NO. [illegible] QUEZON CITY
TIN NO. 177-967-619

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Series of 2016

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

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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.

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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

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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

ZenaidaDeVilla

ZENAIDA V. DE VILLA
OIC, Supervising Auditor

March 14, 2016

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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.

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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.

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ıe Years Ended December 31, 2015 and 2014
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	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
nces, 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
ration of 2006-2010 Minimum Corporate Income Tax	0	0	0	0	0	0	(39,322,148)	(39,322,148)
ection of prior year's income and expense (Note 29)	0	0	0	0	0	0	(1,600,935)	(1,600,935)
t 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
ration of 2011 Minimum Corporate Income Tax	0	0	0	0	0	0	(2,363,702)	(2,363,702)
emeal realization of revaluation surplus	0	0	0	0	(969,251)	0	969,251	0
uction in deferred tax liability	0	0	0	0	290,775	0	0	290,775
loss							(218,863,069)	(218,863,069)
nces, 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)
t 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)
ration of 2012 Minimum Corporate Income Tax	0	0	0	0	0	0	(2,767,289)	(2,767,289)
emeal realization of revaluation surplus	0	0	0	0	(969,251)	0	969,251	0
uction in deferred tax liability	0	0	0	0	290,775	0	0	290,775
ers	0	0	0	0	0	0	1,566,104	1,566,104
Income	0	0	0	0	0	0	74,743,921	74,743,921
er comprehensive income								
Movement in revaluation increment, net of tax	0	0	0	0	160,434,195	0	0	160,434,195
nces, 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

accompanying Notes to Financial Statements.

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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.

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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 16.24-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.

Revenue Shares from New Projects

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.

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.

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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
Dasingpot, 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	10,116,936	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

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Net Book Value	7,929,291	11,010,781	849,907	3,595,479	639,402	24,024,860
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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 instalment 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

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.

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).

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	150,000,000
15,000,000 Shares		
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	64,851,210
6,485,121 Shares		
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	FEBTC Trustee-PNCC Stock Trust Fund	**14,842,600**
Authorized-182,200,000 shares			
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:

Agreements:

- 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

APPENDIX

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
SCHEDULES A to K
As of December 31, 2015

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

The company's Short-Term Investment as of December 31,2015 amounting to P669.659 million represents 5.1% only of the total assets of P13.063 billion. This is way below the ceiling requirement of 10% or more of the total assets, hence, this schedule need not be filed.

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

Corresponding schedule is herewith attached/submitted. Included in the list are the company's former employees, officers, and consultants with outstanding aggregate indebtedness of more than P100,000.00 or one (1) percent of the total assets, whichever is less, as of December 31, 2015.

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

The Investment account which stood at P144.944 million as of December 31, 2015 constitutes 1.1% of the total assets in the related balance sheet. Considering that the account is below the 5% ceiling requirement, the schedule is omitted.

Schedule D - Indebtedness of Unconsolidated Subsidiaries and Affiliates

This schedule is omitted. Total receivables from subsidiaries and affiliates as of December 31, 2015 in the amount of P9.287 million is only 0.1% (below the 5% requirement) of the P13.063 billion assets.

Schedule E - Property, Plant, and Equipment

The company's property, plant, and equipment account amounting to P787.181 million is 6.% of the P13.063 billion assets (or down by 19% vis-à-vis the 25% ceiling requirement), hence, the schedule need not be submitted.

Schedule F - Accumulated Depreciation

The related schedule of the accumulated depreciation account amounting to P206.554 million is likewise not submitted due to the reason stated in Schedule E above.

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
SCHEDULES A to K
As of December 31, 2015

Schedule G - Intangible Assets and Other Assets

The other assets account balance of P344.310 million as of December 31, 2015 comprises 2.6% only (below the 5% requirement) of the P13.063 billion assets, hence, omitted.

Schedule H - Long-Term Debt

Applicable account schedule as of December 31, 2015 is herewith attached/submitted.

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

This schedule is omitted. There is no outstanding payable to subsidiaries and affiliates as of December 31, 2015.

Schedule J - Guarantees of Securities of Other Issuers

Not applicable.

Schedule K - Capital Stock

Applicable account schedule as of December 31, 2015 is herewith attached/submitted.

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
AGING OF RECEIVABLES & ADVANCES
As of December 31, 2015
(In Thousand Pesos)

					Past Due					
	Amount	Allowance for Doubtful Accounts	Net Amount	Current	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	7,234		7,234			7,234				
Billed Contract Receivables	56,971		56,971	2,759	1,580	25				52,607
Contract Retention Receivables	2,755		2,755							2,755
Claims Receivable	65,052		65,052							65,052
Accounts Receivalbe - Trade	64,853		64,853	10,730	6,246	6,119	6,102	7,372	28,284	
Accounts receivable - Subs. and Aff. (net)	9,286		9,286	3	3				9,280	
Other Accounts Receivable	10,372	1,117	9,255					23	9,228	4
Advances for SSS/ECC Benefits	38		38	38						
Advances to Suppliers	77		77	73					4	
Advances to CESLA	18		18	12	6					
Advances to Bureau of Treasury	150,000		150,000	150,000						
Total Accounts Receivable	**366,656**	**1,117**	**365,539**	**163,615**	**7,835**	**13,378**	**6,102**	**7,395**	**46,796**	**120,418**
Receivables from Officers and Employees	44,268		44,268	252	1	1,435			39,420	3,160
Sub-total (Current Assets)	**410,924**	**1,117**	**409,807**	**163,867**	**7,836**	**14,813**	**6,102**	**7,395**	**86,216**	**123,578**
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	**474,385**	**1,117**	**473,268**	**163,867**	**7,836**	**14,813**	**6,102**	**7,395**	**121,166**	**152,089**

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
SCHEDULE B: AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES
RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN AFFILIATES).
As of December 31, 2015-(In Thousand Pesos)

Name and Designation of Debtor		Balance at Beginning of Period	Additions	DEDUCTIONS		Current	Not Current	Balance at End of Period
				Amounts Collected	Amounts Written-off			
Alentajan, Bonifacio	Former Consultant	400					400	400
Armonio, Manuel	Former Consultant	138					138	138
Asuncion, Ma. Theresa	Former President & CEO	1,200					1,200	1,200
Asuncion, Ma. Theresa	Former President & CEO	502					502	502
Bucio, Hermilo	Former Employee	105					105	105
Caballo, Marlon	Former Technical Assistant (Legal Corp.)	5,105					5,105	5,105
Caballo, Marlon	Former Technical Assistant (Legal Corp.)	450					450	450
Encanto, Mervin	Former Consultant	300					300	300
Garin, Edgardo	Former Employee	192					192	192
Gaston, Segundo	Former Group Head - (Senior Vice Pres.)	39,520					39,520	39,520
Gaston, Segundo	Former Group Head - (Senior Vice Pres.)	1,500					1,500	1,500
Gaston, Segundo	Former Group Head - (Senior Vice Pres.)	23					23	23
Jardin, Penny	Former Employee	1,760					1,760	1,760
Jardin, Penny	Former Employee	1,100					1,100	1,100
Pascual, Ruben	Former Consultant	2,190					2,190	2,190
Paulino, Ibarra	Former Employee	632					632	632
Purugganan, Abraham	Former Executive Vice President	476					476	476
Rivera, Reynaldo	Former Consultant	400					400	400
		55,992	-	-	-	-	55,992	55,992

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
SCHEDULE H - LONG TERM DEBT
As of December 31, 2015 and December 31, 2014
(In Thousand Pesos)

Creditors	Amount Authorized by Indenture	As of December 31, 2015					As of December 31, 2014				
		Current Portion of Long-term Debt	Long-term Debt				Current Portion of Long-term Debt	Long-term Debt			
			Amount	Interest Rate	No. of Periodic Install.	Mat. Date		Amount	Interest Rate	No. of Periodic Install.	Mat. Date
Domestic:											
Toll Regulatory Board	912M	5,270,431 *		2%/mo.on outs.bal.	30 years	04/30/2007	5,012,428 *		2%/mo.on outs.bal.	30 years	04/30/2007
Debt to NG		2,866,869					2,866,869				
Debt to GOCC		1,203,000					1,203,000				
Total		9,340,300	0				9,082,297	0			

*inclusive of pena;ty charges

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
SCHEDULE K: CAPITAL STOCK
As of December 31, 2014

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

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		√		
PFRSs Practice Statement Management Commentary				
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards		√	
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	√		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			√
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			√
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			√
	Amendments to PFRS 1: Government Loans		√	
PFRS 2	Share-based Payment			√
	Amendments to PFRS 2: Vesting Conditions and Cancellations			√
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			√
PFRS 3 (Revised)	Business Combinations			√
PFRS 4	Insurance Contracts			√
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			√
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			√
PFRS 6	Exploration for and Evaluation of Mineral Resources			√
PFRS 7	Financial Instruments: Disclosures	√		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	√		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	√		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments		√	
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets		√	
	Amendments to PFRS 7: Disclosures – Offsetting Financial Assets and Financial Liabilities		√	
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures		√	
PFRS 8	Operating Segments			√
PFRS 9*	Financial Instruments		√	
	Amendments to PFRS 9: Mandatory Effective Date of PFRS 9 and Transition Disclosures		√	
PFRS 10*	Consolidated Financial Statements		√	
PFRS 11*	Joint Arrangements			
PFRS 12*	Disclosure of Interests in Other Entities			
PFRS 13*	Fair Value Measurement			
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	√		
	Amendment to PAS 1: Capital Disclosures			√
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			√
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income		√	
PAS 2	Inventories	√		
PAS 7	Statement of Cash Flows	√		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	√		
PAS 10	Events after the **Reporting Period**	√		
PAS 11	Construction Contracts			√

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
PAS 12	Income Taxes	√		
	Amendment to PAS 12 - Deferred Tax: Recovery of Underlying Assets	√		
PAS 16	Property, Plant and Equipment	√		
PAS 17	Leases		√	
PAS 18	Revenue	√		
PAS 19	Employee Benefits		√	
	Amendments to PAS 19: Actuarial Gains and Losses, Group Plans and Disclosures		√	
PAS 19 (Amended)*	Employee Benefits		√	
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			√
PAS 21	The Effects of Changes in Foreign Exchange Rates			√
	Amendment: Net Investment in a Foreign Operation			√
PAS 23 (Revised)	Borrowing Costs	√		
PAS 24 (Revised)	Related Party Disclosures	√		
PAS 26	Accounting and Reporting by Retirement Benefit Plans			√
PAS 27	**Consolidated and Separate Financial Statements**		√	
PAS 27 (Amended)*	Separate Financial Statements		√	
PAS 28	**Investments in Associates**	√		
PAS 28 (Amended)*	Investments in Associates and Joint Ventures	√		
PAS 29	Financial Reporting in Hyperinflationary Economies			√
PAS 31	Interests in Joint Ventures	√		
PAS 32	Financial Instruments: Disclosure and Presentation	√		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			√

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS [illegible] Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
	Amendment to PAS 32: Classification of Rights Issues			√
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities			√
PAS 33	Earnings per Share	√		
PAS 34	Interim Financial Reporting	√		
PAS 36	Impairment of Assets	√		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	√		
PAS 38	Intangible Assets		√	
PAS 39	Financial Instruments: Recognition and Measurement	√		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	√		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			√
	Amendments to PAS 39: The Fair Value Option	√		
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			√
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	√		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets – Effective Date and Transition	√		
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives		√	
	Amendment to PAS 39: Eligible Hedged Items			√
PAS 40	Investment Property	√		
PAS 41	Agriculture			√
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			√
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			√
IFRIC 4	Determining Whether an Arrangement Contains a Lease			√
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			√

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			√
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			√
IFRIC 8	*Scope of PFRS 2*			√
IFRIC 9	Reassessment of Embedded Derivatives			√
	Amendments to Philippine Interpretation IFRIC–9 and PAS 39: Embedded Derivatives			√
IFRIC 10	*Interim Financial Reporting and Impairment*	√		
IFRIC 11	PFRS 2- Group and Treasury Share Transactions			√
IFRIC 12	Service Concession Arrangements			√
IFRIC 13	Customer Loyalty Programmes			√
IFRIC 14	The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			√
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			√
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			√
IFRIC 17	Distributions of Non-cash Assets to Owners			√
IFRIC 18	Transfers of Assets from Customers			√
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			√
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			√
SIC-7	Introduction of the Euro			√
SIC-10	Government Assistance - No Specific Relation to Operating Activities			√
SIC-12	Consolidation - Special Purpose Entities			√
	Amendment to SIC - 12: Scope of SIC 12			√
SIC-13	Jointly Controlled Entities - Non-Monetary Contributions by Venturers			√
SIC-15	Operating Leases - Incentives			√
~~SIC-21~~	~~Income Taxes – Recovery of Revalued Non-Depreciable~~ Assets			

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2015		Adopted	Not Adopted	Not Applicable
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			√
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease			√
SIC-29	Service Concession Arrangements: Disclosures.			√
SIC-31	Revenue - Barter Transactions Involving Advertising Services			√
SIC-32	Intangible Assets - Web Site Costs			√

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS (DEFICIT)
For the Year Ended December 31, 2015

Deficit, balance at beginning of year	(8,333,090,592)
Prior year adjustments	(1,201,185)
Piecemeal realization of revaluation surplus	969,251
Deficit, balance at beginning of year, as adjusted	(8,333,322,526)
Net Income	74,743,921
Deficit, balance at end of year	(8,258,578,605)

As discussed in Note 16 of the 2015 Audited of the Financial Statements, dividends (in arrears) on cumulative preferred shares are not recognized in the books due to the Board of Directors' non-declaration of dividends in view of the Company's deficit of P8.259 billion as of December 31, 2015. Such action of the PNCC Board is supported by Article XI, Section 11.01 of the Amended Corporate By-Laws which provides that "Dividends maybe declared annually or oftener as the Board may determine. The Board of Directors may declare dividends only from the surplus profits of the Corporation."

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
FINANCIAL SOUNDNESS INDICATORS

		2015 (Audited)	2014 (As restated)
1	Current/Liquidity Ratios:		
	Current Ratio	0.12	0.09
	Quick Asset Ratio	0.12	0.09
2	Solvency Ratios:		
	Debt to Assets	99.33%	101.18%
	Debt to Equity Ratio	14867.87%	-8554.95%
3	Asset to Equity Ratio	14967.87%	-8454.95%
4	Interest Rate Coverage Ratio	1.555	0.152
5	Profitability Ratios:		
	Return on Assets	1.80%	-1.76%
	Return on Equity	269.48%	148.89%

MAP SHOWING THE RELATIONSHIPS BETWEEN AND AMONG THE COMPANIES IN THE GROUP, ITS ULTIMATE PARENT COMPANY AND SUBSIDIARIES