PHILIPPINE NATIONAL CONSTRUCTION CORPORATION

04 June 2013
CIO-RSD-032-2013L

Ms. JANET A. ENCARNACION
Head, Disclosure Department
PHILIPPINE STOCK EXCHANGE
Philippine Stock Exchange Plaza
Ayala Triangle, Ayala Ave.,
Makati City 1226

Dear Ms. Encarnacion,

Please see attached a copy of SEC Form 17A – 2011 Annual Report of Philippine National Construction Corporation which we have filed with the Securities and Exchange Commission.

Thank you.

Very truly yours,

ROSALYN S. DELIVIOS
Corporate Information Officer

KM. 15 EAST SERVICE ROAD, BICUTAN, PARAÑAQUE CITY, METRO MANILA, PHILIPPINES * ZIP CODE 1700
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107042013001143

SECURITIES AND EXCHANGE COMMISSION

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Company Information

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Company Type	Stock Corporation

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S.E.C. Registration Number

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION

(Company's Full Name)

PNCC COMPLEX KM 15 EAST SERVICE ROAD BICUTAN PARANAQUE CITY

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

ATTY. JOSE A. BERNAS

Contact Person

822-57-25

Company Telephone Number

Month Day

Fiscal Year

SEC17A

FORM TYPE

Month Day

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number / Section

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel Concerned

File Number

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STAMPS

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-A

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

1. For the fiscal year ended December 31, 2011

2. SEC Identification Number 30939

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

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

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

6. (SEC Use Only)
Industry Classification Code:

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

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

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

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

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

Note:

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

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

Yes [x] No [ ]

12. Check whether the registrant:

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

Yes [x] No [ ]

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

Yes [x] No [ ]

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

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

2011 ANNUAL REPORT

PHILIPPINE NATIONAL
CONSTRUCTION CORPORATION

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PRESIDENT'S REPORT TO STOCKHOLDERS

FELLOW STOCKHOLDERS:

In the recent past, money poured into PNCC from toll collections and the shares in our Joint Venture Agreements. But that is all gone and the well has literally dried up. We are now left to perform the accounting and to determine where and how all that money was spent. That task is done. Some loose ends have to be tied up such as questionable transactions entered into, doubtful disbursements made and legitimate obligations left unpaid. Even a substantially large payment to a bank has left doubt in the minds of many that it was accomplished in haste and without regard for the fiduciary obligation tasked upon those in charge. That too will be done. Of course you can also make a case of why PNCC, then CDCP, started on its road to perdition. I do not have to be specific about where PNCC is today. However, the theme of our 45th Foundation Day speaks volumes of what happened in the past, our present state, and what has to be done.

Today, we can spend a little time reflecting on the past. But it should only be for the purpose of making certain that it never happens again. Having done that, it is time to set our sights on the future, our noses to the grind, and our shoulders to the task of rebuilding and reshaping a company that has so much and lost a lot more.

On the straight road to recovery...

For awhile, there was even talk of closing PNCC down but our resistance coupled with the submission of a plan on how to satisfy the concerns of Government gained us the nod to continue with the existence of PNCC. We are now tasked to live up to the expectations of our economic managers and to find other sources of income that can and will provide us with life for another 45 years.

Expect for a few minor details we have resolved the major tasked assigned to us. Now we are left to decide our own fate. Do we fold up our tents, pack our belongings and declare that we have lost our desire and will to survive or do we summon every bit of strength left in us and take on the challenge of putting ourselves "on the straight road to recovery"?

I and the rest of your Board have, without reservation, stepped up to the plate and are ready to make whatever sacrifices are needed to move PNCC into a leadership position that can be emulated by all as an example of success through resolve, dedication, hard work, and faith in The Almighty and in ourselves.

It is in truth, the road less travelled but also worth taking. Join us, help us, work with us and be part of the success story that will be told about PNCC for failure is not, I repeat, not acceptable.

BUSINESS DEVELOPMENT

PNCC

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

Established 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 accomplished over billions pesos worth in the engineering and construction of various facilities. Work done covers 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 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 were already then called the North and South Luzon Tollways, respectively, and the franchise granted to CDCP (now PNCC) expired on April 30, 2007. In 1983, PD 1113 was amended by PD 1894 to include the Metro Manila Expressway from Bicutan, Paranaque to Meycauayan, Bulacan to serve as an additional artery in the transportation of trade and commerce in and through the metropolis.

PNCC was granted the right, privilege and authority to construct, maintain and operate any and all such extension, 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 end-points of the North Luzon Expressway (Balintawak to Carmen, Rosales, Pangasinan) and/or South Luzon Expressway)Nichols, Pasay City to Lucena, Quezon) as may be approved by the Toll Regulatory Board (any and all such extensions, linkages, stretches and diversions hereinafter deemed included in the term "Expressways").

While the terms of the franchise provided under PD 1113 for the North Luzon Expressway and the South Luzon Expressway which is thirt (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 likewise have a term of Thirty (30) years commencing from the date of completion of the project.

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 for the purpose of converting to equity all PNCC debt to all government financial institutions. However, only P1.5 billion of the estimated ₱7 billion debt was converted to equity and the balance of ₱5.5 billion remain unconverted due to Central Bank intervention. Whether conversion should still be pursued after all these years has been has been put before the Department of Justice for arbitration.

The accomplished conversion 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 1983. The increase in its 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), which was created on December 8, 1986 by virtue of Proclamation No. 50 that authorized the privatization program of government. The program is guided by the Committee on Privatization (COP) that was also created under Proclamation No. 50, and is now called the Privatization Council (PrC). As a result of the aforesaid PMO holdings, only 12.09% of the Corporation's voting equity is considered as under private ownership.

From 1987 to 2001, PNCC still implemented selected construction projects, but this resulted in losses. Since 2002, by virtue of the privatization mandate for PNCC, the Corporation has refrained from actively engaging in the construction business, and focused more on the operation and maintenance of its tollways. Starting 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 the tollways were operated and maintained, which had become difficult to PNCC due to its financial difficulties.

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 has 20% shareholding. FPIDC has been acquired by the Pangilinan (MVP) Group in November 2008, resulting in a much reduced PNCC ownership of 2.5% of MNTC. The dilution of ownership was caused by the inability of PNCC to respond to capital calls. In the O&M company for NLEX, however, PNCC is a 20% shareholder.

For the South Luzon Tollways, PNCC entered into a joint partnership with Indonesia's P.T. Citra Lamtoro Gung Persada to build the elevated toll road or Skyway System from Nichols to Alabang 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. PSC had to turn over the operation to the Skyway Operation and Maintenance Corporation (SOMCO). PNCC has 12% share in CMMTC (also diluted from 20%) and a 20% share in SOMCO, which up to this day remains unissued to PNCC because of legal difficulties with CMMTC.

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

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

Although the original franchise of PNCC expired on April 30, 2007, the Toll Regulatory Board (TRB) issued a Toll Operation Certificate (TOC) dated April 27, 2007 to PNCC, for the Operation and Maintenance of the SLEX. The said authority from the TRB, pursuant to its powers under PD 1112, allowed PNCC to operate and maintain the SLEX and to collect toll fees, in the interim. The effective date of the TOC commenced on May 1, 2007, but shall not 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.

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 is valid from 18 March 2010 until 17 March 2013 and shall remain valid subject to satisfactory surveillance audits.

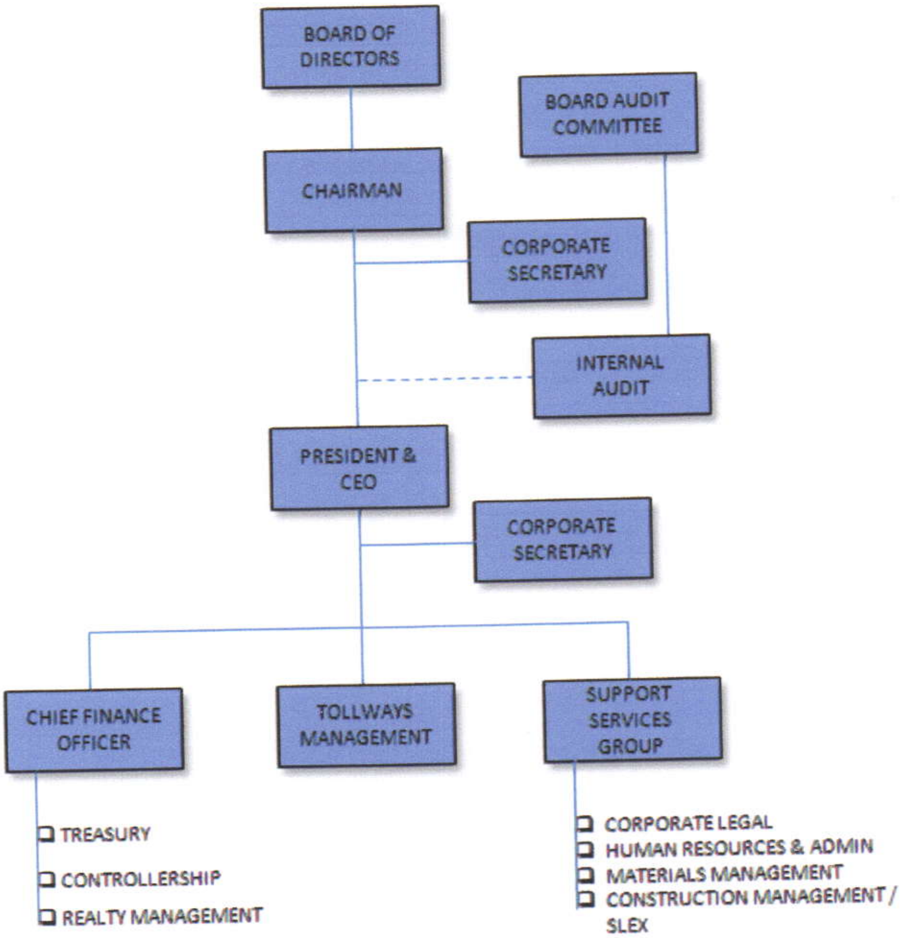
During about the same period, the Supreme Court, in Ernesto B. Francisco vs. TRB, PNCC et. al. (G.R. Nos. 166910, 169917, 173630, and 183599, October 19, 2010) and in the case of Strategic Alliance Development Corporation vs. Radstock Securities Limited, et. al (G.R. No. 178158, December 4, 2009), ruled 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. 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.

The impact of the aforesaid Supreme Court decision on the Radstock and Francisco cases issued on October 19, 2010 has been adequately reflected in our financial statements.

In addition to all of the above, a Subscription Agreement was 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, a joint venture of PNCC and NDC, incorporated to undertake the Daang Hari-SLEX connector road (DHLRP). In 2009, as the construction activities of the DHSLRP was underway, PNCC infused additional equity to total ₱255 million, thereby increasing its ownership share to 51%.

On December 15, 2009, a Memorandum of Agreement (MOA) for the Advance Works on the Daang Hari-SLEX Link Road Project (DHSLRP) was entered into by and among the ASDI and PNCC. The Corporation was designated as the Main Turnkey Contractor responsible for undertaking the Advance Works and for the implementation of the design and the construction of the Road Project, which consists of a toll road facility connecting Daang Hari Road in Cavite to the SLEX near the Susana Heights Interchange. The project was 25% complete when the DPWH, pursuant to its PPP mandate, took over the project for the purpose of bidding it out. The project was bidded out and awarded to Ayala Corporation in the amount of around ₱900M and ASDI was reimbursed in the amount of ₱ 383M representing its cost plus a premium for its efforts.

Organizational Set-up for 2011



Total Number of PNCC Employees Per Sector
As of December 31, 2011

Division/Group	Rank & File	Supervisory	Manager	Executive	Total
Central Office	37	20	30	8	**95**
Tollways Management Division (TMD)	10	11	7	1	**29**
TOTAL	**47**	**31**	**37**	**9**	**124**

Business Development & Description of Subsidiaries

PNCC has a number of subsidiaries legally in existence but for the past three years were inactive. These are wholly-owned subsidiaries namely Traffic Control Products Corp. (TCPC), Tierra Factors Corp. (TFC), CDCP Farms, Inc. and PNCC Skyway Corp. were among the inactive. The PNCC Board will take the necessary steps to dissolve them in the immediate future.

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

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

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

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

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

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

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

Since then, DISC continued to support the country's industrial program by supplying the structural steel requirements of the nation. It offers services that cover fabrication and erection of necessary structural steels. It also undertakes design and detailed engineering works; sandblasting and painting; rebar works as well as dismantling and demolition of existing facilities, equipment leasing; as well as construction materials testing.

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

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

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

DCBGSI offers the following services :

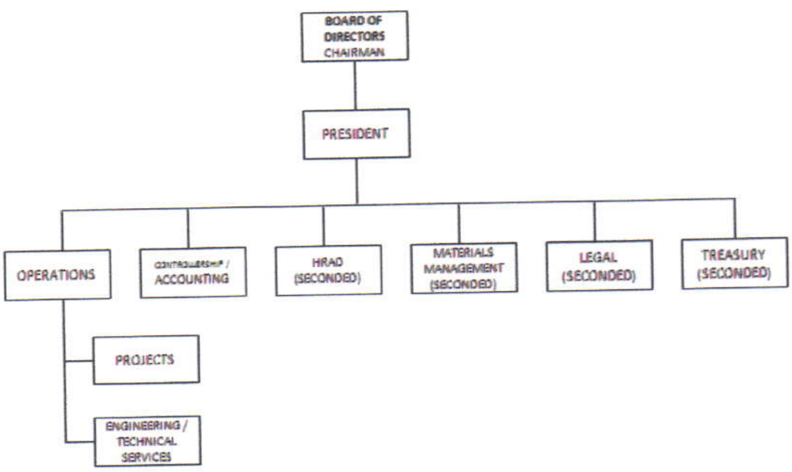
- **General Engineering** which includes Civil and Architectural, Road and Bridges, Site Development, Infrastructure Works, Water Supply and Drainage, Pile Driving;
- **Steel Fabrication and Erection Works** comprises Structural Steel Frames & Structural Components, Ducts, Penstocks & Piping Works, Sheet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

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

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

Organizational Setup of DCBGSI for 2011 is as follows:

2011 TABLE OF ORGANIZATION
DISC CONTRACTORS, BUILDERS AND GENERAL SERVICES, INC.



Manpower Complement

	2011
Executive	2
Managerial	
Supervisor	13
Rank & File	212
TOTAL	227

Financial Highlights

DCBGSI's gross revenue experienced a marked increase of 53% in 2009 and a decrease of 5% and 3% in 2010 and 2011 respectively. The decrease in gross revenue was largely attributed to the completion of some awarded projects in Philphos and PNCC-Daang Hari SLEX Link Road Project in Luzon. Year 2009 was a particular profitable year, chalking up 53% increase in gross revenue amounting to ₱173 million, was mainly attributed to favorable unit pricing obtained by the company for its awarded projects, yielding higher contribution margins for its projects.

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

During these years, cost to revenue ratios also experienced slight improvements for the same years. An increase was posted from 84% in 2009 to 88% in 2010 and 2011, as a result of improvements in labor productivity and instituting standards for monitoring raw material prices relative to total budgeted amounts. Also, the hiring of local labor was promoted to reduce the overall cost of employee benefits, compared to hiring from Iligan or Luzon which would have cost DCBGSI more in employee costs for the Philphos Project.

Net profit margins in the last three (3) years were posted at ₱ 21 million in 2009, ₱ 17 million in 2010 and ₱14 million in 2011. Retrenchment/Separation expenses of ₱ 23M in 2011 resulted in a net loss of ₱9M for the year 2011. A marked drop was therefore recorded in net profit ratio, from 12% in 2009, 10% in 2010 and 13% in 2011.

DCBGSI has maintained its liquidity to acceptable and viable levels, maintaining a current ratio averaging 3:1 yearly from 2009 to 2011. Solvency ratios have also been generally kept at financeable levels from 1.8x to 2.5x during the period. DISC has been able to sustain its operations largely from internal cash and more favorable supplier credit terms.

Traffic Control Products Corporation (TCPC)

Traffic Control Products Corporation (TCPC) was organized on June 15, 1977 as a joint venture of the then CDCP and a Japanese firm the Kikusui Lines, Inc., to manufacture thermoplastic paints and other traffic safety devices such as traffic signs (information, regulatory, warning and in-plant signs), traffic light, parking meters, etc. At that time, the main purpose was to provide CDCP with its traffic paint, signages, and traffic safety devices during construction and lives in the operation of tollways. Since 1981, TCPC had become a fully- owned subsidiary of PNCC with Kikusui Inc. serving as a consultant and main raw material supplier to the company.

From 2005 to 2009, TCPC has augmented its revenue base from P21 million to P 62 million expanding from servicing mainly PNCC in janitorial and greening services for SLEX. However, with PNCC's turn-over of SLEX operation to MATES in 2010, TCPC consequently experienced losses to revenue derived from said services. Since then, the corporation incurred financial losses in spite of cost reduction measures undertaken to improve its business viability. The company had then survived through borrowings, and became heavily indebted. In order to prevent further losses, the company employed austerity measures and exerted collection efforts but that did not improve its situation.

On April 13, 2011, the TCPC Board approved the cessation of its operations. All employees were separated in May 2011, except for two (2) accounting personnel to close the company's books and a messenger.

Tierra Factors Corporation (TFC)

PNCC decided to engage in heavy equipment and machineries trading and established the Tierra Factors Corporation (TFC), on May 8, 1973. For this purpose, TFC entered into exclusive dealership agreements with foreign principals.

The TFC was flourishing in its import and trade business of equipment and associated spare parts when it suffered economic dislocation in 1983 together with many other companies nationwide. TFC continued to reverse the situation but was unable to. In 1995, in an effort to be financially viable, it downsized its personnel complement. This did not result in a turn around so five years later, in 2002, TFC operated on a task force organization of seven (7) employees. In March 2005, the Board instructed the Management to to undertake its conversion into a shell company.

Consequently, in July 2005, all the remaining employees were retrenched. A bookkeeper was rehired to maintain the books as well as the records of the Corporation but was separated in August 2007. Documents were left to the custody of an employee of the Traffic Control Products Corporation (TCPC), another PNCC subsidiary without any proper inventory/turnover. TFC's deficit and capital deficiency increased annually due to the incurrence of operating expenses without any revenue. The Commission on Audit recommended the dissolution/liquidation of the Corporation in accordance with the Corporation Code of the Philippines.

CDCP Farms Corporation

CDCP Farms Corporation (CDCP-FC)

CDCP Farms Corporation (CDCP-FC), a wholly-owned PNCC subsidiary, was incorporated on August 15, 1974 with the primary purpose of engaging in agriculture related industries. These include cattle livestock, dairy, meat, fruits and vegetable farming, fish culture, and slaughterhouse. Also included are , ice plant, cold storage and refrigeration facilities for the manufacturing, canning processing, packing concentrates and agricultural products and their accessories. The main operation was based in Don Carlos and in Maramag, Bukidnon.

In 1980, several agricultural lands situated at Sinangguyan, Don Carlos, Bukidnon were acquired by the Corporation and were registered/titled in the name of its several officers and employees.

On August 1, 1988, the Corporation suspended all its crop operations in Bukidnon. Consequently, the Corporation voluntarily offered its forty seven (47) titles to the Department of Agrarian Reform (DAR) under the Comprehensive Agrarian Reform Program (CARP). However, only forty two (42) titles were reportedly acknowledged by DAR. By internal arrangement documents, transferring back the properties to the Corporation were executed. However, the nominee-owners, refused to execute Special Powers of Attorney (SPA) to grant the Corporation the authority to sell the properties.

Operations at the farms continued without much prospects for the next ten years until it eventually ceased operation in December 1988. Since then, activities were focused on the phasing out of the subsidiary's presence in Bukidnon, where its agricultural operations were primarily confined, the liquidation of its assets and repayment of debt to the extent that the available resources of the corporation allowed.

In January 1989, the CDCP-FC Board approved the transfer of its non-agricultural activities to the TCPC. Included in the transfer were non-agricultural inventories, office furniture and fixtures, tools and equipment, and leasehold improvements. In June 1991, PNCC offices, including that of CDCP-FC, were gutted by fire and most of its accounting records and documents were burned.

The largest disposal of the company took place on December 1995 when land holdings of 2,697.3 hectares were sold to the National Development Company for ₱40.459M. The whole proceeds were later applied against CDCP-FC's loan exposures with major creditors such as the Development Bank of the Philippines, Pilipinas Bank and the Republic Planters Bank.

In 1997, the CDCP-FC was re-activated and its Board of Directors re-constituted to officially act on and settle its still unfinished business and transactions.

On July 2, 2003, the SEC revoked the Corporation's registration due to its failure to submit the yearly reportorial requirements for several years earlier. Although the Corporation had the option of filing with the SEC the Petition to Lift Order of Revocation, the same was not done, in line with PNCC's intention to eventually dissolve the subsidiary.

PNCC Skyway Corporation (PSC)

The PNCC Skyway Corporation (PSC), the Operations and Maintenance (O&M) company of the elevated and at-grade levels of the Skyway system, was incorporated on December 15, 1998 – about the same time when the first section of the elevated highway – the 4.7-km Bicutan to Villamor segment between Paranaque City and Makati City – was opened to the motoring public.

The wholly-owned PNCC subsidiary pursuant to the Supplemental Toll Operations Agreement (STOA) signed between the PNCC and Indonesian firm P.T Citra Lamtoro Gung Persada, which states that PNCC, or the tollway franchise grantee, must establish a subsidiary company for the Skyway's operations and maintenance. The joint venture company, the Citra Metro Manila Tollways Corporation (CMMTC), on the other hand, is in charge of the project's financing, design and construction.

As O&M company for the Skyway system, the PSC was responsible for traffic safety and security, facilities maintenance and toll collection.

In 2006, the CMMTC underwent rehabilitation and raised financing for the Skyway II extension project. On July 18, 2007, an Amended Supplemental Toll Operations Agreement was entered into by and among Republic of the Philippines through the Toll Regulatory Board (TRB), PNCC and CMMTC, with a provision to nominate a new O&M company to replace the PSC.

As a consequence, PSC turned-over in the O&M responsibilities to a new corporation, Skyway Operation and Maintenance Corporation (SOMCO) as agreed by the parties concerned in a Memorandum of Agreement (MOA) signed on December 21, 2007.

A Wind-up Board governed PSC effective April 1, 2008 up to its official closure upon the approval of Securities and Exchange Commission (SEC) of its request to shorten the life of the corporation.

All operational assets were transferred to CITRA/SOMCO as provided for in the December 31, 2007 MOA. As of January 2008, non-operational assets and those no longer needed by SOMCO were sold to employees.

Alabang-Sto. Tomas Development, Inc. (ASDI)

ASDI is a special project company incorporated by the NDC on September 14, 2005 with an initial capitalization of ₱150 million. ASDI's primary purpose is to develop, package, structure, invest in and/or manage investments in infrastructure projects and commercial ventures related to the development of infrastructure projects. ASDI served as the corporate vehicle to implement the Daang Hari – SLEX Link Road Project (DHSLRP).

On November 14, 2008, PNCC became a minority partner of NDC in ASDI. However, in 2009 as the company embarked on the construction of the Daang Hari – SLEX Link Road Project (DHSLRP), PNCC infused additional capital to reach totaling ₱255 million, thereby increasing its ownership share to 51%. In December 2010, the SEC approved various amendments to ASDI's Articles of Incorporation to include toll operation activity as its primary purpose; increased the number of its board members and increased its authorized capital which now stands at ₱500 million.

In September 2006, PD 1159 was issued allocating 240,000 sq. mtrs. right of way (ROW) or land use for the DHSLRP. Furthermore, a MOA among the DPWH, DOTC, DTI, TRB, NDC and PNCC was signed in February 2010 that gave ASDI the full mandate to implement the toll road project.

Advance works in the area were done by PNCC, completed up to 25% of the entire project toll road. In the Economic Manager's meeting on February 11, 2011, the project was included in the "flagship projects" for Public-Private Partnership (PPP) program of the government. Hence, on February 23, 2011, the privatization of ASDI was proposed. In March 2011, however, the Economic Managers resolved to instead sell the ASDI "assets". The assets refer to the completed works of DHSLRP. The PPP plan was for the Department of Public Works and Highways (DPWH) to bid out the entire project with the winning bidder to reimburse ASDI for the value of works accomplished.

The NDC undertook the valuation (replacement cost) of the completed works thru Land Bank of the Philippines (LBP). NDC then secured approval from the Privatization council (PrC) for the final price of the completed works, and the same was submitted to DPWH for inclusion in the bid documents.

Bidding of the toll road project was undertaken by DPWH in December 2011 and was subsequently awarded to Ayala Corporation in the latter part of the same month.

Business Development of Affiliates

South Luzon Tollways Corporation (SLTC) and Manila Toll Expressway Systems, Inc. (MATES)

SLTC was incorporated on July 26, 2000, by virtue of a joint venture agreement (JVA) between MTD Manila Expressways, Inc. (parent company of MTDME, formerly Hopewell Crown Infrastructure, Inc.) and PNCC, primarily to engage in the rehabilitation, construction and expansion of the South Luzon Expressway (SLEX) from Alabang viaduct to Sto. Tomas, Batangas and in other allied business necessary and appropriate for the successful completion and operation of the toll road. PNCC owns 20% of total shares issued by the SLTC.

MATES on the other hand, was incorporated on January 13, 2006, to engage in the business of operating and maintaining toll roads and toll road facilities, interchanges, and related facilities, including the operation and management of toll collection systems, traffic control systems and such other systems located or found within the toll roads. MATES is 40%-owned by PNCC, 30%-owned by MTD Manila Expressways, Inc. and 30%-owned by Alloy Manila Toll Expressways, Inc. (AMTEX). On February 1, 2006, the STOA executed by and between MATES, SLTC, PNCC and Republic of the Philippines through TRB was approved. The STOA designates MATES as the operations and maintenance company of SLEX.

Citra Metro Manila Tollways Corporation and Skyway Operation and Maintenance

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

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

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

MANILA NORTH TOLLWAYS CORPORATION
A METRO PACIFIC GROUP Company

TOLLWAYS MANAGEMENT CORPORATION

Manila North Tollway Corporation and Tollways Management Corporation

Manila North Tollway Corporation (MNTC) is another Joint Venture Company/Investor that incorporated on February 4, 1997, for the purpose of the rehabilitation, construction and financing of the North Luzon Expressway Project (NLEX). MNTC was incorporated under the terms of the Joint Venture Agreement of August 1995, originally between the First Philippine Infrastructure Development Corp. (FPIDC) and PNCC at 80% and 20% equity sharing, respectively.

Due to liquidity constraints, PNCC was limited to its original equity contribution up to the financial close for the NLEX funding, thus its participation has been limited to 2.5% after new investors came in. This participation entailed one board seat for PNCC, with the representative director holding the post of the First Vice-Chairman and is granted the right to designate an Assistant Treasurer. Over the past three years, PNCC has earned dividends totaling ₱ 53.53 million.

The Tollway Management Corporation (TMC), incorporated on August 2, 2000, is the operations and maintenance corporation of the NLEX. PNCC holds 20% participation in TMC and is entitled to three (3) board seats. From 2009 to 2011, PNCC has earned ₱ 132.7 million in dividends from TMC.

	MNTC		TMC	
	Revenue Share	Dividends	Revenue Share	Dividends
2009	₱ 292M	₱ 36M	-0-	₱ 61M
2010	312M	13.76M	-0-	63.8M
2011	38.5M	3.77M	-0-	7.9M
Total	**₱ 642.5M**	**₱ 53.53M**	-0-	**₱ 132.7 M**

Description of Properties

The list of Real Property as of December 31, 2011 are presented below:

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

ITEM NO.	LOCATION	TCT No.	AREA (sq .m.)	REGISTERED OWNER
11.	STA. RITA PROPERTY (NLT Office) Sta. Rita, Guiguinto, Bulacan	T-260678	**20,000**	Remedios Bengzon
12.	BOCAUE REST AREA NLEX, Bocaue, Bulacan	T-29.308M T-26.154M T-26.560M T-29.309M TD-6807	733 2,801 4,404 1,141 847 **9,926**	CDCP CDCP CDCP CDCP CDCP
B. **B.I**	**UNBOOKED PROPERTIES** **PNCC LISTED PROPERTIES**			
1.	PILILLA PROPERTY Pililla, Rizal	M-13027 M-13028 M-13031 M-13032 M-13033 M-13034 M-13038 M-13039 M-13040 M-13041 M-13042 M-13043 M-13044 M-13045 M-13046	500 500 500 500 500 500 459 702 607 500 500 500 500 500 500 **7,768**	M. de Jesus & P. Castalone M. de Jesus & P. Castalone M. de Jesus & P. Castalone M. de Jesus & P. Castalone M. de Jesus & P. Castalone M. de Jesus & P. Castalone M. de Jesus & P. Castalone M. de Jesus & P. Castalone M. de Jesus & P. Castalone M. de Jesus & P. Castalone M. de Jesus & P. Castalone M. de Jesus & P. Castalone M. de Jesus & P. Castalone M. de Jesus & P. Castalone M. de Jesus & P. Castalone
2.	GULOD RESORT CONDOMINIUM Nasugbu, Batangas • Apartment 5-102 • Apartment 5-302	C-321 C-335	34.65 34.65 **69.30**	Land Bank Land Bank
B.2	**CDCP FARMS CORP. PROPERTIES**			
1.	TABANG PROPERTY Tabang, Guiguinto, Bulacan	T-131500 T-131501	4,945 678 **5,623**	CDCP Farms Corporation CDCP Farms Corporation
2.	BUKIDNON PROPERTY Bukidnon, Mindanao	OCT P-11636 OCT P-3357 OCT P-5817 TCT T-14452 OCT P-13741 OCT P-13740	31,600 52,900 64,600 129,900 66,100 56,000 **401,100**	Eduardo Martin Leona Sumael Candelario Tutanes Romeo Mata Romeo Mata Romeo Mata

RIGHT OF WAY LOTS NOT RECORDED IN THE BOOKS

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

Legal Proceedings

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

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

RECENT DEVELOPMENTS:

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

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

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

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

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

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

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

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

On October 3, 2011, the Court of Appeals issued a Resolution granting Radstock the reinstatement of the main case.

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

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

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

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

RECENT DEVELOPMENTS:

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

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

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

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

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

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

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

Asiavest has filed a Petition for Certiorari (Rule 65) with the Court of Appeals assailing the RTS's Omnibus Order. In its October 28, 2008 Decision, the Court of Appeals DENIED and DISMISSED Asiavest's Petition as it deemed that the trial court did not commit any grave abuse of discretion. A

Motion for Reconsideration was filed by Asiavest but the same was denied by the Court of Appeals in its Resolution dated January 8, 2009.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

This is an appeal by certiorari under Rule 45 of the Rules of Court from the Decision of the Court of

Appeals in CA-G.R. CV No. 87971 approving the Compromise Agreement between PNCC and Radstock denying STRADEC's Motion for Intervention.

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

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

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

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

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

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

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

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

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

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

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

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

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

Productivity Bonus and the ISO Bonus, on the other hand, were not grant that did not consider those already separated from the company.

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

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

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

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

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

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

On January 12, 2010, Decision of Kuantan High Court directing the Government of Pahang, Malaysia to pay MYR10,512,275.00 to Syarikat Binaraya. Appealed by the Gov't of Pahang, Malaysia to the Court of Appeals in Putrajaya, Malaysia.

SECURITIES OF THE REGISTRANT

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

Market Information

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

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

The Board of Directors did not declare dividends for the years 2010 and 2011 in view of the Company's deficit of P7.109 billion in 2011 and P6.912 billion in 2010 respectively. Non-declaration of dividends is supported by Article XI, Section 11.01 of the Amended By-Laws of the Company which provides that *"Dividends maybe declared annually or often as the Board of Directors may determine. The Board may declare dividends only from the surplus profits of the Corporation."*

Shareholders

TOP TWENTY (20) COMMON SHAREHOLDERS OF PNCC *as of December 31, 2011*

Shareholder	No. of Shares	Percentage of Ownership
Republic of the Philippines/Privatization Management Office	79,271,024	45.4419
Government Service Insurance System	47,490,383	27.2237
Universal Holdings Corporation	24,780,746	14.2055
PCD Nominee Corporation - Filipino	10,870,616	6.2316
Cuenca Investment Corporation	2,088,132	1.1970
PCD Nominee Corporation – Non-Filipino	1,755,979	1.0066
Cuenca, Rodolfo M.	698,116	0.3771
Land Bank of the Philippines	657,836	0.4066
Unigrowth Development Corporation	630,625	0.3615
Gow, Jimmy N.	274,000	0.1571
Cruz, F.F. & Co., Inc.	252,630	0.1448
Blue Chip Asset, Inc.	244,700	0.1403
Adachi, Sueo - Foreign	184,025	0.1055
Chung, Felix	173,900	0.0997
Alpapara, Johnson	170,000	0.0975
Go, Manuel	150,000	0.0860
Benpres Corporation	140,000	0.0803
Cruz, Felipe F.	135,993	0.0780
Motelibano A. Hijos, Inc.	120,750	0.0692
Carnet Machineries & Invest. Corp.	119,842	0.0687

Total No. of Shareholders : 4,818

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

Security Ownership of Certain Record and Beneficial Owners and Management

Owners of record of more than ten percent 10% of the company's voting securities *as of December 31, 2011*			
Title of Class	Name & Address of Record/Beneficial Owner	Amount/ Nature of Record Beneficial Ownership	Percent of Class
Common	**PRIVATIZATION MANAGEMENT OFFICE** 104 Gamboa Street, Legaspi Village Makati City 1229, Philippines	79,271,024	39.64%
Common	**GOVERNMENT SERVICE INSURANCE SYSTEM** Roxas Blvd., Manila	47,490,383	23.75%
Common	**UNIVERSAL HOLDINGS CORP.** CVCLAW Center, 11th Ave. cor. 39th St. Bonifacio Global City, 1634 Metro Manila	24,780,746	12.39%
Common	**VARIOUS STOCKHOLDERS**	22,902,606	11.12%
Preferred D	**PRIVATIZATION MANAGEMENT OFFICE** 104 Gamboa St., Legaspi Village, Makati City 1229, Metro Manila Philippines	25,500,000	12.75%

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

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

Only 23.51% of PNCC's voting equity is strictly under private ownership and 5.43% of which is being held by PCD Nominee Corporation (Filipino).

Security Ownership of Management

BENEFICIAL STOCK OWNERSHIP OF EACH DIRECTORS AND OFFICERS *as of December 31, 2011*		
Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership
DIRECTORS		
Common	Jose Vicente C. Bengzon III	50
Common	Luis F. Sison	01
Common	Thomas G. Aquino	01
Common	Rodolfo C. Naguit	02
Common	Elmer C. Hernandez	100
Common	Tomas C. Alvarez	101
Common	Antonio T. Pido	50
Common	Nora O. Vinluan	02
Common	Roman Felipe F. Reyes	100
Common	Rosendo T. Capco	10
OFFICERS		
Common	Luis F. Sison	01
Common	Yolanda C. Mortel	13

Certain Relationship and Related Transactions

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

CORPORATE GOVERNANCE

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

BOARD STRUCTURE AND PROCESS

Key Role and Responsibilities

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

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

Composition

The Board is composed of eleven (11) directors, PNCC being a government-acquired asset corporation. The directors are nominated by the President of the Philippines and serving at his pleasure.

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

Chairman and Vice Chairman

The Chairman of Board was Atty. Rainier B. Butalid who assumed the position for almost a year (January 11 to December 15, 2011). The Board elected Director Jose Vicente C. Bengzon III as Acting Chairman vice Atty. Butalid when the latter was appointed as Commissioner of the GCG. Atty. Luis F. Sison who was elected President/CEO holds the position of Vice Chairman of the Board of Directors.

Attendance of the incumbent Directors in the Board Meetings for CY 2011

	Regular Board Meetings	Special Board Meetings	TOTAL No. of Meetings
Jose Vicente C. Bengzon III, *Acting Chairman*	12	16	28
Luis F. Sison, *President*	12	19	31
Nora O. Vinluan	12	18	30
Tomas C. Alvarez	11	18	29
Thomas G. Aquino	9	16	25
Elmer C. Hernandez	12	20	32
Rodolfo C. Naguit	12	18	30
Rosendo T. Capco	12	19	31
Antonio C. Pido	11	18	29
Roman Felipe S. Reyes	8	16	24
Karen G. Singson (Ex-Officio)	3	9	12
Resigned:			
Rainier B. Butalid	10	19	29
Crisanta S. Legaspi (Ex-Officio)	2	7	9

Board Performance

Board meetings are held monthly or as often as necessary. The Board has separate and independent access to the Corporate Secretary, who is responsible for informing the Board members of the agenda of their meetings and ensures that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their consideration and approval. Average attendance in the Board's 32 meetings was more than 88.27%. Director Elmer C. Hernandez had a perfect attendance during his incumbency.

Committee	Executive	Nomination & Compensation	Finance	Audit	Legal
Rainier B. Butalid	C				M
Jose Vicente C. Bengzon III		M		M	
Luis F. Sison	M				
Nora O. Vinluan			M		
Tomas C. Alvarez				C	
Thomas G. Aquino		C			
Elmer C. Hernandez		M			
Rodolfo C. Naguit			C	M	
Rosendo T. Capco					M
Antonio C. Pido					C
Roman Felipe S. Reyes			M	M	

Board Committees

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

Executive Committee. The Executive Committee consists of the Chairman of the Board, the Vice Chairman and Management representative with 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. Consists of four (4) directors, who are Certified Public Accountants and the Chairman and the President as ex-officio members. The committee oversees the financial reporting process, system of internal control, audit process and monitoring of compliance with applicable laws, rules and regulations. The Audit Committee had 5 meetings and Finance Committee had 6 meetings while the Joint Audit and Finance committee had 7 meetings in 2011 where it reviewed and approved the 2010 and 2011 audited financial statements of PNCC as audited by the independent auditors, COA Audit Team.

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

Legal Committee. The Legal Committee is composed of two (2) directors who are lawyers and the Chairman and the President as ex-officio members, reviews legal issues and any legal matters that could have material impact on the company's operation. The committee had 19 meetings in 2011 where it resolved actions to be taken up in various PNCC legal cases.

Aside from the regular Board Committees stated above, the PNCC Board created two (2) special committees to handle specific tasks, namely: Ad Hoc Committee and the ASDI-Daang Hari SLEX Link Road Project Task Force. Composed of five (5) members, the Ad Hoc Committee's objective was to study and come up with a position on the issue of PNCC's Dividend/Gross Toll Revenue Earnings in MNTC which at that time was the subject of a Petition for Consignation with the Regional Trial Court of Caloocan City. While the ASDI-Daang Hari SLEX Link Road Project Task Force, consisting of 3 members, was created particularly to source funds in order to finish the project. Both committees have ceased to function upon the fulfillment of the specified tasks.

Members of said committees were entitled to the same per diem as provided for Board Committee meetings.

Directors Compensation

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. In accordance with the said E.O., PNCC is under classification "C" with the following per diems for board meetings and committee meetings as follows:

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

The Board also approved the following allowances for each Director:

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

CORPORATE SECRETARY

The company had three (3) Corporate Secretaries consecutively in 2011. Atty. Glenna Jean R. Ogan was Corporate Secretary since August 1998 until she availed the retrenchment program in May 2011. Atty. Eusebio P Dulatas was appointed Acting Corporate Secretary vice Atty. Ogan on May 24, 2011. Atty. Dulatas resigned on October 11, 2011 and was replaced by Atty. Alex G. Almario on October 11, 2011 and remains in his post up to the present.

COMPLIANCE OFFICER & COMPLIANCE MONITORING

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

The Compliance Officer monitors PNCC's compliance to the Corporate Governance Code and the rules and regulations of regulatory agencies. Mr. Segundo M. Gaston, Senior Vice President for Support Services Group was appointed Compliance Officer until he availed the company's retrenchment program in April 2011. Appointment of a new Compliance Officer was then shelved since the new Board had been reviewing the qualifications of candidates.

MANAGEMENT

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

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

ADEQUATE AND TIMELY INFORMATION

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

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

ACCOUNTABILITY AND AUDIT

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

External Auditors. **PNCC 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

In consideration of the audit, COA shall be paid by PNCC upon submission of the Audit Report. The aggregate audit fees billed for each of the last two calendar year indicated in the TOR are ₱750,000 for CY 2010 and ₱1,243,748 for 2011.

TRAINING PROCESS

(Seated L-R: Lecturer, Atty. Rosendo Capco (Director), Atty. Rainier B. Butalid (Chairman), Nora Vinluan (Director), Janice Day E. Alejandrino (Head, HRAD) (Standing L-R:)Atty. Eusebio P. Dulatas, Jr.(Legal Counsel), Rodolfo C. Naguit (Director), Atty. Noel Gascon (PMO Representative), Tomas Alvarez (Director), Atty. Luis F. Sison (President), Elmer Hernandez (Director), Trisha S. Punsalan (Exec. Asst. to the President), Elizabeth N. Lopez De Leon (Collection Officer), Rosalyn S. Delivios (Corporate Information Officer)

The Board of Directors together with PNCC Management, attended the Corporate Governance and Risk Management seminars conducted by Center for Continuing Education of the Ateneo De Manila University last May 25, 2011 and June 28, 2011 respectively.

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

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

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

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

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

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

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

DISCLOSURE AND TRANSPARENCY

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

CODE OF CONDUCT AND EMPLOYEE DISCIPLINE

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

Mission

Mission

We Deliver!

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

Vision

Vision

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

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

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

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

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

COMPANY WEBSITE

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

Board of Directors

RAINIER B. BUTALID

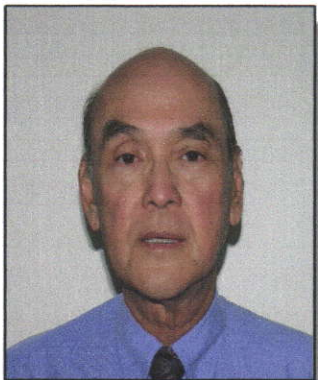
Chairman, January to December 2011

Mr. Butalid is a Practicing Lawyer. He served as General Counsel of the National Power Corporation, with the rank of Vice President, from June 2001-2001. He was elected Vice Governor for the term 1992-1995, and earlier as Senior Provincial Board Member, from 1988-1991, in Masbate. From 1992-1994, he served as University Legal Counsel of the University of the Philippines System. He earned his Bachelor of Arts degree, major in economics from the Ateneo de Manila University in 1977, and his Bachelor of Laws degree from the University of the Philippines in 1981 He passed the Philippine Bar in the same year.

JOSE VICENTE C. BENGZON III

Acting Chairman, December 2011 to present

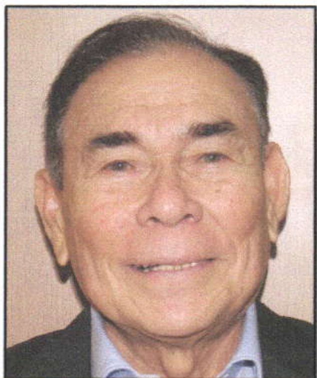
Mr. Bengzon is the President of the Jose P. Laurel Rural Bank since 2010. He is the President & Chief Operating Officer of the Duma Group of Companies. He is also a Director of Vitarich Corporation since 2007, the UCPB Holdings Corporation since 2006, & the Philippine Business Leaders Forum, Inc. since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



LUIS F. SISON

President/Director, January 2011 to present

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



TOMAS C. ALVAREZ

Director, since January 2011 to present

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

THOMAS G. AQUINO

Director, since January 2011 to present

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

ROSENDO T. CAPCO

Director, since January 2011 to present

Mr. Capco has served as President of the Integrated Bar of the Philippines (IBP), Rizal Chapter, & as Chairman of the IBP-Rizal Legal Aid Program for Poor Litigants in 1999-2000. He also served as Chairman of the Metro Manila Local Amnesty Board in 199-2001. He was elected twice as Mayor of the Municipality of Pateros – for terms 2001-2004 & 2004-2007. He is presently a Managing Partner of the Capco, Campanilla & Santos Law Firm. He earned his B.S. Business Administration degree in 1972 & his Bachelor of Laws degree in 1977 from the University of the East. He passed the Philippine Bar in the1978.

ELMER C. HERNANDEZ

Director, since Janaury 2011 - present

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

RODOLFO C. NAGUIT

Director, since January 2011 to present

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

ANTONIO C. PIDO

Director, since January 2011 to present

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

ROMAN FELIPE S. REYES

Director, since November 2010 to present

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

NORA S. VINLUAN

Director

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

KAREN G. SINGSON

Director, Ex-officio, since

Ms. Singson is the Chief Privatization Officer of the Privatization & Management Office from 2011 until today. Before then, she held various positions as Equity Research Analyst, Equity Research Associate, Research Associate and Investment Banking Analyst in the following U. S. firms – the Boston Company Asset Management, Capital Research & Management, Morgan Stanley and in a subsidiary of Swiss Re Capital Management & Advisory and Fox-Pit Kelton, Inc. She was awarded First Honors when she took up the Legal Management Program in the Ateneo de Manila University from 1996-1998 and completed a double major in Economics and International Relations from the Brown University, *magna cum laude.* She also enrolled in the Master in Business Administration program of the Harvard Business School from 2006-2008.

Management Committee

Atty. Luis F. Sison	President & CEO
Patricia Louise S. Punsalan	Executive Assistant to the President
Janice Day E. Alejandrino	Vice President, Head - Human Resources and Administration Division
Miriam M. Pasetes	Senior Vice President, Head - Corporate Treasury
Yolanda C. Mortel	Vice President, Head - Materials Management Division
Atty. Glenna Jean R. Ogan	Vice President, Head - Corporate Legal Division *Separated May 2011*
Atty. Eusebio P. Dulatas, Jr.	Assistant Vice President, Acting Head - Corporate Legal Division *Since June 2011 to present*
Abraham P. Sales	Vice President, Construction Division
Susan R. Vales	Senior Assistant Vice President, Head – Corporate Controllership Division
Carlos G. Paulino	Assistant Vice President, Head – Tollways Management Division
Rosalyn S. Delivios	Manager, Head – Management Information System Department

Compensation of Directors/Executive Officers

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

Paid to		**Amount**
Luis F. Sison	President	
Miriam M. Pasetes	Vice President	
Janice Day E. Alejandrino	Vice President	
Yolanda C. Mortel	Vice President	
All above named officers as a group		**₱ 13.417M**
All other directors and above named officers as group		**₱ 23.149M**

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

PART III – FINANCIAL INFORMATION

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

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

Results of Operation:

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

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

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

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

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

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

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

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

Financial Condition:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Year End 2010 vs. Year End 2009 (as restated)

Results of Operation:

Revenue. Revenue for the year ended December 31, 2010 amounted to P197.332 million, up by P163.701 million vis-à-vis the P33.631 million for the year ended December 31, 2009. The increase in revenue was due to the on-going advance works in the Daang Hari-SLEX Linkroad Project (DHSLRP). The Company is designated as Main Turnkey Contractor responsible for undertaking the advance works and for the design and the construction of the Road Project, which consists of a toll road facility connecting Daang Hari Road in Cavite to the SLEX near Susana Heights Interchange.

Costs and Expenses. This account increased by 683.09% or P121.638 million from P17.806 million in the year ended December 31, 2009 to P139.433 million in the year ended December 31, 2010. The increase was in direct relationship to the increase in construction income as discussed above.

Gross Margin. Gross margin increased by 265.87% or P42.073 million from P15.825 million in the year ended December 31, 2009 to P57.898 million in the year ended December 31, 2010 due also to the reason discussed above.

General and Administrative Overhead. This account increased by 1325.19% or P274.599 million from P20.722 million for the year ended December 31, 2009 to P295.321 million for the year ended December 31, 2010. The significant increase in the overhead account was due to the provision of impairment loss on investment, provision of allowance for doubtful accounts, and loss on inventory write-down.

Income (Loss) from Operation. For the year ended December 31, 2010, the Company incurred a net loss from operation of P237.423 million posting a 4,749.16% increase from last year's net loss of P4.896 million. This was due to the direct effect of the increases in the costs and expenses and the general and administrative overhead accounts, as discussed above.

Other Income (Charges). This account posted a negative balance of P45.879 million representing 24.07% of last year's negative amount of P190.553 million. The favorable variance was due to the recognition/realization of other toll related income from South Luzon Tollway Corporation (SLTC), joint venture Company of PNCC.

Interest and Financing Charges. Interest accruing from the PNB loan totalled P23.295 million for the year ended December 31, 2010. This resulted to a decrease of P20.542 million when compared to last year's amount of P43.837 million, attributable to the prepayment of PNB loan on July 05, 2010.

Net Loss. The Corporation posted a net loss of P306.597 million compared to last year's net loss P239.286 million. The increase/unfavourable variance in the account was due to the reasons discussed above.

Financial Condition:

Current Assets. The Corporation's current assets as of December 31, 2010 totalled P1.938 billion vis-à-vis December 31, 2009 balance of P2.258 billion, lower by P319.843 million or14.16 %. The reduction in current assets was mainly due to the decrease in cash and cash equivalents brought about by the implementation of the Company's on-going Retrenchment Program and the corresponding payments thereof to the affected officers and employees.

Investments. The decrease of P1.588 billion was mainly due to the provision of impairment loss on investments in inactive and non-operating subsidiaries and affiliates and the de-recognition of investments in joint venture companies, pursuant to the Supreme Court En Banc decision in the Francisco case.

Property, Plant, and Equipment. The increase of P133.844 million representing 16.36% compared to the last year's balance of P818.017 billion was mainly due to the recognition of the appraisal increase in the books, which appraisal was conducted in 2010.

Deferred Charges. The account decreased by P54.606 million or 78.93% of last year's balance of P69.178 million, due mainly to the application of the Minimum Corporate Income Tax (MCIT) as tax credit against the Regular Corporate Income Tax (RCIT).

Current Portion of Long-term Debt. The amount stood at P8.146 billion as of December 31, 2010, increased by P455.741 million compared to P7.691 billion as of December 31, 2009. The increase was mainly due to the accrual of the 2% penalty charges on unpaid concession fees payable to TRB.

Long-term Debt. The account decreased by P289.583 million which was brought about by the prepayment of PNB loan on July 05, 2010.

Stockholders' Equity. Stockholders' equity decreased from P3.605 million in 2009 to P1.611 billion in 2010 due mainly to incurrence of losses and the de-recognition/reversal of tollways and related revenues, pursuant to the Supreme Court decision in the Francisco case.

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

Performance Indicators	As of 12/31/10	As of 12/31/09	Explanation
Current Ratio (Current Assets / Current Liabilities)	0.238	0.294	The Company's ability to meet its current obligations as they fall due decreased from P0.294 to P1.00 as of December 31, 2009 to P0.238 to P1.00 as of the same period of 2010. This was brought about by the 14.16% decrease in the current assets vis-a vis the 5.92% increase in the current liabilities.
Quick Ratio (Quick Assets / Current Liabilities)	0.235	0.289	The decrease in the quick ratio or acid test ratio was also due to the reasons stated above.
Total Debt to Total Assets	83.6%	69.0%	The Company's debt to assets ratio showed its inability to repay its maturing obligations, with an 83.6% ratio as of December 31, 2010 and a 69% ratio as of the same period last year. The ratio shows what percentageof the business is not owned by the stockholders.
Total Debt to Equity	508.4%	222.6%	The poor total debt to equity ratio of the Company was brought about by its inability to pay maturing obligations. Said ratio shows the proportion of the creditors' capital to the company's total capital.
Asset Turnover (Sales or Revenue / Average Total Assets)	1.8%	0.3%	The very mininal asset turnover of the Company was attributable to the non-maximization of its resources/equipment due to the veering away with the construction business.

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

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

i.b The Company has also some contingent liabilities with respect to claims and lawsuits, including among others the (a) Asiavest Merchant Bankers (m) Berdad vs. PNCC (involves the enforcement of a foreign judgment) and (b) Radstock Securities Limited vs. PNCC (complaint for sum of money and damages). Discussions on these contingent liabilities are contained under Note 31 of the 2010 Audited Financial Statements.

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

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

i.e Pending assessments on deficiency taxes. Discussion is contained under Note 27 of the 2010 Audited Financial Statements, including courses of actions already undertaken by the Company to address the issue.

Having encountered this liquidity concern, PNCC implemented a program of manpower rightsizing in 2001 and has been pursued gradually during the year. The program will be considered in the succeeding years until the Company attains manpower complement to match its present revenue level which is generated significantly by its Construction operation in 2010.

In addition, the Company has designed a Corporate Strategic Plan which significantly involves a Financial Restructuring Program/Balance Sheet Clean-Up, which is further discussed in Note 30 of the 2010 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 National Government, and the contingent liabilities discussed in Note 31 of the 2010 Audited Financial Statements.

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

The contingent liabilities discussed in Item i.b and Note 31 of the 2010 AuditednFinancial Statements.

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

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

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

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

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

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

PNCC's percentage share in the toll fees collected by the joint venture companies currently operating the tollways.

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

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

(viii) **Material changes to the Company's Statement of Financial Position as of December 2010 compared to December 31, 2009 (increase/decrease of 5% or more)**

Cash and cash equivalents decreased by P718.947 million or 65.55% from P1.097 billion as of December 31, 2009 to P377.903 million as of December 31, 2010 primarily due to payment of retrenchment pay of separated employees, prepayment of PNB loans and interests, and payment of income tax.

Advances and other receivables increased by P414.988 million or 47% from P881.854 million as of December 31, 2009 to P1.297 billion as of December 31, 2010 due to the revenues recognized during the year.

Inventories decreased by P15.996 million or 60.61% from P26.393 million as of December 31, 2009 to P10.397 million as of December 31, 2010 primarily due to the provision of allowance for inventory write down for non-moving/obsolete spare parts and supplies and to the disposal of scrap materials/supplies.

Investments decreased by P1.588 billion or 85.63% from P1.854 billion as of December 31 2009 to P266.504 million as of December 31, 2010 mainly attributable to the provision of 100% impairment loss for investments in inactive and non-operating subsidiaries and affiliates and the derecognition of investment in Joint Venture Companies resulting to the turn-over of the pertinent stock certificates to the NG/DOF in compliance with the Deed of Transfer.

Property and equipment increased by P133.844 million or 16.36% from P818.017 million to P951.861 million due to the recognition of the appraisal increase in the books, which appraisal was conducted in 2010.

Deferred charges and other assets decreased by P54.606 million from P69.178 million as of December 31, 2009 to P14.572 million as of December 31, 2010 due to the application of the Minimum Corporate Income Tax (MCIT) as tax credits against the Regular Corporate Income Tax (RCIT).

Accounts payable increased by P75.864 million or 29.65% from P255.896 million as of December 31, 2009 to P331.76 million as of December 31, 2010 due to the recognition of additional liability to CMMTC representing cost of toll plaza refurbishment and transcore equipment.

Accrued costs and other payable decreased by P287.090 million or 47.07% from P609.913 million as of December 31, 2009 to P322.828 million as of December 31, 2010 due to the payment of retrenchment pay to separated employees.

Due to National Government and its Instrumentalities increased by P666.963 million or

11.86% from P5.622 billion as of December 31, 2009 to P6.289 billion as of December 31, 2010 due to the accrual of the 2% penalty charges on unpaid concession fee and the initial recognition of the Government share in the SLEX operation, pending finalization of the implementing rules and guidelines relative to the determination of net income remittable by PNCC to the NG.

Loans payable decreased by P289.583 million or 100% due to the prepayment of the PNB loan on July 05, 2010.

Stockholder's equity decreased by P1.994 billion or 55.31% from P3.605 billion as of December 31, 2009 to P1.611 billion as of December 31, 2010 due to the incurrence of losses and the derecognition/reversal of tollways and related revenues, in pursuant to the Supreme Court Decision in the Francisco case.

Material changes to the Company's Statement of Income for the year ended December 31, 2010 compared to the year ended December31, 2009 (increase/decrease of 5% or more)

Tollways and related revenues decreased by P510.381 million or 40.91% from P1.248 billion as of December 31, 2009 to P737.228 million as of December 31, 2010 due to the non-recognition of toll fee after the hand over of the SLEX operations to the new operator on May 02, 2010.

Construction income increased by P163.701 million or 486.76% from P33.631 million as of December 31, 2009 to P197.332 million as of December 31, 2010 due to the on-going advance works in the Daang Hari SLEX Linkroad Project.

Construction costs and expenses increased by P121.637 million or 683.09% from P17.806 million as of December 31, 2009 to P139.433 million as of December 31, 2010, which increase was in direct relationship to the increase in the construction income discussed above.

General and administrative overhead increased by P274.599 million or 1,325.19% from P20.722 million as of December 31, 2009 to P295.321 million as of December 31, 2010 due significantly to the provisions of (i) impairment loss on investments, (ii) allowance for doubtful accounts, and (iii) allowance for inventory write down.

Other charges-net decreased by P144.703 million or 75.93% from P190.553 million as of December 31, 2009 to P45.88 million as of December 31, 2010 due to the recognition/realization of other toll related income from SLTC, Joint Venture of the Company in 2010.

Interest and financing charges decreased by P20.542 million or 46.86% from P43.873 million as of December 31, 2009 to P23.295 million as of December 31, 2010 due to the prepayment of PNB loan on July 05, 2010.

<u>**Year End 2009** vs. Year End 2008 (as restated)</u>

Results of Operation:

Revenue. The revenue for the year 2009 stood at P897.725 million, 2.43% or P21.371 million higher from 2008's figure of P876.354 million. The increase was brought about by the income generated from the advance works on the DHSLRP.

Costs and Expenses. Year-end costs and expenses amounted to P360.156 million, 1.47% or P5.25 million increase when compared to last year's amount of P354.906 million. The variance was in direct relationship to the recognized construction revenue.

Gross Margin. For the year ended December 31, 2009, this account posted a positive amount of P537.569 million vs. last year's figure of P521.448 million. The increase of P16.121 million was due to the reason discussed above.

General and Administrative Overhead. The overhead account decreased by P145.232 million or 27.99% when compared to last year's figure of P518.773 million, which amount includes provision for doubtful account in the amount of P167.493 million.

Income (Loss) from Operation. The Corporation's income from operation for the year ended 2009 amounted to P164.028 million or P161.354 million higher compared to the last year's total of P2.674 million. Said increase in the Corporation's income from operation was the resulting effect of the reasons discussed above.

Other Income (Charges). This account posted a positive balance of P213.181 million, P325.498 million or 60.42% lower than last year's amount of P538.679 million. This was mainly due to the recognition of the equity share in SLTC's capital stock paid by MTDME for PNCC.

Net Income (Loss). The Corporation registered a net income of P333.372 million vis-à-vis the 2008's net income of P489.256 million. The decrease in net income was due to the reasons stated above.

Financial Condition:

Current Assets. As of December 31, 2009, the account increased by 23.96% or P432.878 million when compared to the last year's total of P1.807 billion.

Expressway, net. This account decreased by P93.936 million or 3.85%. This was due to the amortization of the account during the year.

Deferred Charges and Other Assets. The increase of P19.164 million or 27.96% was due to the 2% payment of MCIT for 2009.

Current Liabilities. As of December 31, 2009, this account increased by P277.807 million representing 6.34% of last year's balance of P4.381 billion. This was brought about by the accrual of penalty charges arising from unpaid obligations with the TRB.

Stockholders' Equity. The account balance as of December 31, 2009 totaled P8.86 billion, P330.734 million or 3.87% higher compared to the balance of P8.53 billion as of December 31, 2008. The increase was the resulting effect of the correction of prior years' errors.

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

Performance Indicators	As of 12/31/09	As of 12/31/08	Explanation
Current Ratio (Current Assets / Current Liabilities)	0.481	0.412	The Company's ability to meet its current obligations as they fall due increased from P0.412 to P1.00 as of December 31, 2008 to P0.481 to P1.00 as of the same period of 2009. This was brought about by the 23.96% increase in the current assets vis a vis the 6.34% increase in the current liabilities.
Quick Ratio (Quick Assets / Current Liabilities)	0.473	0.402	The increase in the quick ratio or acid test ratio was also due to the reasons stated above.
Total Debt to Total Assets	36.0%	35.8%	The Company's debt to assets ratio showed its inability to repay its maturing obligations, with a 36% ratio as of December 31, 2009 and a 35.8% ratio as of the same period last year. The ratio shows what percentage of the business is not owned by the stockholders.
Total Debt to Equity	56.3%	55.9%	The total debt to equity ratio of the Company showed its inability to pay maturing obligations. Said ratio shows the proportion of the creditors' capital to the company's total capital.
Asset Turnover (Sales or Revenue / Average Total Assets)	6.6%	6.6%	The very mininal asset turnover of the Company was attributable to the non-maximization of its resources/equipment due to the veering away with the construction business.

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

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

i.b The Company has also some contingent liabilities with respect to claims and lawsuits, including among others the (a) Asiavest Merchant Bankers (m) Berdad vs. PNCC and (b) Radstock Securities Limited vs. PNCC. Discussion on these contingent liabilities is contained under Note 24 of the 2009 Audited Financial Statements.

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

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

i.e Pending assessments on deficiency taxes. Discussion is contained under Note 27 of the 2012 of the 2009 Audited Financial Statements, including courses of actions already undertaken by the Company to address the issue.

Having encountered this liquidity concern, PNCC implemented a program of manpower rightsizing in 2001 and has been pursued gradually during the year. The program will be considered in the succeeding years until the Company attains manpower complement to match its present revenue level which is significantly generated by its Tollways operation.

In addition, the Company has designed a Corporate Strategic Plan which significantly involves a Financial Restructuring Program/Balance Sheet Clean-Up, which is further discussed in Note 23 of the 2009 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.

None, except for the default in payment of its TRB loan and the contingent liabilities discussed in Note 21 of the 2009 Audited Financial Statements.

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

None, except for the contingent liabilities discussed in Note 24 of the 2009 Audited Financial Statements.

(iv) Any material commitments for capital expenditures, the general purpose of such commitments, and the expected sources of funds for such expenditures should be described.

- none-

(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 will affect the revenue generating capacity of the Company.

v.c The expected rehabilitation of the South Luzon Tollway will also have an unfavourable impact on the Company's revenue.

(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 2009 compared to December 31, 2008 (increase/decrease of 5% or more)**

Cash and cash equivalents increased by P329.062 million or 42.86% from P767.789 million as of December 31, 2008 to P1.097 billion as of December 31, 2019 due to payment of equity share in ASDI and payment of PNB loan amortization.

Advances and other receivables increased by P81.755million or 10.46% from P781.59 million as of December 31, 2008 to P863.345 million as of December 31, 2009 due to accommodations made to its subsidiaries and recognition of revenue share from Joint Venture Companies.

Receivables from contracts increased by P32.219 million or 15.32% from P210.292 million as of December 31, 2008 to P242.511 million as of December 31, 2009 due to the accrual of estimated work accomplishments for the Daang Hari SLEX Linkroad Project.

Prepayments decreased by P10.646 million or 50.88% from P21.218 million as of December 31, 2008 to P10.422 million as of December 31, 2009 due to the application of creditable withholding taxes against pertinent tax liabilities.

Investments increased by P242.382 million or 15.04% from P1.612 billion as of December 31, 2008 to P1.854 billion as of December 31, 2009 mainly due to the payment of equity share in ASDI.

Deferred charges and other assets increased by P19.164 million or 27.97% fromP68.524 million as of December 31, 2008 to PP87.688 million as of December 31, 2009 due mainly to the computation of income tax due under the 2% MCIT.

Current portion of long-term debt increased by P0.283 million or 8.06% from P3.509 billion as of December 31, 2008 to P3.792 million as of December 31, 2009 due to the accrual of the 2% penalty charges on unpaid concession fees.

Loans payable, net of current portion decreased by P50 million or 14.72% from P339.583 million as of December 31, 2008 to P289.583 million as of December 31, 2009 due to the PNB loan amortization.

Material changes to the Company's Statement of Income for the year ended December 31, 2009 compared to the year ended December 31, 2008 (increase/decrease of 5% or more)

Construction income increased by P33.631 million or 100% due to the accrual of work accomplishments for the advance works in the Daang Hari SLEX Linkroad Project.

Construction costs and expenses increased by P17.806 or 100%, which increase was in direct relationship to the increase in the construction income discussed above.

General and administrative overhead decreased by P145.232 million or 27.99 % from P518.773 million as of December 31, 2008 to P373.541 million as of December 31, 2009, bulk of which amount is the provision for allowance for doubtful accounts.

Other income (charges) decreased by P325.498 million or 60.43% from P538.679 million as of December 31, 2008 to P213.181 million as of December 31, 2009 mainly due to the recognition of the equity share in SLTC's capital stock paid by MTDE for PNCC.

PHILIPPINE NATIONAL
CONSTRUCTION CORPORATION

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

We are responsible for all the information and representations contained in the financial statements of Philippine National Construction Corporation (PNCC) as of December 31, 2011 and for the year ended December 31, 2011. Our financial statements were prepared in conformity with the generally accepted accounting principles and reflect amounts that are based on our best estimates and informed judgment with an appropriate consideration to materiality.

In this regard, we maintain a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition, and liabilities are recognized. We likewise disclose to our Audit Committee and our independent auditors: (i) all significant deficiencies in the design or operation of internal controls that could adversely affect our ability to record, process, and report financial data; (ii) material weaknesses in our internal controls, and (iii) any fraud that involves management or other employees who exercise significant roles in internal controls.

Our Board of Directors shall review our financial statements before these statements are approved and submitted to our Stockholders.

The Commission on Audit (COA), the independent auditors mandated by the Philippine Constitution to audit government-owned or controlled corporations, shall examine our financial statements as of December 31, 2011 and for the year ended December 31, 2011 and shall express their opinion on the fairness of presentation upon completion of such examination in their report.

RAINIER B. BUTALID	**LUIS F. SISON**	**MIRIAM M. PASETES**
Chairman of the Board	President	Acting Treasurer

APR 20 2012

SUBSCRIBED AND SWORN to before me this ______ day of February, 2012 affiants exhibiting to me their Tax Identifications, as follows:

Names	Tax Identification No.
Rainier B. Butalid	143-547-282
Luis F. Sison	101-537-966
Miriam M. Pasetes	120-678-424

Doc. No. 485
Page No. 99
Book No. 221
Series of 2012

ATTY. DELFIN R. AGCAOILI, JR.
NOTARY PUBLIC
UNTIL DECEMBER 31 2012
PTR NO 0285334 / 2012-2013 MLA
IBP NO. 797299, 2012 MLA
ROLL NO. 24655 / TIN-144-519-066

Notary Public

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYER SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION I
Date 08 MAY 2013 SDS
RECEIVED
MA. GRACE AURORA L. CASTILLO

2nd DRAFT 2011 FS – Joint Finance and Audit Committee Meeting 02/27/2012

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

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Philippine National Construction Corporation (PNCC), which comprise the statement of financial position as at December 31, 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the Philippines, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the financial statements.

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

Basis for Adverse Opinion

In 1983, Letter of Instruction (LOI) No.1295 was issued directing the conversion into equity of all debts of PNCC to all Government Financial Institutions (GFIs) amounting to around P7.0 billion. The GFIs were not able to fully comply with the directives under LOI 1295 due to the Single Borrower's Limit imposed by the Central Bank of the Philippines. The unconverted debts which amounted to P5.6 billion were eventually transferred to the National Government (NG) thru the Asset Privatization Trust, now Project Management Office (PMO), pursuant to Proclamation No. 50 issued in 1986 and were serviced by the Bureau of the Treasury (BTr). PNCC derecognized from its books the unconverted debts and treated them instead as part of equity under the account "Equity Adjustment Rehabilitation Plans – Loans Transferred to NG" believing that the same should effectively be equity and, therefore, should no longer bear interest and charges. The NG, however, did not consider the PNCC unconverted debts as having been effectively converted to equity. Rather, it treated the unconverted debts as liabilities of PNCC to the NG subject to applicable interests and charges. Because of conflicting positions, the PNCC and the PMO/BTr submitted the issue to the Department of Justice on June 21, 2012 for arbitration.

As of December 31, 2011, PNCC's remaining unissued authorized capital stock of P433.9 million is insufficient to cover the unconverted debts of P5.6 billion, exclusive of the interests and charges thereon of P48.4 billion. As of even date, PNCC has neither filed an application for the approval of increase in capital stock with the Securities and Exchange Commission (SEC) nor has the PNCC Board of Directors and stockholders approved any proposal for such an increase. Under SEC Financial Reporting Bulletin (FRB) 006, these elements must be met as of reporting date in order for deposits for future subscriptions or, in this case, debts subject of the debt to equity conversion maybe treated as part of equity. SEC FRB 006 was issued in relation to the definition of an equity instrument under Philippine Accounting Standard 32 and the requirements for the increase in authorized capital stock under Section 36 of the Corporation Code of the Philippines. The recognition of the unconverted debts as part of equity and the non-recognition of the interests and charges thereon resulted in the understatement of total liabilities by P54.0 billion, understatement of accumulated deficit by P48.4 billion and overstatement of stockholders' equity by P54.0 billion.

Adverse Opinion

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion paragraph, the financial statements do not present fairly, in all material respects, the financial position of the PNCC as at December 31, 2011, and of its financial performance and its cash flows for the year then ended in accordance with accounting principles generally accepted in the Philippines.

Emphasis of Matter

We draw attention to Notes 30, 31, 32 and 33 to the financial statements which discuss the Bureau of Internal Revenue assessments on PNCC's deficiencies in various taxes, the plans and status concerning the privatization/divestment of the NG shares in PNCC, the corporate restructuring/financial rehabilitation of PNCC to enhance the value of the NG shares and the uncertainty related to the outcome of the various pending cases, lawsuits and litigations the PNCC is involved in.

We further draw attention to the Company's financial statements for calendar year 2011 showing, among others, negative operating cash flows of P185.5 million, net loss of P461.3 million, accumulated deficit of P7.1 billion, current assets of P1.0 billion vis- a-vis current liabilities of P8.4 billion, and total liabilities of P8.5 billion vis-à-vis total stockholders' equity of P1.2 billion. These conditions (which do not yet consider the matter subject of the adverse opinion), along with the fact that the PNCC's franchise to operate and maintain tollways expired on May 1, 2007, raise significant doubts on the Company's ability to continue as a going concern.

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on taxes, duties and license fees in Note 29 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the financial statements. Such information is the responsibility of management. Because of the significance of the matter described in the Basis for Adverse Opinion paragraph, it is inappropriate to and we do not express an opinion on the information referred to above.

COMMISSION ON AUDIT

By:

JOSE R. ROCHA, JR.
Director IV

January 10, 2013

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
STATEMENT OF FINANCIAL POSITION
December 31, 2011
(With Comparative Figures as of December 31, 2010)
(In Philippine Peso)

		2011	2010 (as restated)
ASSETS			
Current Assets			
Cash and cash equivalents	3	**212,641,986**	377,903,250
Advances and other receivables, net	2.4, 4	**573,035,951**	1,271,548,401
Receivables from contracts, net	2.4, 5	**218,005,728**	237,696,728
Inventories, net	2.5, 6	**9,319,868**	10,397,314
Prepayments	7	**21,760,554**	15,839,041
		1,034,764,077	1,913,384,734
Non-Current Assets			
Investments	2.6, 8	**259,882,541**	263,708,341
Investments in available for sale securities	2.7, 9	**2,074,000**	2,795,666
Investment property	2.8, 10	**7,848,246,000**	7,823,163,996
Property and equipment, net	2.9, 11	**565,964,584**	591,313,704
Deferred charges and other assets	12	**17,180,334**	16,188,377
Assets for write-off	13	**9,615,422,219**	9,615,422,219
Allowance for losses	13	**(9,615,422,219)**	(9,615,422,219)
		8,693,347,459	8,697,170,084
TOTAL ASSETS		**9,728,111,536**	10,610,554,818
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities			
Accounts payable	14	**157,235,480**	333,375,788
Accrued costs and other payables	15	**34,277,953**	322,827,811
Due to national government and its instrumentalities	16	**7,048,554,416**	7,131,907,434
Due to government-owned or controlled corporations	17	**1,203,000,000**	1,203,000,000
		8,443,067,849	8,991,111,033
Non-Current Liabilities			
Deferred rental income/others	18	**60,109,396**	44,092,376
		60,109,396	44,092,376
Stockholders' Equity		**1,224,934,291**	1,575,351,409
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		**9,728,111,536**	10,610,554,818

See accompanying Notes to Financial Statements.

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
STATEMENT OF COMPREHENSIVE INCOME
For the Year Ended December 31, 2011
(With Comparative Figures for the Year Ended December 31, 2010)
(In Philippine Peso)

	Notes	2011	2010 (as restated)
REVENUES			
Revenue share from joint venture companies	2.3, 22	**73,625,613**	78,798,386
Construction income	2.3, 23	**60,092,377**	197,331,943
Rental income	10.1, 24	**26,708,884**	19,662,673
		160,426,874	295,793,002
COSTS AND EXPENSES			
Construction costs and expenses	25	**46,832,537**	139,433,446
		46,832,537	139,433,446
GROSS MARGIN		**113,594,337**	156,359,556
GENERAL AND ADMINISTRATIVE OVERHEAD	26	**(350,272,857)**	(661,865,831)
LOSS FROM OPERATION		**(236,678,520)**	(505,506,275)
OTHER INCOME (CHARGES) - net	27	**(219,114,922)**	781,335,071
INTEREST AND FINANCING CHARGES		**(5,509,102)**	(23,294,582)
NET PROFIT (LOSS)		**(461,302,544)**	252,534,214

See accompanying Notes to Financial Statements.

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
STATEMENT OF CHANGES IN EQUITY
For the Year Ended December 31, 2011
(With Comparative Figures for the Year Ended December 31, 2010)
(In Philippine Peso)

	Notes	2011	2010 (as restated)
CAPITAL STOCK	19		
Issued/subscribed			
Balance at beginning and end of the year		**2,283,758,120**	2,283,758,120
Capital in excess of par value			
Balance at beginning of the year		**46,137,443**	46,329,123
Adjustment		**-**	(191,680)
Balance at end of the year		**46,137,443**	46,137,443
Subscriptions receivable	20		
Balance at beginning and end of the year		**(56,158,831)**	(56,158,831)
Treasury stock			
Balance at beginning of the year		**(16,699,918)**	(16,891,598)
Redemptions		**-**	191,680
Balance at end of the year		**(16,699,918)**	(16,699,918)
REVALUATION INCREMENT IN PROPERTY	2.10, 11		
Balance at beginning of the year		**544,290,729**	754,755,440
Appraisal increase		**-**	146,207,849
Revaluation decrease (land classified to investment property)		**-**	(354,370,448)
Revaluation decrease (realization of revaluation surplus)		**(18,825,113)**	(59,932,519)
Adjustment		**-**	57,630,407
Balance at end of the year		**525,465,616**	544,290,729
EQUITY ADJUSTMENTS			
Rehabilitation plan-loans transferred to the National Government	21	**5,551,726,307**	5,551,726,307
DEFICIT			
Balance at beginning of the year		**(6,777,702,441)**	(4,958,415,179)
Correction of prior years' earnings	36	**129,710,539**	(2,071,821,476)
Balance at beginning of the year, as adjusted		**(6,647,991,902)**	(7,030,236,655)
Net profit (loss)		**(461,302,544)**	252,534,214
Balance at end of the year		**(7,109,294,446)**	(6,777,702,441)
STOCKHOLDERS' EQUITY		**1,224,934,291**	1,575,351,409

See accompanying Notes to Financial Statements.

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2011
(With Comparative Figures for the Year Ended December 31, 2010)
(In Philippine Peso)

	Note	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers			
Rental		**75,547,408**	10,560,104
Others		**100,459,133**	641,058,582
Cash paid to suppliers, employees, and directors		**(361,457,073)**	(1,156,537,259)
Cash used in operations		**(185,450,532)**	(504,918,573)
Penalties paid		**-**	(700,000)
Income tax paid		**-**	(87,958,958)
Net cash used in operating activities		**(185,450,532)**	(593,577,531)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property and equipment		**(570,003)**	(19,605,714)
Revenue share		**8,013,943**	316,674,701
Proceeds from sale of fixed assets/scrap materials		**11,259,675**	3,815,394
Interests received		**6,709,113**	26,169,038
Dividends received		**289,465**	78,158,648
Net cash provided by investing activities		**25,702,193**	405,212,067
CASH FLOWS FROM FINANCING ACTIVITIES			
Payment of finance lease liabilities			
Loans		**-**	(300,000,000)
Interest		**-**	(24,904,110)
Other charges		**(5,512,925)**	(205,678,491)
Net cash used in financing activities		**(5,512,925)**	(530,582,601)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(165,261,264)**	(718,948,065)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**377,903,250**	1,096,851,315
CASH AND CASH EQUIVALENTS AT END OF YEAR	3	**212,641,986**	377,903,250

See accompanying Notes to Financial Statements.

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
NOTES TO FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

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

On March 31, 1977, Presidential Decree (PD) 1113 granted CDCP the franchise to operate, construct, and maintain toll facilities in the North and South Luzon Tollways for a period of 30 years from May 1, 1977. That franchise expired on April 30, 2007. PD 1113 was amended by PD 1894 in 1983 to include, among others, the Metro Manila Expressway to serve as an additional artery in the transportation of trade and commerce in Metro Manila Area and gave PNCC another period of 30 years "from the completion of the project."

In 1981, compelled by financial considerations and in order to strengthen the financial structure of the Company, Letter of Instruction (LOI) 1136 was issued mandating the National Development Company (NDC) to invest in the Company for fresh capital infusion by means of subscription to the Company's shares of stock of P250M.

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

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

From 1987 to 2001, PNCC still engaged in some construction business but this resulted in losses. Since 2002, the Company has veered away from active involvement in construction operations, and has rather focused more on the operation and maintenance of its tollways. However, further financial difficulties prevented PNCC from operating and maintaining its tollways in a manner required of a public utility. Therefore, starting in 1995, PNCC entered into Joint Venture Agreements (JVAs) that resulted in the division of the tollways into three (3) portions, the North Luzon Expressway (NLEX), the Skyway, and the South Luzon Expressway (SLEX). The NLEX JVA was entered into originally with First Philippine Infrastructure Development Corporation (FPIDC) together with Leighton Contractor Asia Ltd. and Egis Project Systems. The operation of the NLEX was officially turned over to the JV Corporation on February 10, 2005. FPIDC has since been acquired by the Pangilinan (MVP) Group and the JV is now known as the Manila North Tollways Corporation (MNTC). PNCC now owns only 2.5% of this Company from an original 20%. The reduction was caused by dilution due to the inability of PNCC to respond to capital calls. The operation and maintenance of the NLEX is conducted by the Tollways Management Corporation (TMC) where PNCC is a 20% shareholder.

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

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

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

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

On December 15, 2009, a Memorandum of Agreement for the Advance Works on the Daang Hari-SLEX Link Road Project (DHSLRP) was entered by and among the ASDI and PNCC. The Company was designated as the Main Turnkey Contractor responsible for undertaking the Advance Works and for the implementation of the design and the construction of the Road Project, which consists of a toll road facility connecting Daang Hari Road in Cavite to the SLEX near Susana Heights Interchange (the Road Project). The project was 25% complete when the DPWH, pursuant to its Public-Private Partnership (PPP) mandate, took over the project for the purpose of bidding it out. ASDI will be reimbursed of its cost plus a premium. On April 08, 2010, the TRB issued the Certificate of Substantial Completion for Project Toll Roads 1 and 2, and accordingly issued the Toll Operation Permit (TOP) over the said Project Toll Roads to MATES which has since taken over the operation and maintenance of subject toll roads.

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

The impact of the aforesaid Supreme Court decision on the Radstock and Francisco cases issued on October 19, 2010 has been appropriately reflected in these financial statements.

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

The PNCC financial statements as of and for the period ended December 31, 2011 was approved and authorized for issue by the Board of Directors on December 20, 2012, subject to the detailed review by COA.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

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

2.2 Statement of Compliance

The Company has adopted some relevant and applicable standards, but is still in the process of preparing its financial statements in full compliance with the Philippine Financial Reporting Standards (PFRS).

2.3 Revenue Recognition

Tollways income consists mainly of toll collections in connection with the franchise granted to the Company to construct, maintain, and operate toll facilities in the North and South Luzon Tollways (NLT and SLT). These revenues were no longer recorded in the books pursuant to the Supreme Court decision as discussed in Note 1.

Construction income is recognized on percentage of completion method or completed contract basis. Other revenue is recorded on accrual basis.

2.4 Allowance for Doubtful Accounts

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

2.5 Inventories

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

2.6 Investments

The Company accounted for its investments in wholly-owned/controlled subsidiaries and joint ventures at cost. Allowance for impairment losses, however, is provided for investment in subsidiaries and affiliates.

2.7 Investments in Available for Sale Securities

Available for sale equity securities (club shares) are recorded/ measured/presented at fair market value as provided for under PAS 39.

2.8 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.

2.9 Property and Equipment

Depreciation on property and equipment is provided on a straight-line method over the following estimated useful lives:

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

Major repairs and improvements are capitalized; maintenance and minor repairs are charged to operations in the year expenses are incurred. The cost of assets retired or sold, together with the accumulated depreciation, are removed from the accounts and any profit or loss on disposition is credited or charged to other income or expenses.

2.10 Revaluation Increment in Property

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

The surplus realized as of December 31, 2011 and 2010 amounting to P18.825 million and P59.933 billion, respectively, were reflected in the financial statements. Piecemeal realization of the revaluation increment is effected on a yearly basis.

2.11 Borrowing Costs

Borrowing costs are expensed as incurred.

2.12 Income Taxes

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

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

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

3. CASH AND CASH EQUIVALENTS

This account consists of:

	2011	2010
Cash on hand and in banks	**111,093,114**	291,507,438
Petty cash and revolving fund	**481,167**	516,673
Cash in bank-restricted	**100,327,360**	-
Short-term investments	**740,345**	85,879,139
	212,641,986	377,903,250

Cash in banks earn interest at the respective bank deposit rates. As of December 31, 2011, however, PNCC has P100.327 million restricted cash, which amount is used as collateral for the issuance of the appeal bond re: Ernesto N. Valentin, et.al, vs. PNCC, discussed in Note 32. The cash is held in custody by the Company's banks and is restricted as to withdrawal or use pending the decision by the National Labor Relations Commission (NLRC) on the said case filed by former PNCC employees against PNCC Management.

Short-term investments are made for varying periods of up to 30 days depending on the immediate cash requirements of the Company and earn interest at the prevailing short-term investment rates.

4. ADVANCES AND OTHER RECEIVABLES

The account consists of the following:

	2011	2010
Accounts receivable-subsidiaries and affiliates	**244,989,445**	187,499,197
Accounts receivable-trade	**57,015,526**	57,015,526
Advances to suppliers	**2,704,367**	2,360,839
Other accounts receivable	**750,090,843**	1,315,930,044
	1,054,800,181	1,562,805,606
Allowance for doubtful accounts	**(481,764,230)**	(291,257,205)
	573,035,951	1,271,548,401

Other accounts receivable in 2011 include, among others, is presented in the next page.

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

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

- receivable from Ley Construction, a tenant of the Company's parcel of land at the Financial Center Area (FCA), Pasay City, amounting to P60.874 million;

- remittances to NG for P150 million (P50 million in 2008 and P100 million in 2010) initially recorded as Advances to BTr pending clarification on the application of payment.

Receivables from MNTC in the amounts of P310.412 million, representing revenue share from January to November 2010, and P27.538 million, representing dividend declared to stockholders on record and payable on December 29, 2010, remained outstanding in the books as of December 31, 2010. Said amounts are not remitted by MNTC to PNCC in view of the conflicting claims of PNCC and TRB to the revenue share and dividends payable under the Amended and Restated Shareholders' Agreement (ARSA). MNTC has been forced to consign the monies with the Regional Trial Court (RTC) of Caloocan City to protect its interests and discharge its obligation under the ARSA. Pending the Supreme Court's (SC) final resolution of MNTC's Urgent Motion for Clarification of the October 19, 2010 decision in Francisco, et al. vs. TRB, et al., G.R. No. 166910, the RTC is asked to hold the monies in trust and to deliver it to the party ultimately adjudged by the SC to be entitled to it, unless the PNCC and the TRB, in the meantime, resolve the matter between themselves. In which case, the funds should be delivered and disposed of pursuant to their agreement and settlement.

On December 23, 2011, however, the consigned monies totaling P337.940 million was withdrawn from the RTC-Caloocan and directly remitted to the BTr, acknowledged by RP OR No.5443901, issued on even date.

5. RECEIVABLES FROM CONTRACTS

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

	2011	2010
Unbilled contract receivables	**234,456**	31,205,513
Billed contract receivables	**242,461,441**	231,181,383
Contract retention receivables	**5,134,777**	5,134,777
Claims receivable	**105,410,889**	105,410,890
	353,241,563	372,932,563
Allowance for doubtful accounts	**(135,235,835)**	(135,235,835)
	218,005,728	237,696,728

The material amounts in the Contract Receivables account are the following:

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

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

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

- unpaid accomplishments on the R-1 Expressway Project from the Public Estate Authority (PEA), now Philippine Reclamation Authority (PRA), in the amount of P35.318 million; and

- work accomplishments for the advance works on the DHSLRP in the amount of P97.592 million.

6. INVENTORIES

This account includes the following:

	2011	2010
Spare parts and supplies	**11,558,873**	13,097,952
Construction materials	**303,714**	1,684,613
Fuel, oil, and lubricants	**614,092**	564,061
Others	**5,813,371**	4,020,880
	18,290,050	19,367,506
Allowance for inventory writedown	**(8,970,192)**	(8,970,192)
	9,319,858	10,397,314

Inventories-Others consist mostly of common supplies and hardware materials, office supplies, and medical and dental supplies.

The non-moving/obsolete spare parts and supplies are declared for disposal since 2006. No buyers/bidders are, however, interested to the items. Hence, a 100% allowance for inventory writedown is provided.

7. PREPAYMENTS

This account consists of the following:

	2011	2010
Prepaid income tax	**14,554,226**	10,100,123
Prepaid value added tax	**6,235,431**	2,979,541
Prepaid insurance	**970,897**	1,472,052
Prepaid taxes and licenses	-	1,272,905
Prepaid bond premium	-	14,420
	21,760,554	15,839,041

8. INVESTMENTS

This account consists of:

	2011	2010
Investments in stocks		
Subsidiaries and affiliates:		
Alabang-Sto Tomas Development, Inc.	**255,000,000**	255,000,000
CDCP Employees Savings & Loan Asso.	**3,594,725**	7,094,725
	258,594,725	262,094,725
Dasmariñas Industrial & Steelworks Corp.	**96,413,530**	96,413,530
Tierra Factors Corporation	**51,635,109**	51,635,109
CDCP Farms Corporation	**15,120,200**	15,120,200
Manila Land Corporation	**10,000,000**	10,000,000
Managerial Resources Corporation	**1,525,922**	1,525,922
San Ramon Ranch	**1,100,000**	1,100,000
Traffic Control Products Corporation	**700,000**	700,000
San Roque Ranch	**550,000**	550,000
PNCC Skyway Corporation	**125,050**	125,050
Land Management Corporation	**11,000**	11,000
	177,180,811	177,180,811
Allowance for losses	**(177,180,811)**	(177,180,811)
	-	-
	258,594,725	262,094,725
Manila Electric Company	**476,970**	753,270
Philippine Long Distance Telephone Company	**350,799**	400,299
Laguna Lake Development Authority (net of subscriptions payable of P266,535)	**173,447**	173,447
	259,595,941	263,421,741
Investment-others	**286,600**	286,600
	259,882,541	263,708,341

Investments in Subsidiaries and Affiliates

A 100% impairment loss is provided on investments in inactive and non-operating subsidiaries and affiliates, as well as investments in the two (2) remaining active wholly-owned subsidiaries due to incurrence of losses resulting in accumulated deficit.

Investment in ASDI:

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

Turn-over of equity share in joint venture companies

In a regular board meeting held on November 14, 2011, PNCC resolved to comply with the mandate of the Supreme Court, as discussed in Note 1, to transfer and turnover the shares of stock in the tollway joint venture companies which PNCC is holding in trust for the National Government, through a Deed of Compliance to Transfer Shares of Stock to the National Government, under Supreme Court Decision in G.R. Nos. 166910,169917, 173630, and 183599. Accordingly, the investments in joint venture companies, as described below, were de-recognized from the books as assets and were charged to Stockholders' Equity:

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

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

- Twenty-five percent (25%) subscription on PNCC's 20% equity share in SLTC's initial capitalization of P100 million, equivalent to P5 million.

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

9. INVESTMENTS IN AVAILABLE FOR SALE SECURITIES

This account consists of investments in the following:

	2011	2010
Mimosa Golf and Country Club	**3,180,000**	3,180,000
Puerto Azul Beach and Country Club	**100,000**	100,000
Valley Golf Club	**22,000**	22,000
Metropolitan Club, Inc.	**12,500**	12,500
Architectural Centre, Inc.	**3,500**	3,500
Valle Verde Country Club	**-**	100,000
Canlubang Golf and Country Club	**-**	73,750
	3,318,000	3,491,750
Market adjustment-available for sale securities	**(1,244,000)**	(696,084)
	2,074,000	2,795,666

10. INVESTMENT PROPERTY

This account consists of the following:

	Land	Buildings and Improvements	Total
At December 31, 2011			
Cost			
Opening net book value	70,772,301	-	70,772,301
Additions	-	-	-
Net Book Value	**70,772,301**	**-**	**70,772,301**
Fair Value Adjustment			
Balance at beginning of year	7,346,522,195	405,869,500	7,752,391,695
Gain (Loss) on Changes in Fair Value	(25,315,496)	50,397,500	25,082,004
Balance at end of year	**7,321,206,699**	**456,267,000**	**7,777,473,699**
	7,391,979,000	**456,267,000**	**7,848,246,000**
At December 31, 2010			
Cost	70,772,301	-	70,772,301
Appraisal	7,346,522,195	405,869,500	7,752,391,695
	7,417,294,496	**405,869,500**	**7,823,163,996**

10.1 Financial Center Area (FCA) in Pasay City

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

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

As discussed in Note 17, Administrative Order (AO) No. 397 dated May 31, 1998 mandated that Lot 6 be titled in the name of PNCC.

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

The fair value of Lot 6 was determined by independent qualified appraisers at P6.63 billion in 2009 and P7.462 billion in 2010. In 2011, Land Bank of the Philippines (LBP) appraised the property at P7.434 billion.

The subject property has been rented out and generating rental revenue since 2005. Rental income earned amounted to P26.532 million and P19.623 million in 2011 and 2010, respectively (see Note 24).

10.2 In compliance with the provisions of PAS 40, the following real estate properties (held for currently undetermined future use or held for capital appreciation) are reclassified from Property and Equipment-Land account to Investment Property:

Location	Area (in sq.m.)	Cost	Appraisal Increase	Fair Value
Casinglot, Misamis Oriental	60,620	1,077,484	59,542,516	60,620,000
Dasmariñas, Cavite	75,000	625,800	210,274,200	210,900,000
Mabalacat, Pampanga	27,905	32,027	12,524,973	12,557,000
Rizal, Tagaytay	98,207	1,367,339	37,915,661	39,283,000
Antipolo, Rizal	14,770	1,185,531	32,543,469	33,729,000
Porac, Pampanga	116,591	145,737	6,849,263	6,995,000
Sta. Rita, Bulacan	20,000	1,579,950	35,620,050	37,200,000
Bocaue, Bulacan	9,926	162,678	12,443,322	12,606,000
Total	**423,019**	**6,176,546**	**407,713,454**	**413,890,000**

11. PROPERTY AND EQUIPMENT

This account includes the following:

	Land & Land Improvements	Buildings & Improvements	Construction Equipment	Transportation Equipment	Others	Total
At Dec. 31, 2010						
Cost	10,115,936	21,720,117	32,446,623	75,504,453	57,910,465	197,697,594
Accumulated Depreciation	(1,954,610)	(18,110,692)	(29,382,438)	(57,647,529)	(43,579,350)	(150,674,619)
Net Book Value	**8,161,326**	**3,609,425**	**3,064,185**	**17,856,924**	**14,331,115**	**47,022,975**
Appraisal Increase	559,689,469	46,215,129	7,865,127	1,594,889	2,794,818	618,159,432
Accumulated Depreciation	(16,452,563)	(45,165,408)	(7,864,971)	(1,594,889)	(2,790,872)	(73,868,703)
Net Book Value	**543,236,906**	**1,049,721**	**156**	**-**	**3,946**	**544,290,729**
	551,398,232	**4,659,146**	**3,064,341**	**17,856,924**	**14,335,061**	**591,313,704**

	Land & Land Improvements	Buildings & Improvements	Construction Equipment	Transportation Equipment	Others	Total
Year Ended Dec. 31, 2011						
Cost						
Opening Net Book Value	8,161,326	3,609,425	3,064,185	17,856,924	14,331,115	47,022,975
Additions	-	530,922	43,655	-	5,470,833	6,045,410
Disposals/Write off	-	-	(1,005,749)	(2,348,017)	(141,993)	(3,495,759)
Adjustments	-	-	-	-		-
Depreciation for the year	(58,009)	(1,970,372)	(467,550)	(4,624,756)	(1,952,971)	(9,073,658)
Closing Net Book Value	**8,103,317**	**2,169,975**	**1,634,541**	**10,884,151**	**17,706,984**	**40,498,968**
Appraisal Increase						
Opening Net Book Value	543,236,906	1,049,721	156	-	3,946	544,290,729
Appraisal adjustment	(16,523,000)	-	-	-	-	(16,523,000)
Disposals/transfer	-	-	-	-	-	-
Depreciation for the year	(2,127,160)	(174,953)	-	-	-	(2,302,113)
Closing Net Book Value	**524,586,746**	**874,768**	**156**	-	**3,946**	**525,465,616**
At Dec. 31, 2011						
Cost	10,115,936	22,251,039	28,319,948	71,426,108	62,305,017	194,418,048
Accumulated Depreciation	(2,012,619)	(20,081,064)	(26,685,407)	(60,541,957)	(44,598,033)	(153,919,080)
Net Book Value	**8,103,317**	**2,169,975**	**1,634,541**	**10,884,151**	**17,706,984**	**40,498,968**
Appraisal increase	543,166,469	46,215,129	7,865,127	1,561,045	2,794,818	601,602,588
Accumulated Depreciation	(18,579,723)	(45,340,361)	(7,864,971)	(1,561,045)	(2,790,872)	(76,136,972)
Net Book Value	**524,586,746**	**874,768**	**156**	-	**3,946**	**525,465,616**
	532,690,063	**3,044,743**	**1,634,697**	**10,884,151**	**17,710,930**	**565,964,584**

11.1 Appraisal

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

YEAR	APPRAISAL INCREASE (DECREASE) (in thousand pesos)	APPRAISAL CORPORATION
1997	P 69.71	General Appraisal Co., Inc.
2003	1,620.00	Various
2004	0.05	Various
2006	(235.56)	Various
2010	146.208	Various
2011	(16.523)	Land Bank of the Phils.

11.2 As discussed in Note 10.2, land account amounting to P413.89 million was reclassified to Investment Property account in compliance with the provisions of PAS 40.

11.3 Others

The Company also owns some 528,178 sq.m. of property located in different areas of the country which are not yet recorded in the books, as the same are still registered in the name of previous owners. PNCC is working on the transfer of title to its name.

12. DEFERRED CHARGES AND OTHER ASSETS

This account consists of:

	2011	2010
Deferred charges	**14,895,250**	12,486,270
Guarantee deposits	**614,568**	608,310
Other assets	**1,670,516**	3,093,797
	17,180,334	16,188,377

Deferred charges as of December 31, 2011 consist mainly of the 2% MCIT totaling P8.706 million and the garnished amount of P5.833 million in compliance with the Writ of Execution issued by the National Trial Court in Civil Case No. 56368 (Asiavest Merchant Bankers (M) Berhad vs. PNCC). The said garnished amount includes the collection of lease rental from the tenants (DAR-Region IV, Stage Craft International, and AOT Engineers) in the Mandaluyong property amounting to P3.383 million; auction sale of non-moving inventories (RPS) and various scrap materials totaling P1.25 million and P1.2 million, respectively.

Other assets include the Company's closed/dormant bank accounts and deposits to various utility companies.

13. ASSETS FOR WRITE-OFF

This account consists of assets, the existence of which is doubtful and collectibility/realizability is uncertain.

	(in thousand pesos) 2011	2010
Receivables and advances	**4,139,136**	4,139,136
Property, and equipment	**2,872,888**	2,872,888
Deferred charges	**1,755,663**	1,755,663
Inventories	**511,342**	511,342
Investment in stocks	**179,798**	179,798
Pre-operating expenses	**137,323**	137,323
Accounts receivable-long term	**12,000**	12,000
Investment in joint ventures	**4,563**	4,563
Miscellaneous deposits	**1,897**	1,897
Guarantee deposits	**812**	812
	9,615,422	9,615,422

These accounts have been provided a 100% provision for losses.

14. ACCOUNTS PAYABLE

This account consists of the following:

	2011	2010
Vouchers payable	**14,889,705**	38,308,945
Accounts payable-retention	**5,221,357**	3,457,256
Cesla savings and loan dues	**-**	326,716
Other accounts payable	**137,124,418**	291,282,871
	157,235,480	333,375,788

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

Other accounts payable consists mainly of the Company's liability to Citra Metro Manila Tollway Corporation (CMMTC) in the amount of P136.168 million representing cost of toll plaza refurbishment and transcore equipment. As provided for in the Memorandum of Agreement entered into by and among CMMTC, PNCC, and PNCC-Skyway Corporation in December 2007, claims due to CMMTC, until fully paid, shall be offset against PNCC's share in CMMTC gross toll revenues, as follows: 65% of the 2.5% share reckoned from the date of actual turnover of operations on December 31, 2007 and up to the day before the Final Operation Date for Stage 2 or 85% of 3.5% equivalent of the toll revenues commencing on the Final Operation Date for Stage 2 and up to the end of the Operation Period. To date, P254.007 million has been offset against the revenue share from CMMTC's gross toll revenues, covering the period January 2008 to December 2011.

15. ACCRUED COSTS AND OTHER PAYABLES

This account consists of:

	2011	2010
Accrued expenses	**3,337,728**	267,514,881
Accrued construction costs	**16,828,663**	41,201,368
Others	**14,111,562**	14,111,562
	34,277,953	322,827,811

Accrued expenses include accrual of separation/retrenchment pay of the Company's various employees, unpaid professional fees, and unpaid accounts to suppliers of goods and services that are normally settled within twelve (12) months from the end of the reporting date.

Accrued construction costs account pertains mostly to DHSLRP costs.

16. DUE TO NATIONAL GOVERNMENT AND ITS INSTRUMENTALITIES

This account consists of:

	2011	2010
Concession fee (Toll Regulatory Board)	**4,182,880,900**	3,928,293,500
Toll fees (SLEX operation under TOC)	**1,536,655,867**	1,536,655,867
Joint venture companies' revenue/dividend	**1,329,017,649**	1,666,958,067
	7,048,554,416	7,131,907,434

Concession fee

The concession fee of P4.183 billion (inclusive of penalty charges of P3.137 billion) pertains to the Company's payable to the Toll Regulatory Board pursuant to the Toll Operation Agreement dated October 1977.

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

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

Unremitted share in the toll revenue

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

Joint venture companies revenue and dividend

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

In line with the above and pending finalization of the implementing rules and guidelines relative to the determination of the net income remittable by PNCC to the Government, the Company initially recognized its obligation to the Government in the amounts of P1.329 billion as of December 31, 2011 (net of the direct remittance of the consigned monies of P337.94 million to BTr (as discussed in Note 4) and P1.666 billion as of December 31, 2010.

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

17. DUE TO GOVERNMENT-OWNED OR CONTROLLED CORPORATIONS

This account covers various advances from the National Development Company totaling P214 million between 1990 to1999 for foreign and peso accounts and interest and penalties thereon of P989 million as of December 2009, or a total of P1.203 billion. This issue, however, is currently under arbitration (Case No. 001-2000) before the OGCC Arbitral Tribunal.

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

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

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

All matters covered by AO 397 have been resolved and complied with except for the 246,931 sq. m. more or less already mentioned. Pursuant to the mandate to divestment/privatize shares of the Republic of the Philippines in PNCC, the APT, now the Privatization and Management Office (PMO), is tasked to pursue the plan. The APT, in 1999, engaged the services of the Development Bank of the Philippines/Philippine National Bank as Financial Advisors to conduct the due diligence examination of the Company's financial statements as of September 30, 1999.

18. DEFERRED RENTAL INCOME/OTHERS

This account consists of:

	2011	2010
Customers' deposit	**42,474,038**	8,484,038
Deferred credits	**13,845,729**	31,818,709
Trust liabilities	**2,768,583**	2,768,583
Advances from contract owners	**1,021,046**	1,021,046
	60,109,396	44,092,376

19. CAPITAL STOCK

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

Preferred "A" (8-16% cumulative, non-participating, non-voting) Authorized- 1,400,000 shares	Treasury Stocks	**14,000,000**
Preferred "B" (8-17% cumulative, non-participating, non-voting) Authorized- 42,114,879 shares **Issued and outstanding**	Republic of the Philippines	
15,000,000 Shares	Through the Asset Privatization Trust [now Privatization Management Office (PMO)] – previously under PNB	150,000,000
3,689,500 Shares	Marubeni	36,895,000
18,689,500		**186,895,000**
Preferred "C" (14% cumulative, non-participating, non-voting) Authorized- 6,485,121 shares **Issued and outstanding** **6,485,121** Shares	Republic of the Philippines Through the Asset Privatization Trust (now PMO) – previously under NDC	**64,851,210**
Preferred "D" (8% cumulative, participating, voting) Authorized-27,800,000 shares **Issued and outstanding** **25,500,000** Shares	Privatization Management Office (previously under PNB)	**255,000,000**

Special common		
(non-voting, no pre-emptive right, participating)		
Authorized-10,000,000 shares		
Issued and outstanding		
3,815 Shares	Carlito C. Paulino	38,150
457 Shares	Editha U. Cruz	4,570
376 Shares	Adolfo S. Suzara	3,760
129 Shares	Vicente Longkino	1,290
Treasury Stocks		
295,227 Shares	Formerly held by PNCC Employees Savings & Loan Association)	2,952,270
72,168 Shares	Formerly held by Alfredo V. Asuncion)	721,680
372,172		**3,721,720**
Subscribed- 1,484,260 Shares	FEBTC Trustee-PNCC Stock Trust Fund	**14,842,600**
Common		
Authorized-182,200,000 shares		
Issued and outstanding-		
79,271,024 Shares	Republic of the Philippines Through the Asset Privatization Trust (now PMO) - previously under:	
	Phil. Export Foreign Loan Guarantee	375,845,770
	Development Bank of the Phils.	269,874,470
	National Development Co.	146,990,000
47,490,383 Shares	Gov't Service Insurance System	474,903,830
15,360,831 Shares	Universal Holding Corporation	153,608,310
6,811,543 Shares	Various Brokers	68,115,430
4,562,384 Shares	Various Corporations	45,623,840
1,178,856 Shares	Cuenca Investment Corporation	11,788,560
964,800 Shares	Pioneer Insurance and Surety Corporation	9,648,000
657,836 Shares	Land Bank of the Philippines	6,578,360
335,391 Shares	PNCC Employees	3,353,910
7,037,935 Shares	Individual (Non-employees)	70,379,350
163,670,983		**1,636,709,830**
Subscribed-		
9,419,915 Shares	Universal Holding Corporation	94,199,150
909,276 Shares	Cuenca Investment Corporation	9,092,760
149,328 Shares	Various Corporations	1,493,280
33,391 Shares	PNCC Employees	333,910
27,693 Shares	Various Brokers	276,930
234,173 Shares	Individual (Non-employees)	2,341,730
10,773,776		**107,737,760**
228,375,812 Shares		**2,283,758,120**

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

Dividends in arrears on cumulative preferred shares are not recognized in the books due to the Board of Directors' non-declaration of dividends in view of the Company's deficit of P7.109 billion as of December 31, 2011 and P6.777 billion as of December 31, 2010. Such action of the PNCC Board is supported by Article XI, Section 11.01 of the Amended Corporate By-Laws which provides that "Dividends maybe declared annually or oftener as the Board of Directors may determine. The Board of Directors may declare dividends only from the surplus profits of the Corporation."

For purposes, however, of the required disclosure in the financial statements, the dividends in arrears (computed from 2007 to 2011) are shown below:

Name of Stockholders (a)	Class of Stock (b)	Shareholdings (c)	Undeclared Dividend (b x c x 5 yrs)
Republic of the Phil. Through the Privatization Management Office (previously under PNB)	Preferred "B" (8%-17%, cumulative, non- participating, non-voting)	150,000,000	60,000,000
Marubeni	Preferred "B" (8%-17%, cumulative, non- participating, non-voting)	36,895,000	14,758,000
Republic of the Phil. Through the Privatization Management Office (previously under NDC)	Preferred "C" (14%, cumulative, non- participating, non-voting)	64,851,210	45,395,847
Republic of the Phil. Through the Privatization Management Office (previously under PNB)	Preferred "D" (8%, cumulative, non- participating, non-voting)	255,000.000	102,000,000
Total		506,746,210	222,153,847

The above dividends in arrears are not recognized as liabilities because there is no obligating event yet as required under PAS 37.

20. SUBSCRIPTIONS RECEIVABLE

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

	2011	2010
Universal Holding Corporation	**48,302,274**	48,302,274
Cuenca Investment Corporation	**5,145,287**	5,145,287
Other Corporations	**966,630**	966,630
Individuals	**1,744,640**	1,744,640
	56,158,831	56,158,831

As of the end of 2011, there was no call made by the Board of Directors for the unpaid subscriptions.

21. EQUITY ADJUSTMENTS

Rehabilitation Plan-Loans Transferred to the National Government

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

	2011	2010
	(in thousand pesos)	
Philippine National Bank	**2,865,445**	2,865,445
National Development Corporation	**1,356,693**	1,356,693
Philguarantee	**1,204,311**	1,204,311
Central Bank of the Philippines	**75,654**	75,654
Bureau of Treasury	**39,991**	39,991
Development Bank of the Philippines	**9,633**	9,633
	5,551,727	5,551,727

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

It is management position, as supported by the Office of the Solicitor General Opinion dated August 23, 2007, that based on LOI 1295, which was a special law promulgated to rehabilitate the Company, the debts which were not converted to equity because of the aforesaid limitations in general law provisions, should effectively be equity and, therefore, should no longer incur interest charges.

The Privatization Management Office (PMO), however, still considered these unconverted debts as liabilities, claiming the amount of P51.712 billion as of December 31, 2011 inclusive of accumulated interest charges on the debt obligations. These amounts have not been recognized in the books of PNCC. The decision of PNCC Management is based on the following:

- The Supreme Court itself had recognized the validity of LOI 1295 and that it still legally exists today;
- The failure to convert the debts to equity was not the fault of PNCC; and
- The P5.6 billion is no longer a debt but simply represents unissued shares of stocks awaiting conversion into equity pursuant to LOI 1295 and, as such, continued imposition of interests and penalties is not warranted.

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

In like manner, the Bureau of Treasury (BTr) confirmed as of December 31, 2011 the amount of P2.313 billion (inclusive of P1.219 billion interest) representing advances made by the BTr to settle PNCC's foreign obligations with creditors. Said loans are included in the Equity Adjustments under Rehabilitation Plan which are among the accounts transferred by the Company to the Government, through the Asset Privatization Trust (APT), pursuant to PNCC's Rehabilitation Plan of 1987 and are no longer recorded as liabilities in the Company books. As such, the Company is precluded from servicing the accounts.

As discussed in Note 16, the application of the P50 million payment against outstanding NG advances was already effected in the aforesaid confirmed amount of P2.313 billion. On July 16, 2010, PNCC paid P200 million to the NG, through the DOF, representing payments of concession fee (P100 million) and BTr advances (P100 million), which amount was, likewise, confirmed and deducted from the said confirmed balance.

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

1. Take jurisdiction over the Petition and call the parties for mediation or compulsory arbitration;

2. Render judgment after proper proceedings, declaring that the interest and penalty charges that PMO imposes on the Company's actual outstanding debt to the National Government is baseless and violates LOI 1295;

3. Declare that the Company's actual outstanding debt to the National Government is only P5.6 billion, representing unconverted balance of the Company's obligation to the GFIs; and

4. Require the debt-to-equity conversion of the Company's P5.6 billion debt.

22. REVENUE AND DIVIDEND SHARE

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

	2011	2010
Revenue Share		
MNTC	**37,524,464**	31,041,242
CMMTC	**17,786,755**	9,703,394
SLTC	**6,514,415**	23,462,257
	61,825,634	64,206,893
Dividend Share		
MNTC	**3,774,000**	4,129,200
TMC	**8,025,979**	10,462,293
	11,799,979	14,591,493
	73,625,613	78,798,386

23. CONSTRUCTION INCOME

This account represents the income generated from the advance works on the DHSLRP as discussed in Note 1, as follows: P60.092 million and P197.332 million for the years ended December 31, 2011 and December 31, 2010, respectively.

24. RENTAL INCOME

This account represents the revenue derived out of the Company's real estate properties located at Pasay City and Porac, Pampanga in the amount of P26.709 million in 2011 and P19.663 million in 2010.

Rental income for the calendar year 2012 is expected at P42.742 million.

25. COSTS AND EXPENSES

This account consists of the following:

	2011	2010
Salaries, wages, and allowances	**2,014,638**	8,352,772
Bonuses and gratuities	**269,184**	981,948
Employees' terminal pay - vacation/sick leave	**121,895**	668,270
SSS/ECC contribution	**217,430**	590,698
Philhealth contribution	**37,313**	100,338
Pag-IBIG contribution	**27,700**	64,100
	2,688,160	10,758,126
Subcontractor	**28,712,582**	48,484,581
Repairs and maintenance-materials/labor	**9,528,929**	42,378,693
Service equipment rental	**5,701,092**	37,009,496
Petroleum,oil, and lubricant	**174,863**	157,723
Miscellaneous expense	**26,911**	644,827
	44,144,377	128,675,320
	46,832,537	139,433,446

The amount of P139.433 million for the year 2010 is net of the maintenance and operating costs incurred in the operation of the SLEX (under TOC) totaling P178.921 million. As discussed in Note 16, said amount was deducted from the toll revenues received from May 2007 to April 2010 to arrive at the net income remittable to NG.

26. GENERAL AND ADMINISTRATIVE OVERHEAD

This account consists of the following:

	2011	2010
Salaries, wages, and allowances	**47,580,605**	90,060,464
Bonuses and gratuities	**9,970,426**	29,351,212
Employees' terminal pay – retrenchment	**7,859,396**	30,849,492
Fringe benefit expense	**6,677,099**	25,991,420
Directors' fees and allowances	**5,076,868**	63,386,109
Employees' terminal pay - vacation/sick leave	**3,220,346**	7,685,110
Fringe benefit tax expense	**3,142,164**	12,231,256
Employees' welfare	**2,315,448**	7,447,854
SSS/ECC contribution	**1,111,415**	2,233,691
Sports and recreation	**494,335**	1,752,552
Philhealth contribution	**275,663**	645,637
Medical and dental expenses	**218,022**	917,279
Pag-IBIG contribution	**132,150**	210,026
Employee costs	**88,073,937**	272,762,102
Security services-agency fee/salaries of guards	**10,238,416**	12,272,191
Contracted manpower cost	**8,059,121**	-
Professional fees	**6,879,767**	22,004,931
Transportation and traveling	**6,689,670**	6,619,397
Light and water	**4,724,866**	10,468,422
Janitorial and messengerial services	**4,675,081**	7,260,372
Taxes and licenses	**3,599,344**	11,512,734
Legal and documentation	**3,513,729**	334,636
Insurance premium	**2,159,244**	6,531,482
Postage and other communications	**1,518,106**	2,464,681
Entertainment, amusement, and representation	**1,290,892**	2,132,833
Other outside services	**1,152,902**	2,564,321
Repairs and maintenance-materials/labor	**1,102,758**	1,631,910
Office supplies and stationery	**1,054,787**	1,633,497
Office rent	**969,843**	10,820,843
Conferences and conventions	**459,313**	377,312
Petroleum, oil, and lubricant	**274,319**	1,487,891
Manpower recruitment, training, and development	**196,930**	1,003,456
Contributions and donations	**76,526**	206,688
Advertising and promotions	**44,827**	53,148
Bank charges	**43,870**	27,701
Service equipment rental	**43,337**	640,802
Membership fees	**41,000**	79,100
Subscriptions	**27,143**	242,972
Tools and other instruments	**-**	800
Miscellaneous expense	**842,257**	7,965,605
Operating expenses	**59,678,048**	110,337,725

	2011	2010
Impairment loss on investment	-	164,978,034
Depreciation	**10,963,807**	10,961,336
Bad debts/doubtful accounts	**191,557,065**	55,856,576
Loss on inventory writedown	-	8,970,192
Under (over) recovery from TRB	-	37,999,866
Others	**202,520,872**	278,766,004
	350,272,857	661,865,831

27. OTHER INCOME (CHARGES)

This account comprises of the following:

	2011	2010
Gain on changes in fair value of investment property	**25,082,004**	846,225,852
Interest income	**6,740,504**	28,302,392
Gain on sale of property and equipment	**1,480,645**	1,326,227
Realized gain (loss) - available for sale securities	**131,250**	228,833
Dividend income	-	317,145
Miscellaneous income	**2,773,881**	159,544,262
Penalty charges on unpaid concession fee	**(254,587,400)**	(254,120,000)
Loss on sale of property and equipment	**(418,234)**	(489,640)
Loss on sale of inventory	**(317,572)**	-
	(219,114,922)	781,335,071

28. INCOME TAX

The Company's income tax due for the year 2011 is P2.364 million, computed under the Minimum Corporate Income Tax (MCIT).

Of the carry forward benefit of MCIT of P65.970 million recorded under "Deferred Charges-MCIT" account as of December 31, 2009, P58.553 million was claimed as tax credit against the computed regular corporate income tax due (before the reversal of tollways and related income) for taxable year 2010, while the amount of P7.417 million was closed to Retained Earnings due the three (3)-year prescription period, as follows:

Date Incurred	Amount	Application	Expired	Balance	Expiry Date
2011	2,363,702	-	-	2,363,702	2014
2010	6,342,490	-	-	6,342,490	2013
2009	19,496,303	19,496,303	-	-	2012
2008	26,263,551	26,263,551	-	-	2011
2007	12,793,238	12,793,238	-	-	2010
2006	7,416,799	-	7,416,799	-	2009
	74,676,083	58,553,092	7,416,799	8,706,192	

29. TAXES AND LICENSES

In compliance with the requirements set forth by Revenue Regulation (RR) No. 15-2010, hereunder are the information on taxes, duties, and licenses paid or accrued during the taxable year 2011:

29.1 The Company is a VAT-registered company with VAT output tax declaration of P15,819,477 for the year based on the amount reflected in the Sales account of P131,828,975.

29.2 The amount of VAT input taxes claimed is broken down as follows:

Beginning of the year	6,219,578
Current year's purchases	
Goods for resale/manufacture or further processing	1,227,546
Goods other than for resale or manufacture	1,015,333
Capital goods subject to amortization	-
Capital goods not subject to amortization	189,131
Services lodged under cost of goods sold	4,894,313
Services lodged under other accounts	6,487,380
Claims for tax credit/refund and other adjustments	4,089,162
Balance at the end of the year	24,122,443

29.3 Other taxes and licenses

Local	
Real Estate Tax	1,668,207
Mayor's Permit	924,791
Total	2,592,998
National	
BIR Annual Registration	500
VAT/Percentage Taxes	4,990,821
Fringe Benefit Tax	3,184,758
Others (CGT/DST)	68,395
Total	8,244,474

29.4 The amount of withholding taxes paid/accrued for the year amounted to P11,058,722, broken down as follows:

Tax on compensation and benefits	5,909,068
Creditable withholding tax/es	5,149,654
Final withholding tax/es	-
Total	11,058,722

30. OTHER 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 Company's financial statements.

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

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

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

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

- Deficiency business tax of P64.00 million due the Belgian Consortium, the Company's partner in its LRT Project.

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

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

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

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

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

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

- *Prescription of limitation upon assessment and collection pursuant to Section 203 of the NIRC of 1997, which provides that "Except as provided in Section 222, internal revenue taxes shall be assessed within three (3) years after the last day prescribed by law for the filing of the return, and no proceeding in court without assessment for the collection of such taxes shall begin after the expiration of such period: Provided, That in case where a return is filed beyond the period prescribed by law, the three (3) year period shall be counted from the day the return was filed. For purposes of this Section, a return filed before the last day prescribed by law for the filing thereof shall be considered as filed on such last day."*

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

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

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

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

31. PRIVATIZATION/DIVESTMENT OF RP SHARES IN PNCC

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

Today, the management of PNCC is tasked by the Board to look into and to resolve all legal and financial issues of the Company in order to make sure that PNCC becomes compliant with Securities and Exchange Commission rules, Philippine Stock Exchange rules, and

Governance Commission for GOCCs rules. The Board is aware of its fiduciary obligations to protect the interests of the minority shareholders and will do whatever is necessary to fulfill its mandate.

32. CONTINGENT LIABILITIES

NLRC Case Nos. RAB-111-01-17208-11, 02-17348-11, 02-17372-11, 01-17208-11; and 03-17480-11 (Ernesto N. Valentin, et.al. vs. PNCC)

The above cases are consolidated complaints filed and instituted by complainants against respondents PNCC and its President for the recovery of their separation pay package differentials, which included exit bonus, productivity incentive bonus, ECOLA or MELA, and ISO bonus, which were allegedly paid and included in the separation package of their counterpart employed in the South Luzon and which were denied to them when they were earlier retrenched in 2005.

The respondents, however, denied having discriminated the complainants and maintained their position that the:

- Complainants are not entitled to the P1,000.00 additional allowance under A.O. 144 and to the P2,000.00 productivity incentive bonus for every year of service as they are intended for government employees exclusively;
- Complainants are not entitled to the exit bonus of P100,000.00 because they were not on board at the time of the turnover of the SLEX operation on May 02, 2010;
- Complainants are not entitled to the integration of ECOLA of P50.00 under Wage Order (WO) No. 13 which took effect in 2007. Said WO cannot be applied retroactively to complainants who were retrenched in 2004 and 2005;
- Complainants are not entitled to the ISO bonus of P10,000.00 which took effect in May 2010. The same reasoning as that of the ECOLA holds true with the ISO bonus, it being given only in 2008.
- Complainants have already executed quitclaim and waiver and that is now the law between the herein parties; and
- Complainants are not entitled to damages.

The only issue to be resolved in the above instances is whether the repondents' act of paying employees of the South Luzon Tollways of the benefits above stated constituted discrimination against the complainants who were earlier retrenched and who admittedly were not paid thereof and therefore should also be paid to them.

The NLRC (Regional Arbitration Branch No. III, City of San Fernando, Pampanga) ruled, on October 17, 2011, that the respondents are declared guilty of impermissible discrimination against the complainants, as well as, to all the rest of its employees in the North Luzon Tollways not herein included. Thus, the respondents are directed to pay the amount of P100,000.00 each as exit bonus, P40,000.00 each as productivity incentive bonus, P32,000.00 each as ECOLA or MELA, and P20,000.00 each as ISO bonus or in the total amount of P192,000.00 for each of the employees whose names are listed in the Position Paper or in the grand total of P155.52 million (for 810 employees), plus complainants attorney's fee of P15.552 million equivalent to 10% of the total award.

Considering that no motion for reconsideration from said judgment shall be entertained, under Art. 223 of the Labor Code and pertinent provisions of the New Rules of Procedure of the NLRC, PNCC complied with the requirement relative to the filing of Appeal in November 2011.

33. PENDING LAWSUITS/LITIGATIONS

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

The labor cases consist of those filed against the Company comprised mostly of claims of illegal dismissal, backwages, and separation pay. Most of these cases have been ruled by the Labor Arbiter in favor of the complainants. 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 involving damages, collection of money, and attorney's fees, which are still in litigation before various Regional Trial Courts (RTC). On the other hand, those filed by the Company against other individuals or companies consist of suits involving sums of money, damages, and breaches of contract which involve undeterminable amount of money.

34. RELATED PARTY TRANSACTIONS

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

Agreements:

- Pursuant to the agreement between MTD Manila Expressways (MTDME) and PNCC on the construction, operation, and maintenance of the South Luzon Tollway, MTDME holds eighty percent (80%) and the Company holds twenty percent (20%) of the issued and outstanding capital stock of the Joint Venture Company (named South Luzon Tollway Corporation).

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

  On August 01, 2007, the Company paid the balance of fifty percent (50%) or P360 million, rendering the Company's full payment of its subscription as of reporting date.

- In consideration of the assignment by the PNCC of its usufructuary rights, interests, and privileges under its franchise, the Company is entitled to receive payment from the Manila North Tollways Corporation equivalent to six percent (6%) and two percent

(2%) of the total revenue from the North Luzon Tollway and Segment 7, respectively. Any unpaid balance carried forward will accrue interest at the rate of the latest Philippine 91-day Treasury Bill rate plus 1% per annum.

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

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

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

  - Contract for janitorial services dated July 13, 2011, wherein DISC shall supply twenty (20) janitors/janitress, more or less, as maybe necessary depending on the actual need. For and in consideration of the services rendered, DISC will be paid P14,777.99 per janitor/janitress or P2.217 million from May 16, 2011 to December 31, 2011. The amount billed by DISC for the period ended December 31, 2011 totaled P2.532 million. Outstanding payable as of reporting date amounted to P0.704 million.

  - Contract for driver and driver/mechanic dated September 30, 2011, wherein DISC shall provide PNCC with six (6) service drivers and one (1) driver/mechanic. The contract shall be in force for five (5) months from July 01, 2011 to November 30, 2011. In consideration for the services rendered, PNCC shall pay DISC the following amounts: P14,777.79/driver/month and P19,946.27/driver-mechanic/month. To date, the total billed amount of P0.809 million has remained unpaid due to non-compliance with the required documentary evidences to support payment.

Other Transactions

- Compensation/other benefits of key management personnel amounted to P13.417 million for the period ended December 31, 2011.

35. TOLLWAYS DEVELOPMENT CONTRACTS

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

South Metro Manila Skyway (SMMS) Project

To pursue the Metro Manila Skyway Project, PNCC and P.T. Citra Lamtoro Gung Persada (Citra Group) signed on August 30, 1995 the Business and Joint Venture Agreement. They eventually incorporated the Citra Metro Manila Tollways Corporation (CMMTC), the Joint Venture Corporation, owned to the extent of 80% by the Citra Group and 20% by PNCC. Citra Group is responsible for the design, construction, and funding of the Project. PNCC, through its wholly-owned subsidiary, the PNCC Skyway Corporation (PSC), is tasked to Operate and Maintain (O & M) the Project upon completion. The Project has a 30-year life which commenced in December 1998 as per the Supplemental Toll Operation Agreement (STOA) of November 27, 1995.

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

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

North Luzon Expressway (NLEX) Project

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

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

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

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

South Luzon Expressway (SLEX) Project

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

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

Relative thereto, PNCC and SLTC executed a Supplemental Toll Operation Agreement (STOA) between and among the RP, through the TRB and the Manila Toll Expressway Systems, Inc. (MATES), the latter being the Operations and Maintenance Company established by PNCC and HCII pursuant to their JVA. Said STOA was approved on February 03, 2006 giving a 30-year life to the project. PNCC holds 40% in MATES.

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

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

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

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

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

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

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

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

36. PRIOR YEARS' ADJUSTMENTS

Correction of prior years' earnings in the amount of P263.777 million as of December 31, 2011 comprises of the following:

- Recognition of debt to the Government (revenue share and dividend collected from joint venture companies)	585,114,285
- Provision for impairment loss – investment in subsidiaries and affiliates	164,978,034
- Reversal of amortization of appraisal increase due to adoption of PAS 40	57,630,408
- Provision of allowance for doubtful accounts	53,147,920
- Provision of allowance for inventory writedown	8,970,192
- Under take-up of 2010 revenue share in MNTC	5,962,953
- Others	5,680,914
- Reversal of revaluation increment due to adoption of PAS 40 (reclassification of property and equipment-land to investment property)	(354,370,449)
- Closing of nominal accounts	(308,586,916)
- Dividend income for 2010 (MNTC and TMC)	(31,610,293)
- Under accrual of terminal pay	(38,552,227)
- Revenue share adjustment for 2010 (CMMTC and MNTC)	(14,949,513)
- Under accrual of 2010 VL/SL and other benefits	(3,704,769)
	129,710,539

37. RESTATEMENT OF ACCOUNTS

The 2010 financial statements were restated to reflect the transactions/adjustments discussed in Notes 4, 8, 10, 11, 12, 14, 16, 22 and 36 and to conform with the presentation of the 2011 financial statements.

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
SCHEDULES A to K
As of December 31, 2011

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

The company's Short-Term Investment as of December 31,2011 amounting to P0.74 million represents 0.01% only of the total assets of P9.728 billion. This is way below the ceiling requirement of 10% or more of the total assets, hence, this schedule need not be filed.

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

Corresponding schedule is herewith attached/submitted. Included in the list are the company's employees, director, and consultants with outstanding aggregate indebtedness of more than P100,000.00 or one (1) percent of the total assets, whichever is less, as of December 31, 2011.

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

The Investment account which stood at P261.957 million as of December 31, 2011 constitutes 2.69% of the total assets in the related balance sheet. Considering that the account is below the 5% ceiling requirement, the schedule is omitted.

Schedule D - Indebtedness of Unconsolidated Subsidiaries and Affiliates

This schedule is omitted. Total receivables from subsidiaries and affiliates as of December 31, 2011 in the amount of P244.989 million is only 2.52% (below the 5% requirement) of the P9.728 billion assets.

Schedule E - Property, Plant, and Equipment

The company's property, plant, and equipment account amounting to P796.021 million is 0.01% of the P9.728 billion assets (or down by 24.99% vis-à-vis the 25% ceiling requirement), hence, the schedule need not be submitted.

Schedule F - Accumulated Depreciation

The related schedule of the account is likewise not submitted due to the reason stated in Shedule E above.

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
SCHEDULES A to K
As of December 31, 2011

Schedule G - Intangible Assets and Other Assets

The account balance of P17.18 million as of December 31, 2011 comprises 0.18% only (below the 5% requirement) of the P9.782 billion assets, hence, omitted.

Schedule H - Long-Term Debt

Applicable account schedule as of December 31, 2011 is herewith attached/submitted.

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

This schedule is omitted. There is no outstanding payable to subsidiaries and affiliates as of December 31, 2011.

Schedule J - Guarantees of Securities of Other Issuers

Not applicable.

Schedule K - Capital Stock

Applicable account schedule as of December 31, 2011 is herewith attached/submitted.

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
AGING SCHEDULE OF RECEIVABLES & ADVANCES
As of December 31, 2011
(In Thousand Pesos)

	Amount	Allowance for Doubtful Account	Net Amount	Current	1-30	31-60	61-90	91-120	Over 120
01 Unbilled Contract Receivable	234	234	-						-
02 Billed Contract Receivable	242,461	92,262	150,199						150,199
03 Contract Retention Receivable	5,135	2,380	2,755						2,755
04 Accounts Receivable - Trade	57,015	57,015	-						-
05 Accounts Receivable - Subs. and Aff. (net)	244,989	244,989	-						-
06 Accounts Receivable - Officers and Employees	55,850	174	55,676	379	150			7	55,140
07 Claims Receivable	105,411	40,359	65,052						65,052
08 Other Accounts Receivable	481,920	176,053	305,867	107,509	100,313	1,037	1,072	1,031	94,905
09 Advances to Supplier	2,704	2,190	514	514					-
10 Advance to Subcontractor	6,685	542	6,143						6,143
11 Advances to Contract Owners	636	636	-						-
12 Advances for SSS/EC Benefits	9	-	9			9			-
Sub-total	**1,203,049**	**616,834**	**586,215**	**108,402**	**100,463**	**1,046**	**1,072**	**1,038**	**374,194**
13 Advances to Bureau of Treasury			150,000						
14 Advances to Joint Venture			74,022						
15 Advances to CESLA			33						
16 Input Tax			31,155						
17 Output Tax			(27,220)						
18 Deferred Input Tax			250						
19 Deferred Output Tax			(23,413)						
Sub-total			**204,827**						
Total			**791,042**						

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
SCHEDULE B: AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES
RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN AFFILIATES).
As of December 31, 2011-(In Thousand Pesos)

Name and Designation of Debtor		Balance at Beginning of Period	Additions	DEDUCTIONS		Current	Not Current	Balance at End of Period
				Amounts Collected	Amounts Written-off			
Adriano, Gener	Assistant Manager	2,500		2,500				
Aguinaldo, Ferdinand	Employee	1,615		1,615				
Ajon, Rodrigo	Assistant Manager	1,790		1,790				
Alejandrino, Janice Day	Division Head-(Senior Assistant Vice Pres.)	2,900		2,900				
Alentajan, Bonifacio	Consultant	400					400	400
Ambal, Ferdinand	Employee	390		390				
Arendain, Opher	Employee	520		520				
Armonio, Manuel	Consultant	106					106	106
Asuncion, Ma. Theresa	President & CEO	1,200					1,200	1,200
Bamba, Robert	Employee	370		370				
Banaag, Mario	Employee	1,170		1,170				
Barrion, Nancy	Employee	640		640				
Bassig, Sabino	Employee	3,055		3,055				
Bea, Renato	Employee	1,100		1,100				
Belmes, Wilfredo	Employee	1,960		1,960				
Bernardo, Ferdinand	Employee	534		534				
Bodano, Reynaldo	Assistant Manager	1,030		1,030				
Buen, George	Assistant Manager	2,150		2,150				
Caballo, Marlon	Technical Assistant (Legal Corp.)	5,650		96			5,554	5,554
Cajayon, Nieves	Employee	2,700		2,700				
Caliao, Renerio	Assistant Manager	1,733		1,733				
Calimag, Crisanto	Employee	1,130		1,130				
Calimag, Ma. Fe	Employee	1,450		1,450				
Canosa, Rodolfo	Senior Manager	3,723	43			43	3,723	3,766
Casino, William	Employee	50		50				
Castillo, Evangiline	Employee	975		975				
Castillo, Samuel	Employee	465		465				
Castro, Felicidad	Assistant Manager	4,979		4,979				
Cordero, Gemma	Employee	689		689				
Cordova, Anatalia	Assistant Manager	4,350		4,350				
Cordova, Elmer	Senior Manager	2,545		2,545				
De Los Reyes, Isagani	Employee	440		440				
Del Rosario, Evelyn	Employee	1,250		1,250				
De La Cruz, Evelyn	Employee	600		600				
De La Cruz, Jaime	Assistant Manager	3,570		3,570				
De Leon, Alain	Employee	500		500				
Delivios, Rosalyn	Employee	753		753				

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
SCHEDULE B: AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES
RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN AFFILIATES).
As of December 31, 2011-(In Thousand Pesos)

Name and Designation of Debtor		Balance at Beginning of Period	Additions	DEDUCTIONS		Current	Not Current	Balance at End of Period
				Amounts Collected	Amounts Written-off			
De Los Reyes, Ramon	Assistant Manager	3,000		3,000				
De Los Santos, Manny	Employee	693		693				
Dones, Cristy	Employee	850		850				
Dulatas, Eusebio	Manager	100		100				
Equio, Rudy	Employee	1,730		1,730				
Era, Ruben	Employee	450		450				
Erece, Felix	Manager	5,150		5,150				
Esteban, Esmeralda	Employee	500		500				
Faminiano, Demosthenes	Manager	2,750		2,750				
Gabronino, Braulio	Senior Manager	1,025		1,025				
Garin, Edgardo	Employee	200		8			192	192
Gaston, Segundo	Group Head - (Senior Vice Pres.)	41,013					41,013	41,013
Gatuz, Rosario	Employee	175		175				
Gimotea, Renato	Employee	345		345				
Go, John	Employee	150		150				
Gonzales, Gloria	Employee	2,600		2,600				
Gonzales, Hermigildo	Assistant Manager	3,582		3,582				
Gonzales, Melvyn	Senior Manager	1,287		1,287				
Gutierez, Rodante	Employee	365		365				
Hernadez, Loida	Assistant Manager	1,450		1,450				
Hofilena, George	Assistant Manager	3,484		3,484				
Hontiveros, Femia	Employee	1,750		1,750				
Hugo, Alma	Employee	600		600				
Hugo, Regie	Employee	800		800				
Ilagan, Consolacion	Employee	3,500		3,500				
Jacobo, Josefina	Assistant Manager	4,520		4,520				
Jardin, Alex	Employee	600		600				
Jardin, Penny	Employee	3,089		229			2,860	2,860
Labao, Anchelie	Employee	165		165				
Lachica, Dieno	Employee	1,650		1,650				
Landicho, Adrian	Employee	450		450				
Lidres, Rodolfo	Employee	585		585				
Lopez De Leon, Elizabeth	Employee	1,750		1,750				
Loyola, Victoria	Employee	2,010		2,010				
Mabayag, Rogelio	Assistant Vice President	4,223		4,223				
Mabunay, Benjamin	Employee	620		620				
Madali, Cosme	Employee	515		515				

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
SCHEDULE B: AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES
RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN AFFILIATES).
As of December 31, 2011-(In Thousand Pesos)

Name and Designation of Debtor		Balance at Beginning of Period	Additions	DEDUCTIONS		Current	Not Current	Balance at End of Period
				Amounts Collected	Amounts Written-off			
Madrona, Virginia	Employee	500		500				
Malones, Joel	Employee	285		285				
Manlawe, Antonio	Employee	2,700		2,700				
Mejorada, Flerida	Assistant Manager	2,550		2,550				
Molina, Inocencio	Employee	1,350		1,350				
Mortel, Yolly	Division Head-(Senior Assistant Vice Pres.)	9,428		9,428				
Muyar, Eleonor	Employee	800		800				
Nemez, Yonito	Employee	620		620				
Nepomuceno, Dolly	Employee	387		387				
Nicdao, Ernesto	Employee	1,525		1,525				
Ocampo, Erryl	Employee	350		350				
Ocampo, Homer	Employee	2,340		2,340				
Ogan, Glenna Jean	Division Head-(Vice President)	3,828		3,828				
Oliman, Manuel	Assistant Manager	3,054		3,054				
Orallo, Amando	Employee	870		870				
Panaga, Carmenchu	Employee	265		265				
Pangilinan, Moses	Assistant Manager	1,650		1,650				
Parro, Danilo	Employee	1,035		1,035				
Pasetes, Miriam	Group Head - (Senior Vice Pres.)	11,428		11,428				
Paulino, Carlos	Senior Manager	5,299		5,299				
Perilla, Enerato	Employee	1,030		1,030				
Placente, Ma. Theresa	Employee	650		650				
Purugganan, Abraham	Executive Vice President	2,062		1,587			475	475
Reyes, Wilma	Employee	750		750				
Rillo, Rolando	Employee	495		495				
Rivera, Miguel	Assistant Manager	3,850		3,850				
Rivera, Michael	Employee	265		265				
Salazar, Henry	Senior Manager	1,200		1,200				
Sales, Abraham	Division Head (Senior Assistant Vice Pres.)	7,687		7,687				
Sembrano, Larry	Employee	203		203				
Silvestre, Arnne	Employee	567		567				
Simbulan, Elmer	Employee	1,695		1,695				
Sisante, Joselito	Manager	2,007		2,007				
Sison, Luis	President & CEO		151			151		151
Sison, Onofre	Employee	775		775				
Soriano, Fernando	Employee	1,235		1,235				
Sutare, Nomilito	Employee	735		735				

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
SCHEDULE B: AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES
RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN AFFILIATES).
As of December 31, 2011-(In Thousand Pesos)

Name and Designation of Debtor		Balance at Beginning of Period	Additions	DEDUCTIONS		Current	Not Current	Balance at End of Period
				Amounts Collected	Amounts Written-off			
Tabuno, Joven	Employee	2,800		2,800				
Taguiam, Leslie	Employee	690		690				
Talusan, Jean	Employee	890		890				
Tezon, Michael Victor	Manager	700		700				
Valdez, Ma. Luisa	Employee	2,015		2,015				
Vales, Susan	Division Head (Assistant Vice Pres.)	5,410		5,410				
Venenoso, Julia	Employee	545		545				
Vicente, Paul	Employee	645		645				
Villanueva, Samuel	Employee	905		905				
Villanueva, Robert	Employee	700		700				
Virata, Karen Angela	Employee	960		960				
Visaya, Elenita	Employee	450		450				
Ybanes, Mario	Employee	1,470		1,470				
		252,358	**194**	**196,835**	**-**	**194**	**55,523**	**55,717**

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
SCHEDULE H : LONG TERM DEBT
As of December 31, 2011 and December 31, 2010
(In Thousand Pesos)

Creditors	Amount Authorized by Indenture	As of December 31, 2011						As of December 31, 2010					
		Current Portion of Long-term Debt	Long-term Debt					Current Portion of Long-term Debt	Long-term Debt				
			Amount	Interest Rate	No. of Periodic Install.	Mat. Date			Amount	Interest Rate	No. of Periodic Install.	Mat. Date	
Domestic:													
Toll Regulatory Board	912M	4,182,881 *		2%/mo.on outs.bal.	30 years	04/30/2007		3,928,294 *		2%/mo.on outs.bal.	30 years	04/30/2007	
Debt to NG/GOCC		4,068,674						4,406,613					
Total		8,251,555	0					8,334,907	0				

*inclusive of pena;ty charges

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
SCHEDULE K: CAPITAL STOCK
As of December 31, 2011

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding as Shown Under Related Balance Sheet Caption	Number of Shares Reserved for Options, Warrants Conversion and Other Rights, Redemptions	Number of Shares Held by Affiliates	Directors, Officers, and Employees	Others
Preferred A (Treasury Stock)	1,400,000	1,400,000	1,400,000			
Preferred B	42,114,879	18,689,500				18,689,500
Preferred C	6,485,121	6,485,121				6,485,121
Preferred D	27,800,000	25,500,000				25,500,000
Special Common	10,000,000	1,567,273			2,952	1,564,321
(Treasury Stock)		289,159	289,159			-
Common	182,200,000	174,444,759			4,105	174,440,654
Total	270,000,000	228,375,812	1,689,159	-	7,057	226,679,596

SIGNATURES

Pursuant to the requirement of Section 17 of the Corporation Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Parañaque on __________________.

By:

MIRIAM M. PASETES
Principal Financial Officer

SUBSCRIBED AND SWORN to before me this JUL 02 2013 in MUNTINLUPA CITY affiants exhibiting to me her Government issued I.D. SSS no. 03-284-665-1.

ATTY. REYNAN G. RETAZO
NOTARY PUBLIC FOR MUNTINLUPA CITY
APPT. NO. NC 13-021 UNTIL DECEMBER 31, 20
ERALD II BLD., ALABANG, MUNT.
PTR. NO. 1214 /MUNT. CITY
IBP NO. -14-12/PPLM
MCLE COMPLIANCE NO. III 0007350
TEL NO. 994-0939/ retazolawoffices@yahoo.com

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