

COVER SHEET

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S.E.C. Registration Number

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

(Company's Full Name)

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

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

RENATO M. MONSANTO

Contact Person

846-2906

Company Telephone Number

1 2

Month

3 1

Day

Fiscal Year

SEC FORM 20-IS

FORM TYPE

0 3

Month

4th
Tuesday

Day

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Total No. of Stockholders

Amended Articles Number / Section

Domestic

Foreign

To be accomplished by SEC Personnel Concerned

File Number

LCU

Document ID

Cashier

STAMPS



PHILIPPINE NATIONAL CONSTRUCTION CORPORATION

18 July 2016

Dear Stockholder,

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

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

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

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


RENATO M. MONSANTO
Assistant Corporate Secretary



PHILIPPINE NATIONAL CONSTRUCTION CORPORATION

PROXY

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

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

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

Signed this Proxy this ____ day of ____ 2016.

By:

SECURITIES AND EXCHANGE COMMISSION

SEC FORM 20-IS

INFORMATION STATEMENT PURSUANT TO SECTION 20
OF THE SECURITIES REGULATION CODE

19-2016
9:10 PM

1. Check the appropriate box:
☒ Preliminary Information Statement
☐ Definitive Information Statement
2. Name of Registrant as specified in its charter PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
3. Philippines
 Province, country or other jurisdiction of incorporation or organization
4. SEC Identification Number 0000030930
5. BIR Tax Identification Code 000-058-330-000
6. PNCC COMPLEX, KM. 15, EAST SERVICE ROAD, BICUTAN, PARAÑAQUE CITY
 Address of principal office 1700
 Postal Code
7. Registrant's telephone number, including area code (632) 822-57-25 / (632) 846-3045
8. Date, time and place of the meeting of security holders
September 19, 2016, 2:00 p.m.
PNCC Complex, Km. 15, East Service Road, Bicutan, Paranaque City
9. Approximate date on which the Information Statement is first to be sent or given to security holders
August 26, 2016
10. *In case of Proxy Solicitations: Not applicable*
 Name of Person Filing the Statement/Solicitor: _____
 Address and Telephone No.: _____
11. Securities registered pursuant to Sections 8 and 12 of the Code or Sections 4 and 8 of the RSA (information on number of shares and amount of debt is applicable only to corporate registrants):

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding
Common Shares (12/31/2012)	174,444,759
12. Are any or all of registrant's securities listed in a Stock Exchange?
 Yes X No _____
 If yes, disclose the name of such Stock Exchange and the class of securities listed therein:
The Registrant's common shares are listed on the Philippine Stock Exchange.

PART I.

INFORMATION STATEMENT

A. GENERAL INFORMATION

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

Date: September 19, 2016

Time: 2:00 p.m.

Place: PNCC Complex, Km. 15, East Service Road, Bicutan, Parañaque City

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

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

Item 2. Dissenters' Right of Appraisal

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

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

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

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

surrender of his certificate(s) of stock representing his shares, the fair value thereof as of the day prior to the date on which the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action.

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

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

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

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

B. CONTROL AND COMPENSATION INFORMATION

Item 4. Voting Securities and Principal Holders Thereof

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

Common:	174,444,759
Preferred "D":	<u>25,500,000</u>
	<u>199,944,759</u>

(b) Record Date: 15 July 2016

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

should be acknowledged before the Secretary of the Corporation or a notary public, and shall be filed with the Secretary at least three (3) business days before the meeting.

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

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

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

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

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

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

Security Ownership of Certain Beneficial and Management

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

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

By virtue of LOI 1295 (1983) 76.14% of voting equity has been held by various government financial institutions (GFIs), namely: PNB, Phil Guarantee, NDC, DBP, GSIS, and Land Bank, under the mandated debt-to-equity conversion scheme.

Pursuant to Proclamation No. 50, some of the GFIs have actually transferred their equity interests in PNCC to the Asset Privatization Office (APT) now Privatization Management Office.

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

Security ownership of management as of 30 June 2016:

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

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

Changes in Control

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

Item 5. Directors and Executive Officers of the Registrant

Term of Office

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

Background Information

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

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

Robert G. Vergara
Toni Angeli V. Coa

55 Director
36 Director, Ex-Officio

Filipino
Filipino

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

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

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

ELPIDIO C. JAMORA, JR., *Chairman*, is the President of Epsilon Maritime Services, Inc., Camnorte Ezone Realty, Inc., Impress Land, Inc. and Bandera Realty, Inc. He serves as Director of Himawari International Promotion, Inc., Indo Phil Acrylic Mfg. Corp., Indo Pil Cotton Mills, Inc. Mahaveer Philippine Foundation, Inc. and Exquisite Focus, Inc. He is a Managing Partner and Founding Member of Carag, Jamora, Somera & Villareal Law Offices. He earned his Bachelor of Arts, major in Political Science degree, from the Lyceum of the Philippines in 1977. He earned his Bachelor of Laws degree from the University of the Philippines in 1982 and became a member of the Philippine Bar in 1983.

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

TOMAS C. ALVAREZ, *Director*, has been the Chief Financial Officer of Seafront Resources Corp. from 1992-94. He served in various capacities in the SGV & Co. starting in 1958 as a member of an audit team. He then served as the Branch Manager of SGV Iloilo starting 1964, was assigned to SGV Bangkok from 1970-1980 & retired in 1989 as head of the SGV Philippine Branches. He served as a Consultant to the Columbian Motors Group of Companies from 1995-2009. He

earned his Bachelor of Science degree, major in Accounting from the University of San Jose-Recoletos in 1957 & passed the CPA Board in 1958.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

HENRY B. SALAZAR, Asst. Vice President & Corporate Legal Officer, obtained his Bachelor of Laws degree from Arellano Law School in 1996. He was admitted to

the Philippine Bar after passing the 1996 Bar Examinations. He has a degree in AB Economics from San Beda College where he graduated in 1991.

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

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

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

Board Meeting Attendance

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

Legend:

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

Some of the incumbent Directors named-above, have been elected during the organization meeting on January 11, 2011, while others were elected on various dates in October 2013. While all of them are on hold-over status until the

appointment of their replacement by the Office of the President of the Philippines, all of them have been nominated for re-election to the Board of Directors by the Governance Commission for GOCCs (GCG).

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

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

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

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

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

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

"2.1 Composition of the Board

- 2.1.1. The Board shall be composed of eleven (11) members who are elected by the stockholders entitled to vote at the annual meeting and shall hold office until their successors are elected and qualified in accordance with the By-Laws of the corporation. The corporation shall have at least two (2) independent directors.
- 2.1.2. The membership of the Board may be a combination of executive and non-executive directors (which include independent directors) in order that no director or small group of directors can dominate the decision making process. The

non-executive directors should possess such qualifications and stature that would enable them to effectively participate in the deliberations of the Board.

...

2.7.2 Nomination Committee

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

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

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

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

- a. The nature of the business of the corporation of which he is a director.
- b. Age of the director.
- c. Number of directorship/active memberships and officers in other corporations or organization; and
- d. Possible conflict of interest.

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

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

"8. Nomination and Election of Independent Director/s

The following rules shall be applicable to all covered companies:

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

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

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

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

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

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

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

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

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

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

Item 6. Compensation of Directors and Executive Officers

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

Names	Position	Year	Salary	Bonus	Others
Luis F. Sison	President & CEO				
Janice Day E. Alejandrino	Senior Vice President for Human Resource and Administration				
Yolanda C. Mortel	Vice President for Materials Management				
Miriam M. Pasetes	Vice President - Acting Treasurer				
Felix M. Erece	Assistant Vice President - Personnel Services & Records Management				
Susan R. Vales*	Senior Assistant Vice President & Corporate Controller				
Atty. Henry B. Salazar	Assistant Vice President & Corporate Legal Officer				
Aggregate executive compensation for above named officers		Actual 2014	₱15.53M		
		Actual 2015	₱14.53M		
		Projected 2016	₱14.46M		
Aggregate executive compensation of all other officers and directors, unnamed		Actual 2014	₱1.908M		₱629K
		Actual 2015	₱1.78M		₱534K
		Projected 2016	₱3.12M		₱144K

*Separated in December 2015

Standard arrangement

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

Controlled Corporations (GCG), in its letter dated May 27, 2013 determined the Company to be under classification "D". The entitlement of the members of the Board of Directors for actual attendance of meeting are as follows:

<u>Board meetings:</u>	₱10,000.00 per meeting but not to exceed the maximum annual amount of ₱240,000.00.
<u>Committee meetings:</u>	₱6,000.00 per meeting but not to exceed the maximum annual amount of ₱144,000.00.

The Directors furthermore receive the following allowances:

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

Other arrangements

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

Employment contract between the company and executive officers

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

Warrants and options held by the executive officers and directors

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

Significant employee

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

Material Pending Legal Proceedings

The Corporation is involved in continuing litigations relating to labor and civil cases. The labor cases consist of those filed against the Corporation comprised mostly of claims of illegal dismissal, back wages, and separation pay. The civil

cases filed by or against the Company involve breach of contract, damages, collection of money, and attorney's fees.

Notable among the cases filed against the Company is the claim of PMO that amounts to ₱5.55 billion. PNCC's debt remains unconverted as it is the Company's position, as supported by the Office of the Solicitor General (OSG) opinion dated August 23, 2007, that based on LOI 1295, which was a special law promulgated to rehabilitate the Company, the debts have effectively been converted to equity and therefore, should no longer incur interest charges.

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

These ₱ 52.407 billion accumulated interest charges and penalties have not been recognized in the books of the Company based on the following reasons:

- The Supreme Court (SC) itself had recognized the validity of LOI 1295 and that it still legally exists today;
- The failure to convert all debts to equity is considered an administrative matter;
- The ₱5.55 billion is not a debt but simply represents unissued shares of stocks awaiting actual conversion to equity pursuant to LOI 1295 and, as such, continued imposition of interest and penalties is not warranted.

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

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

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

On January 22, 2015, the DOJ denied PNCC's MR. Thereafter, PNCC filed a Supplement to the MR on May 28, 2015 which was also denied by the DOJ in its

order dated July 13, 2015. On June 26, 2015, PNCC filed a Notice of Appeal with the Office of the President of the Philippines (OP) and filed the corresponding Appeal Memorandum on July 27, 2015, where the matter is now pending.

Independent Public Accountants

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

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

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

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

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

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

Audit Committee's Approval Policies and Procedures

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

Tax Fees

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

Other Matters

Action with Respect to Reports

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

Other Proposed Actions

1. Ratification of all acts and resolutions of the Board of Directors and Management.
2. Election of Directors, including Independent Directors.
3. Appointment of Independent Auditors.

Voting Procedures

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

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

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PART II.

MANAGEMENT REPORT

I. FINANCIAL STATEMENTS

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

II. INFORMATION ON INDEPENDENT ACCOUNTANT

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

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

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

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

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

Results of Operations

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

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

Income from Operation. Income from operation for the year ended December 31, 2015 increased by ₱138.711 million, higher by 796.01% or ₱156.137 million compared

to the December 31, 2014 figure of ₱17.426 million. Said favorable variance was the resulting effect of the reasons discussed above.

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

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

Financial Position

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

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

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

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

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

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

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

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

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

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

Having encountered this liquidity concern, the Company implemented a program of manpower rightsizing in 2001 and has been pursued gradually during the year. The program will be considered in the succeeding years until the Company attains manpower complement to match its present revenue level which in 2015 was generated from its 10% revenue share from Joint Venture Companies and its earnings from leased FCA property.

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

The Company asserts the contracted participation in the Joint Venture's Skyway Stage 3 and C6 Projects. Partnership with PT Citra Lamtoro for the implementation of the Metro Manila Expressway or C6 and Metro Manila Skyway Stage 3 and the completion and commercial operation thereof, are projected to generate incremental revenues for the Company at commercial operation on revenue sharing basis for both Project Roads. The

revenue scenario best rests on the policy directions intended by the Board and the NG through the PMO/DOF as the disposition entity. Discussion, in details, is presented under Note 2 of the 2015 Audited Financial Statements.

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

The default in payment of its TRB loan, the recognition of debts to the NG, and the pending assessments on tax deficiencies.

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

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

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

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

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

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

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

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

- (vi) There are no significant elements of income or loss that did not arise from the Company's continuing operations.
- (vii) There are no seasonal aspects that had a material effect on the financial condition or results of operations of the Company.
- (viii) **Material changes to the Company's Statement of Financial Position as of December 2015 compared to December 31, 2014 (increased/decrease of 5% or more)**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Year End 2014 (as restated) vs. Year End 2013 (as restated)

Results of Operations

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

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

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

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

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

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

Financial Position

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

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

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

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

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

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

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

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

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

i.d Pending assessments on deficiency taxes. Discussion is contained under Note 24 of the 2014 Audited Financial Statements, including courses of actions already undertaken by the Company to address the issue.

Having encountered this liquidity concern, the Company implemented a program of manpower rightsizing in 2001 and has been pursued gradually during the year. The program will be considered in the succeeding years until the Company attains manpower complement to match its present revenue level which in 2014 was generated from its 10% revenue share from Joint Venture Companies and its earnings from leased FCA property.

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

The Company asserts the contracted participation in the Joint Venture's Skyway Stage 3 and C6 Projects. Partnership with PT Citra Lamtoro for the implementation of the Metro Manila Expressway or C6 and Metro Manila Skyway Stage 3 and the completion and commercial operation thereof, are projected to generate incremental revenues for the Company at commercial operation on revenue sharing basis for both Project Roads. The revenue scenario best rests on the policy directions intended by the Board and the NG through the PMO/DOF as the disposition entity. Discussion, in details, is presented under Note 2 of the 2014 Audited Financial Statements.

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

The default in payment of its TRB loan, the recognition of debts to the NG, and the pending assessments on tax deficiencies.

- (iii) There are no material off-balance sheet transactions, arrangements.
- (iv) There are no material commitments for capital expenditures.
- (v) Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations.

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

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

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

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

Pending TRB's issuance of the Final Implementing Rules and Guidelines relative to the determination of the net income remittable by the Company to the National Government, the Company receives only the

following revenue shares based on TRB's interim guidelines: 10% of 6% share on the MNTC gross revenue; 10% of 3.5% share on the CMMTC gross revenue; and 10% of 1.75% share on the SLTC gross revenue. It also receives 10% dividend in the equity share from the said Joint Venture Companies.

- (vi) There are no significant elements of income or loss that did not arise from the Company's continuing operations.
- (vii) There are no seasonal aspects that had a material effect on the financial condition or results of operations of the Company.
- (viii) **Material changes to the Company's Statement of Financial Position as of December 2014 compared to December 31, 2013 (increased/decrease of 5% or more)**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Results of Operations

Revenues. Revenues for the year ended December 31, 2013 amounted to ₱146.810 million, up by 26.37% or ₱30.640 million vis-à-vis the ₱116.170 million for the year ended December 31, 2012. The increased in revenue was due to the recognized rental income from new tenants in the leased FCA property and revenue shares which were in direct relationship to the Joint Venture Companies' gross toll revenue.

General and Administrative Overhead. This account decreased by 19.83% or ₱18.415 million from ₱92.851 million for the year ended December 31, 2012 to ₱74.436 million fro the year ended December 31, 2013. The decrease in the overhead account was due to the implementation to cost reduction measures, including manpower unloading, to match the company's present revenue level.

Profit from Operations. This account increased by 210.36% or ₱49.055 million from ₱23.319 million for the year ended December 31, 2012 to ₱72.374 million for the year ended December 31, 2013 due also to the reason discussed above.

Penalty Charges. This account pertains to the 2% penalty charges on unpaid concession fee amounting to ₱258.002 million for the year ended December 31, 2013 and December 31, 2012.

Other Income (Charges). This account posted a positive balance of ₱2.604 billion for the period ended December 31, 2013, 11,011.26% or ₱2.581 billion higher than last year's positive amount of ₱23.438 million. The favorable variance was due to the recognition of the gain in change in fair value of investment property.

Net Profit (Loss) from Before Tax. For the year ended December 31, 2013, the company recognized a net profit before tax of ₱2.419 billion, posting a 1,245% or ₱2.630 billion increase from last year's net loss of ₱211.245 million. This was due to the reason discussed in the preceding paragraph.

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

Net Profit (Loss). The company realized a net profit of ₱1.641 billion for the period ended December 31, 2013, 876.64% or ₱1.852 billion higher compared to the net loss of ₱211.245 million for the period ended December 31, 2012. The favorable variance was due to the reasons discussed above.

Financial Position

Current Assets. The company's current assets as of December 31, 2013 totalled ₱842.317 million vis-à-vis December 31, 2012 balance of ₱898.322 million, higher by 6.23% or ₱56.005 million. The increase in current assets was mainly due to the increase in cash and cash equivalents brought about by the collection of work accomplishments for the Daang Hari SLEX Linkroad Project.

Investment Property. The increase of 33.05% or ₱2.594 billion, from ₱7.848 billion as of December 31, 2012 to ₱10.442 billion as of December 31, 2013, resulted from the appraisal conducted in 2013 by independent firms of appraisers.

Property, Plant and Equipment. The account increased by 2.05% or ₱11.434 million, from ₱557.770 million as of December 31, 2012 to ₱569.204 million as of December 31, 2013. The increased resulted from the appraisal conducted in 2013 by independent firms of appraisers, net of depreciation during the year.

Other Assets. The account amounted to ₱191.347 million as of December 31, 2012 compared with ₱325.856 million as of December 31, 2013, an increase of 70.29% or ₱134.509 million. This is mainly due to the set up of the 2% Minimum Corporate Income Tax.

Current Portion of Long-term Debt. The amount stood at ₱8.875 billion as of December 31, 2013, increased by 3.41% or ₱293.175 million compared to ₱8.852 billion as of December 31, 2012. The increase was mainly due to the accrual of the 2% penalty charges on unpaid concession fee payable to the Toll Regulatory Board (TRB).

Long-term Debt. The account increased by 27.78% or ₱750.556 million, from ₱2.701 billion as of December 31, 2012 to ₱3.451 billion as of December 31, 2013, which was due to the recognition of deferred tax liability on the gain in change in fair value of the investment property and appraisal increase in property and equipment resulting from the appraisal of the company's real estate properties conducted in 2013.

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

Performance Indicators	As of		Explanation
	12/31/2013	12/31/2012	
Current/Liquidity Ratios <i>Current Ratio</i> (Current Assets Divided by Current Liabilities)	0.095	0.105	Evaluates the ability of the company to pay its current debt promptly. Current ratio as of December 31, 2013 increased from that of December 31, 2012 due to the increase in current assets by 9.59% vs. the increase in current liabilities by 3.25%.
Solvency Ratios <i>Debt to Assets</i> (Total Liabilities Divided by Total Assets)	99.08%	115.63%	Shows what percentage of the business is not owned by the stockholders. Determines how much of the company is financed by debts. The ratio improved due to the increase in total liabilities by 9.21% (brought about by the accrual of the 2% penalty charges and recognition of deemed tax on appraisal of real estate properties) and vis-à-vis the increase in total assets by 27.61% (due to appraisal increase-real estate properties).
<i>Debt to Equity</i> (Total Liabilities Divided by Total Equity)	10731.37%	-739.81%	Shows the proportion of the creditors' capital to the business' total capital. Measures the degree to which the assets of the business are financed by the debts and stockholders of the business. The ratio improved due to the increase in total liabilities (as discussed above) coupled with the reversal of the capital deficiency as of December 31, 2012 to equity as of December 31, 2013.
Asset to Equity Ratio (Total Assets Divided by Total Equity)	10831.37%	-639.81%	Measures the total debt the company takes to acquire assets. Measures the company's capability to pay debts. The ratio improved due to the increase in total assets and the reversal of the capital deficiency to equity (as discussed above).
Interest Rate Coverage Ratio (Income Before Interest/Penalty Divided by Interest Expense/Penalty Charges)	10.423	0.090	Determines how easily a company can pay interest on outstanding debt. The ratio improved in year 2013 due to the recognition of income resulting from the gain in change in fair value of investment property.
Profitability Ratios <i>Return on Assets</i> (Net Income (Loss) Divided by Total Assets)	13.29%	-2.16%	Measures the Company's earnings in relation to all the resources it had at its disposal. The ratio improved due to the recognition of net profit for the period ended December 31, 2013 in the amount of ₱1.653 billion.
<i>Return on Equity</i> (Net Income (Loss) Divided by Total Equity)	1439.05%	-13.85%	Measures the rate of return on the ownership interest of the company's stockholders. Determines the productivity of the owners' capital. The ratio improved due to the recognition of net profit for the year ended December 31, 2013 and the reversal of capital deficiency to equity.

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

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

- i.b Pending labor cases which consist of those filed against the Company involving dismissal, backwages, and separation pay. Most of these cases have been ruled by the Labor Arbiter in favor of the complainants and are pending appeal by the company before the National Labor Relation Commission (NLRC).
- i.c Pending civil cases which consist of those filed against the Company involving damages, collection of money, and attorney's fees which are still being litigated before the various Regional Trial Courts (RTC).
- i.d Pending assessments on deficiency taxes. Discussion is contained under Note 24 of the 2013 Audited Financial Statements, including courses of actions already undertaken by the Company to address the issue.

To address the above concerns, PNCC implemented a program of manpower rightsizing in 2011 and has been pursued gradually during the year. The program will be considered in the succeeding years until the Company attains manpower complement to match its present revenue level which in 2013 was significantly generated by its 10% revenue share from Joint Venture Companies and by its earnings from the leased FCA property.

Earlier, the PNCC Board approved the settlement of the obligation to the National Government by way of dacion en pago, using the real estate assets of the company notably the 12.9 hectare Financial Center Area. The property was valued at ₱9.714 billion by independent firms of appraisers conducted in 2013. In the latter months of 2012, the Board reconsidered the option to bid out the property proposed for dacion to attain a higher dacion value and forestall all legal problems that may arise from the option of direct dacion. A letter touching on major issues on PNCC, including this matter among others, was sent to DOF in October 2012.

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

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

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

- (iii) There are no material off-balance sheet transactions and arrangements.
- (iv) There are no material commitments for capital expenditures.
- (v) Any known trends, events or uncertainties that have had or that are reasonably expected to have a material favorable or unfavorable impact on net sales or revenues or income from continuing operations.
 - v.a The continued decline in the construction industry resulted to the Company's incurrence of severe losses from the said operation. Thus, to prevent from suffering greater losses as it had experienced for the last several years, Management decided to veer away with the construction business (since 2002) and focus on the tollways operations.
 - v.b The turn of the North Luzon Tollway operation to the MNTC on February 10, 2005 had affected the revenue generating capacity of the Company.
 - v.c The hand-over of the South Luzon Tollway operations to the SLTC on May 2, 2010 likewise had an unfavorable impact on the Company's revenue.
 - v.d The Supreme Court decision, in Ernesto B. Francisco vs. TRB, PNCC et. al. (G.R. Nos. 166910, 169917, 173630, and 183599, October 19, 2010) and in the case of Strategic Alliance Development Corporation vs. Radstock Securities Limited et. al. (G.R. No. 178158, December 4, 2009), ruled and declared that with the expiration of PNCC's franchise, the toll assets and facilities of PNCC were automatically turned over, by operation of law, to the National Government (NG) at no cost and, consequently, this inevitably resulted in the latter's owning too of the toll fees and the net income derived after May 01, 2007 from the toll assets and facilities, including the company's percentage share in the toll fees collected by the joint venture companies currently operating the tollways.
- (vi) There are no significant elements of income or loss that did not arise from the Company's continuing operations.
- (vii) There are no seasonal aspects that had a material effect on the financial condition or results of operations of the Company.
- (viii) **Material changes to the Company's Statement of Financial Position as of December 2013 compared to December 31, 2012 (increase/decrease of 5% or more)**

Cash and cash equivalents increased by ₱153.398 million or 553.3% from ₱27.726 million as of December 31, 2012 to ₱181.124 million as of December 31, 2013 due to increased collection of receivables, proceeds from sale of fixed assets/scrap materials, and dividend payments from joint venture companies.

Receivables from contracts decreased by ₱84.397 million or 36.73% from ₱229.717 million as of December 31, 2012 to ₱145.319 million as of December 31, 2013 due to the collection of work accomplishments for Daang Hari SLEX Linkroad Project.

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

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

Deferred tax liabilities increased by ₱783.241 million or 31.45% from ₱2.490 billion as of December 31, 2012 to ₱3.273 billion as of December 31, 2013 due to the recognition of additional deemed tax on the increase in the fair value of the investment property.

Other payables decreased by ₱32.685 million or 15.51% from ₱210.643 million as of December 31, 2012 to ₱177.958 million as of December 31, 2013 due to the adjustment made in the Deferred Credits account.

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

Revenue share increased by ₱10.634 million or 14.28% from ₱74.468 million for the period ended December 31, 2012 to ₱85.102 million for the period ended December 31, 2013 due to the increase in the revenue shares which were in direct relationship to the Joint Venture Companies gross toll revenue.

Rental income increased by ₱20.006 million or 47.97% from ₱41.702 million for the period ended December 31, 2012 to ₱61.708 million for the period ended December 31, 2013 due to contracts entered into with new tenants in the leased FCA property.

General and administrative overhead decreased by ₱18.415 million or 19.83% from ₱92.851 million for the period ended December 31, 2012 to ₱74.436 million for the period ended December 31, 2013 due to implementation of the Company's Cost Reduction Program resulting to reduction in the Company's employee costs and operating expenses. Except for depreciation, there are no non-cash items (provisions and allowances for losses) taken up in the books in 2013.

Other income (charges) increased by ₱2.581 million or 11,011.26% from ₱23.438 million for the period ended December 31, 2012 to ₱2.604 billion for the period ended December 31, 2013 mainly due to the increase in the fair value of the investment property.

Deferred tax expense increased by ₱778.186 million or 100% from zero for the period ended December 31, 2012 to ₱778.186 million for the period ended December 31, 2013 which represents the 30% deemed tax on the increase in the fair value of the investment property.

IV. NATURE AND SCOPE OF BUSINESS

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

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

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

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

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

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

In 1983, LOI 1295 was issued directing lender/guarantor government financial institutions to convert PNCC debts into equity in PNCC. However, only P1.4 billion of the estimated ₱7 billion debt was converted to equity and the balance of ₱5.5 billion remain unconverted due to Central Bank intervention.

The accomplished conversion in 1983 gave the Government a majority shareholding, and pursuant to this substantial change in ownership, the corporate name was changed from CDCP to Philippine National Construction Corporation (PNCC) in the same year. The increase in the company's capital stock was approved by SEC on December 7, 1983. By virtue of LOI 1136 and PD 1295, 76.96% of the PNCC's voting equity has been held by the then Asset Privatization Trust (APT), now the Privatization and Management Office (PMO). The PMO was created on December 8, 1986 by virtue of Proclamation No. 50 that authorized the privatization program of government. The program is guided by the Committee on Privatization (COP) that was also created under Proclamation No. 50, and is now called the Privatization Council (PrC). As a result of the aforesaid PMO holdings, only 12.09% of the Corporation's voting equity is considered as under private ownership. However, 24% of GSIS shares

is considered private because owned by government employees and financed by the premiums they pay.

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

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

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

From 1987 to 2001, PNCC still implemented selected construction projects, but this resulted in losses. Since 2002, the Corporation has refrained from actively engaging in the construction business, and focused more on the operation and maintenance of its tollways.

Earlier in 1995, PNCC entered into Joint Venture Agreements (JVAs) that resulted in the division of the Tollways into 3 portions, the North Luzon Expressway (NLEX), the Skyway, and the South Luzon Expressway (SLEX). The objective was to improve the manner by which the tollways were operated and maintained.

The NLEX JVA was entered into originally with First Philippine Infrastructure Development Corporation (FPIDC) together with Leighton Contractor Asia Ltd. and Egis Project Systems, which formed the JV company, Manila North Tollways Corporation (MNTC). The operation of the NLEX was officially turned over to MNTC on February 10, 2005, where PNCC had 20% shareholding. PNCC's inability to respond to succeeding capital calls limited its participation to 2.5%

in MNTC. FPIDC was acquired by the Pangilinan (MVP) Group in November 2008. In the O&M company for NLEX, the Tollway Management Corp. however, PNCC is a 20% shareholder.

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

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

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

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

(TOP) over the said Project Toll Roads to MATES. On May 2, 2010, the operation and maintenance of the SLEX was officially turned over to SLTC and MATES.

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

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

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

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

operating the tollways. This has adversely affected PNCC's entitlement to a share in the gross proceeds of the operation of the SLEX and dividends, if declared.

PNCC through the Office of Government Corporate Counsel (OGCC) filed a Motion for Clarification with the Supreme Court (SC) asking for definition of "Net Income". The SC resolved to grant the Motion of PNCC. In addition, it ordered the Toll Regulatory Board (TRB) with the assistance of Commission on Audit (COA) to formulate the Guidelines to determine what can be retained by PNCC to determine the Net Income to be remitted to NG. Due to inevitable delays and in fairness to PNCC, the TRB on 22 March 2012, issued "Interim Guidelines" that determined amounts to be remitted to the NG and PNCC "by the JV Companies in relation to the operation of the NLEX and SLEX projects respectively." Detailed discussion on revenue and dividend share from joint venture companies were described in Notes 19 of Financial Statement, page 81 of this report.

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

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

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

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

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

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

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

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

Stockholders

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

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

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

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

Market Information

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

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

Dividends

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

With the approval of the stockholders representing two-thirds ($\frac{2}{3}$) of all the outstanding capital stock entitled to vote, given at a general meeting or at a special meeting duly called for the purpose, the Board may declare that dividends be paid in stock.

Recent Sale of Unregistered Securities

None

Stock Options

None

VI. COMPLIANCE WITH LEADING PRACTICE ON CORPORATE GOVERNANCE

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

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

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

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

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

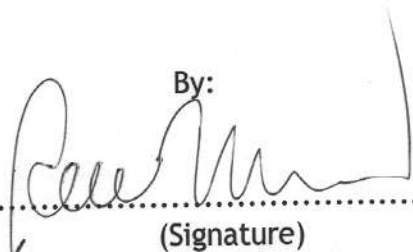
Legal Committee. Review major issues regarding the status of the Company's compliance with laws and regulations, as well as major legislative and regulatory developments that may have significant impact on the Company.

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

PART III.

SIGNATURE PAGE

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

By: 
.....
(Signature)

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

COVER SHEET

3 0 9 3 9
S.E.C. Registration Number

P H I L I P P I N E N A T I O N A L
C O N S T R U C T I O N C O R P O R A T I O N
(Company's Full Name)

P N C C C O M P L E X K M 1 5 E A S T S E R V I C
E R O A D B I C U T A N P A R A N A Q U E C I T Y
(Business Address: No. Street City / Town / Province)

JANICE DAY E. ALEJANDRINO
Contact Person

846-2906
Company Telephone Number

1 2 3 1
Month Day
Fiscal Year

17C
FORM TYPE

0 3 4th
Month Tuesday
Annual Meeting Day

Secondary License Type, if Applicable

Dept. Requiring this Doc.

Total No. of Stockholders

Amended Articles Number / Section

Domestic

Foreign

To be accomplished by SEC Personnel Concerned

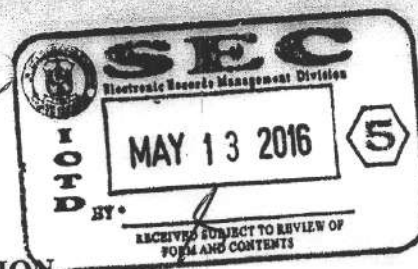
File Number

Document ID

LCU

Cashier

STAMPS



SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-Q

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

1. For quarterly period ended March 31, 2016
2. SEC Identification Number 30939 BIR Tax Identification No. 410-000-058-V
3. Exact name of registrant as specified in its charter
PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
4. Metro Manila, Philippine 6. (SEC Use Only)
Province, Country or other jurisdiction Industry Classification Code:
7. PNCC Complex, KM. 15, East Service Road, Bicutan, Parañaque City
8. (02) 846-3045 Fax: 846-1395
Registrant's telephone number, including area code
9. _____
Former name, former address and former year, if changed last report
10. Securities registered pursuant to Sections 4 and 8 of the RSA

<u>Title of Each Class</u>	<u>Number of Shares</u>
Common	75,000,000
Special Common	10,000,000
Preferred	<u>10,000,000</u>
	<u>95,000,000</u>

Note:

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

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

Yes ☒

No ☐

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

PHILIPPINE STOCK EXCHANGE (PSE)

12. Indicate by check mark whether the registrant:

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

Yes ☒

No ☐

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

Yes ☐

No ☒

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

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

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

PART II – OTHER INFORMATION

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

SIGNATURES

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

Issuer

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION

Signature and Title



..... President/CEO

Duly Authorized Representative LUIS F. SISON

Date

12 May 2016

Signature and Title



..... Chief Finance Officer

Signature and Title



..... Corporate Controller

Date

12 May 2016

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

Date

12 May 2016

PART 1 - FINANCIAL INFORMATION

(Item 1 -Financial Statements)
(Item 1.1 -Statements of Financial Position)

**PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
STATEMENTS OF FINANCIAL POSITION**

As of March 31, 2016

With Comparative Figures as of December 31, 2015

(In Thousand Pesos)

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

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

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

PART 1 - FINANCIAL INFORMATION

(Item 1 -Financial Statements)

(Item 1.2 -Statements of Profit or Loss)

**PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
STATEMENTS OF PROFIT OR LOSS**For the First Quarter of 2016 and 2015
(In Thousand Pesos)

	January to March	
	2016	2015
REVENUES		
Revenue/dividend shares from Joint Venture Companies	P 44,464	P 39,207
Rental income	27,674	23,972
Service Income	10,430	
	82,568	63,179
COST OF SERVICES	8,155	
GENERAL AND ADMINISTRATIVE OVERHEAD	18,320	16,891
PROFIT FROM OPERATIONS	56,093	46,288
OTHER INCOME (CHARGES):		
Penalty charges	(63,617)	(63,617)
Interest income	2,032	1,081
Other income	15	130
	(61,570)	(62,406)
NET PROFIT (LOSS)	P (5,477)	P (16,118)
Earnings (loss) per share:		
(a) income (loss)	(0.03)	(0.09)
(b) number of outstanding common shares	174,444,749	174,444,749

PART 1 - FINANCIAL INFORMATION

(Item 1 -Financial Statements)
(Item 1.3 -Statements of Changes in Equity)

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
STATEMENTS OF CHANGES IN EQUITY

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

	Capital Stock P10 Par Value	Capital in Excess of Par Value	Subscriptions Receivable	Treasury Stock	Revaluation Increment in Property	Equity Adjustment- Loans Transf. to Nat'l Gov't	Retained Earnings (Deficit)	Total Equity
Balances, December 31, 2015	2,283,758	46,137	(56,159)	(16,699)	537,088	5,551,726	(8,258,579)	87,272
Correction of prior years' income and expenses	2,283,758	46,137	(56,159)	(16,699)	537,088	5,551,726	(64)	87,208
Net loss							(5,477)	(5,477)
Other comprehensive income								
As at March 31, 2016	2,283,758	46,137	(56,159)	(16,699)	537,088	5,551,726	(5,477)	81,731
Balances, December 31, 2014	2,283,758	46,137	(56,159)	(16,699)	377,332	5,551,726	(8,296,844)	(110,549)
Correction of prior years' income and expenses	2,283,758	46,137	(56,159)	(16,699)	377,332	5,551,726	(8,380)	(8,380)
Net loss							(8,305,024)	(118,929)
Other comprehensive income							(16,118)	(16,118)
As at March 31, 2015	2,283,758	46,137	(56,159)	(16,699)	377,332	5,551,726	(16,118)	(135,047)

PART 1 - FINANCIAL INFORMATION

(Item 1 -Financial Statements)
(Item 1.4 -Statements of Cash Flows)

**PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
STATEMENTS OF CASH FLOWS**

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

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

Item 1.5 Earnings (loss) Per Share

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

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

The interim financial statements of the Philippine National Construction Corporation are prepared on a historical cost basis, except for investment property and property and equipment which are carried at revalued amounts. The financial statements are presented in Philippine peso, which is the company's functional and presentation currency. The amounts are rounded off to the nearest thousand pesos.

Item 1.7 Notes to Financial Statements

1.7.a Accounting Policies and Methods

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

1.7.a.2 Revenue Recognition

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

Pending issuance of the implementing rules and guidelines for the determination of the amounts due to the Company for its administrative expenses, the Company recognized 10% of its share from the Joint Venture Companies' gross toll revenues, in accordance with the interim guidelines issued by the Toll Regulatory Board (TRB).

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

1.7.a.3 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.

1.7.a.4 Prepayments

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

This account also includes inventories consisting principally of construction materials, spare parts, and supplies are stated at cost, generally determined by the average cost method for a significant portion of domestic inventories and by the first in-first out method for other inventories. Allowance for inventory write down is provided for all non-moving/obsolete items of the inventory account.

1.7.a.5 Investments

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

The Company believes that the effects of not consolidating the subsidiaries are not material to the financial statements because these are no longer operating, except for DISC Contractors, Builders, and General Services, Inc. (DCBGSI) which has been incurring losses, resulting to accumulated deficit.

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

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

1.7.a.6 Investment Property

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

Investment property is initially measured at cost. Subsequent to initial recognition, the account is stated at fair value, which

has been determined based on the valuations performed by independent firms of appraisers. The changes in fair value from year to year are recognized in the profit or loss.

1.7.a.7 Property and Equipment

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

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

<u>Asset Type</u>	<u>Estimated Useful Lives</u>
Land improvements	10 years
Buildings and improvements	10 to 33 years
Construction equipment	2 to 10 years
Transportation equipment	3 to 5 years
Office equipment-furniture and fixtures	5 years
Others	2 to 7 years

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

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

1.7.a.8 Revaluation Increment in Property

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

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

1.7.a.9 Borrowing Costs

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

1.7.a.10 Income Taxes

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

For financial reporting purposes, deferred tax assets are recognized for the carry forward benefits of unused tax credits from Net Operating Loss Carry-Over (NOLCO) and from excess Minimum Corporate Income Tax (MCIT) over Regular Corporate Income Tax (RCIT) to the extent that it is probable that future taxable profit will be available against which the deferred income tax assets can be utilized.

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

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

1.7.a.11 Adoption of New and Revised PFRS

The Company adopted the following PFRS effective January 01, 2012, summarized as follows:

- PFRS 7, Financial Instruments: Disclosures – Enhanced Derecognition and Transfer of Financial Assets Disclosure Requirements – The amended standard requires additional disclosure on financial assets that have been transferred but not derecognized and an entity's continuing involvement in the derecognized assets. This disclosure is required to enable the user of the financial statements to evaluate any remaining risk on the transferred assets.
- PAS 12, Income Taxes – Deferred Taxes: Recovery of Underlying Assets (Amended) – The amendment clarifies that the deferred tax on investment property measured using the fair value model in PAS 40, Investment Property, should be determined considering that the carrying value of the investment property will be recovered through a sale transaction. Deferred tax on non-depreciable assets that are

using the revaluation model in PAS 16, Property and Equipment, should also be measured by determining the recoverability of the non-depreciable assets in a sale transaction.

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

1.7.a.12 New and Revised PFRS Not Yet Adopted

A number of new or revised standards, amendments to standards and interpretations are effective for annual periods beginning after January 01, 2013 and have not been applied in preparing the financial statements. Under prevailing circumstances, the adoption of the following new and revised PFRSs is not expected to have any material effect on the financial statements:

Effective for annual periods beginning on or after January 01, 2013:

- PAS 19, Employee Benefits (Amendment) – There were numerous changes ranging from the fundamental such as removing the corridor mechanism in the recognition of actuarial gains or losses and the concept of expected returns on plan assets to simple clarifications and re-wording.
- PAS 27, Separate Financial Statements (as Revised in 2011) As a consequence of the new PFRS 10 and PFRS 12, PAS 27 is now limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements.
- PAS 28, Investments in Associates and Joint Ventures (as Revised in 2011) – This standard prescribes the application of the equity method to investments in joint ventures and associates.
- PFRS 7, Financial Instruments Disclosures - Offsetting Financial Assets and Financial Liabilities (Amendments) – The amendment requires entities to disclose information that will enable users to evaluate the effect or potential effect of netting arrangements on an entity's financial position. The new disclosure is required for all recognized financial instruments that are subject to an enforceable master netting arrangement or similar agreement.
- PFRS 10, Consolidated Financial Statements – The standard replaces the portion of PAS 27, Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements and SIC-12, Consolidation - Special Purpose Entities. It establishes a

single control model that applies to all entities including special purpose entities. Management will have to exercise significant judgment to determine which entities are controlled, and are required to be consolidated by a parent company.

- PFRS 11, Joint Arrangements - PFRS 11 replaces PAS 31, Interests in Joint Ventures and SIC-13, Jointly-controlled Entities - Non-monetary Contributions by Venturers – The standard removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, joint venture entities that meet the definition of a joint venture must be accounted for using the equity method.
- PFRS 12, Disclosure of Interests with Other Entities – The standard includes all of the disclosures that were previously in PAS 27 related to consolidated financial statements, as well as all of the disclosure requirements that were previously included in PAS 31 and PAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required.
- Amendments to PFRS 10, PFRS 11 and PFRS 12: Transition Guidance – The amendments provide additional transition relief in PFRS 10, PFRS 11 Joint Arrangements and PFRS 12, Disclosure of Interests in Other Entities, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. Furthermore, for disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before PFRS 12 is first applied.
- PFRS 13, Fair Value Measurement – The standard establishes a single source of guidance under PFRS for all fair value measurements. It does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS when fair value is required or permitted.
- Improvements to PFRS

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

- PFRS 1, First-time Adoption of International Financial Reporting Standards

- PAS 1, Presentation of Financial Statements
- PAS 16, Property Plant and Equipment
- PAS 32, Financial Instrument: Presentation
- PAS 34, Interim Financial Reporting

Effective for annual periods beginning on or after January 01, 2014:

- Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities – The amendments provide an exception from the requirements of consolidation to investment entities and instead require these entities to present their investments in subsidiaries as a net investment that is measured at fair value. Investment entity refers to an entity whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both.
- Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities – The amendments address inconsistencies in current practice when applying the offsetting criteria in PAS 32, Financial Instruments: Presentation. The amendments clarify (1) the meaning of 'currently has a legally enforceable right of set-off'; and (2) that some gross settlement systems may be considered equivalent to net settlement.

Effective for annual periods beginning on or after January 01, 2015:

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

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

- Not applicable -

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

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

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

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

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

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

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

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

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

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

- Not applicable -

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

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

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

"pay off" the recognized obligations, particularly given that the obligation to the TRB carries a 2% penalty charge. The Company is awaiting the decision of the OP.

1.7.f Payment of dividend

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

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

PNCC's sources of revenues are as follows:

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

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

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

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

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

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

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

- None -

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

- Not applicable -

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

- None -

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

1.7.k.1 Pending Lawsuits and Litigations:

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

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

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

1.7.k.2 Tax Matters:

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

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

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

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

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

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

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

1.7.k.2.d 2002 Deficiency internal revenue taxes totaling P72.92 million

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

1.7.k.2.e 2006 Proposed deficiency taxes amounting to P116.141 million (inclusive of interest of P48.76 million).

Management, in its letter of October 29, 2010 to the BIR, protested the aforesaid proposed deficiency taxes pursuant to Section 203 of the NIRC of 1997 (Prescription of limitation upon assessment and collection) and Revenue Regulations (RR) No. 12-99

(which requires discussion between the Company and the BIR Examiner/s before submission of the report to the BIR Chief concerned).

No discussion happened as the Company came to know of the findings on the alleged deficiency taxes only on October 22, 2010 way beyond the three (3) year prescription period of April 15, 2010.

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

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

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

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

On January 10, 2014, the Company requested consideration for the attendant charges of P9.763 million, in the amount equitable to both the BIR and the Company pursuant to Section 204 of the National Internal Revenue Code (NIRC) and the related revenue regulations.

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

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

Financial Position:

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

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

Results of Operation:

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

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

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

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

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

2.2.a.1 The Company's inability to settle its outstanding obligations with the TRB and the National Government brought about by the

difficulties in collecting receivables from various government agencies.

- 2.2.a.2 Pending labor cases which consist of those filed against the Company involving dismissal, backwages, and separation pay; most of which had been ruled by the Labor Arbiter in favor of the complainants, pending appeal by PNCC before the National Labor Relation Commission (NLRC).
- 2.2.a.3 Pending civil cases which consist of those filed against the Company involving damages, collection of money, and attorney's fees which are still on litigation before the various Regional Trial Courts (RTC).
- 2.2.a.4 Pending assessments on deficiency taxes. Discussion is contained under Item 1.7.k.2 including courses of actions already undertaken by the Company to address the issue.

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

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

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

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

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

- None -

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

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

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

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

- Not applicable -

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

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

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

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

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

- Not applicable -

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

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




**PHILIPPINE NATIONAL
CONSTRUCTION CORPORATION**

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR ANNUAL INCOME TAX RETURN**

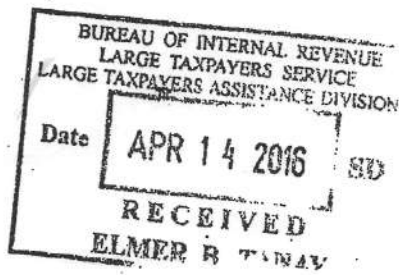
The Management of the Philippine National Construction Corporation is responsible for all information and representations contained in the Annual Income Tax Return for the year ended December 31, 2015. Management is likewise responsible for all information and representations contained in the financial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

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

- (a) the Annual Income Tax Return has been prepared in accordance with the provisions of the National Internal Revenue Code, as amended, and pertinent tax regulations and other issuances of the Department of Finance and the Bureau of Internal Revenue;
- (b) any disparity of figures in the submitted reports arising from the preparation of financial statements pursuant to financial accounting standards and the preparation of the income tax return pursuant to tax accounting rules has been reported as reconciling items and maintained in the company's books and records in accordance with the requirements of Revenue Regulations No. 8-2007 and other relevant issuances; and
- (c) the Philippine National Construction Corporation has filed all applicable tax returns, reports, and statements required to be filed under Philippine tax laws for the reporting period, and all taxes and other impositions shown thereon to be due and payable have been paid for the reporting period, except those contested in good faith.


ATTY. LUIS F. SISON
President and CEO


MIRIAM M. PASETES
Acting Treasurer






**PHILIPPINE NATIONAL
CONSTRUCTION CORPORATION**

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS**

The Management of Philippine National Construction Corporation is responsible for the preparation and fair presentation of the financial statements for the years ended December 31, 2015 and 2014, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and the implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

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

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


ELPIDIO C. JAMORA, JR.
Chairman of the Board


LUIS F. SISON
President


MIRIAM M. PASETES
Acting Treasurer

APR 20, 2016

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

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

ATTY JESUS F. APUYOD

Appointment No. 16 (2016-2017)

Notary Public for Taguig, Pateros and Pasig

Until December 31, 2017

1140 Gen. Santos Ave., Lower Bicutan, Taguig City

Roll No. 57266

PTR No. A-2789197 / 4 Jan. 2016 / Taguig City

IBP Lifetime No. D12164 / RSM Chapter

MCLE Compliance No. IV-0019294 / 26 April 2017

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Book No. 4
Series of 2016




**PHILIPPINE NATIONAL
CONSTRUCTION CORPORATION**


**STATEMENT OF MANAGEMENT'S RESPONSIBILITY
FOR FINANCIAL STATEMENTS**

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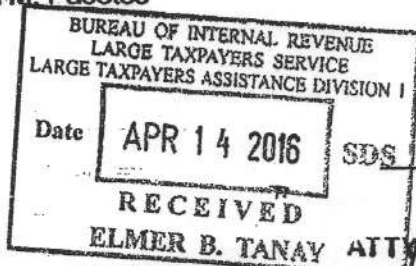

ELPIDIO C. JAMORA, JR.
Chairman of the Board


LUIS F. SISON
President

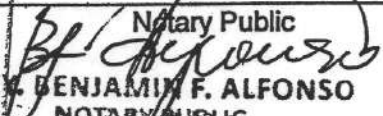

MIRIAM M. PASETES
Acting Treasurer

SUBSCRIBED AND SWORN to before me this APR 12 2016 day of 2016 affiants exhibiting to me their Tax Identifications, as follows:

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



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