110282015001585

SECURITIES AND EXCHANGE COMMISSION

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Company Information

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Industry Classification	
Company Type	Stock Corporation

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S.E.C. Registration Number

P H I L I P P I N E N A T I O N A L

C O N S T R U C T I O N C O R P O R A T I O N

(Company's Full Name)

P N C C C O M P L E X K M 1 5 E A S T S E R V I C

E R O A D B I C U T A N P A R A N A Q U E C I T Y

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

FRANCES LYNETTE V. SAYSON

Contact Person

846-2906

Company Telephone Number

1 2 | 3 1

Month | Day

Fiscal Year

17-A

FORM TYPE

0 3 | 4th Tuesday

Month | Day

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number / Section

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel Concerned

File Number

LCU

Document ID

Cashier

STAMPS

PHILIPPINE NATIONAL
CONSTRUCTION CORPORATION

REPUBLIC OF THE PHILIPPINES)
City of Parañaque)

QUEZON CITY

SECRETARY'S CERTIFICATE

I, **FRANCES LYNETTE V. SAYSON**, the duly designated Corporate Secretary of Philippine National Construction Corporation ("the Corporation"), a corporation duly organized and existing under the laws of the Philippines, with business address at PNCC Compound, Km. 15 East Service Road, Bicutan, Parañaque City, after having been sworn to in accordance with law, do hereby certify that the information contained in the submitted hardcopy and softcopy of the 2014 Annual Report pursuant to Section 11 of the Revised Securities Act and Section 141 of Corporation Code of the Philippines are one and the same.

OCT 27 2015

IN WITNESS WHEREOF, I have hereunto set my hands this ___ day of October 2015 in Parañaque City.

FRANCES LYNETTE V. SAYSON
Corporate Secretary

SUBSCRIBED AND SWORN to before me this OCT 27 2015 day of October 2015, City of QUEZON CITY, affiant exhibiting to me her passport no. 5765888.

Doc. No. 94;
Page No. 19;
Book No. 634;
Series of 2015.

ATTY. BENJAMIN F. ALFONSO
NOTARY PUBLIC
UNTIL December 31, 2016
PTR NO. [illegible] - 1-20-15
IBP NO. [illegible] - 12-11-2014
ROLL NO. [illegible]
ADM. MATTER NO. NP 144 (2015 - 2016)
TIN NO. 177967619
MCLE EXEMPTED
QUEZON CITY

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, 2014

2. SEC Identification Number 30939

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

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

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

6. (SEC Use Only)
Industry Classification Code:

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

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

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

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

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

Note:

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

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

Yes [x] No [ ]

12. Check whether the registrant:

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

Yes [x] No [ ]

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

Yes [x] No [ ]

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

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

EXHIBITS AND SCHEDULES

Exhibits and Reports on SEC Form 17-C

(a) Exhibit – none

(b) Reports on SEC Form 17 – C

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 OCT 2 7 2015 in QUEZON CITY affiants exhibiting to me her Government issued I.D. SSS no. 03-284-665-1.

Doc. No.: 95
Book No. 19
Page No. 634
Series of 2015

ATTY. BENJAMIN F. ALFONSO
NOTARY PUBLIC
UNTIL December 31, 2016
PTR NO. ...987 - C - 1-20-15
IBP NO. ... - 12-11-2014
ROLL NO. 13296
ADM MATTER NO. NP 144 (2015 - 2016)
TIN NO. 177967619
MCLE EXEMPTED
QUEZON CITY

PHILIPPINE NATIONAL
CONSTRUCTION CORPORATION

2014 ANNUAL REPORT

Table of Contents

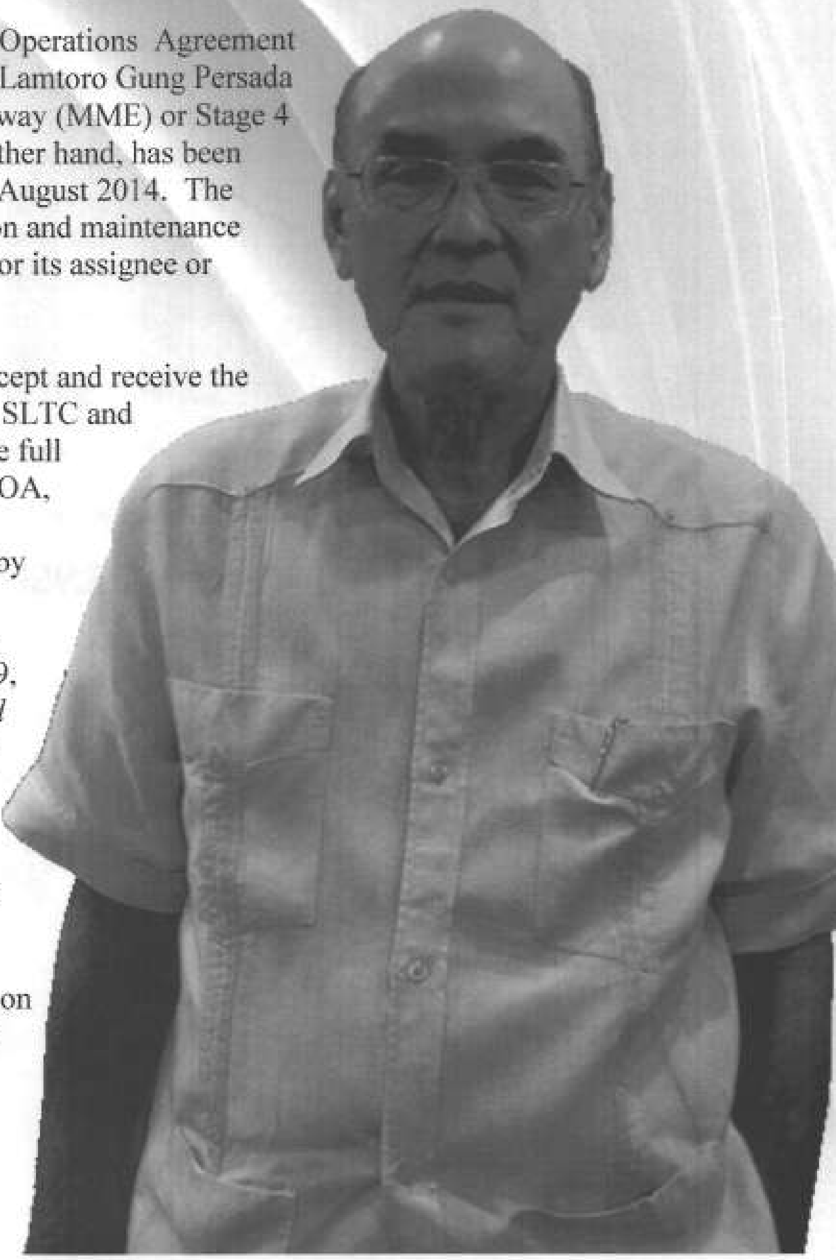
PHILIPPINE NATIONAL CONSTRUCTION CORPORATION

PRESIDENT'S REPORT

The year 2014 saw the inauguration of the S3 of the Skyway System, a vital link between the South Luzon Expressway (SLEX) and the North Luzon Expressway (NLEX) via an elevated connector road from Buendia, Makati City to Balintawak, Quezon City. On January 22, 2014, President Benigno Simeon C. Aquino himself pressed the button for the S3 project to commence construction.

Earlier, on January 10, 2014, PNCC entered into the Letter of Agreement and Acceptance of Terms between PNCC and Metro Pacific Tollways Development Corporation (MPTDC) and Manila North Tollways Corporation (MNTC), for the construction of the NLEX-SLEX Connector Road involving Segment 10.2 of the NLEX Project on a joint venture basis. The Department of Justice (DOJ) however ruled that the connector road project cannot proceed on a ajoint venture platform as this is deemed "without factual basis or jurisdiction." The DOJ has consequently ruled that the project should instead be subjected to a Swiss challenge because of the "unsolicited" nature of the venture coming from the MPTDC. The Project has then been put on hold.

The Supplemental Tollways Operations Agreement (STOA) between PNCC and Pt Citra Lamtoro Gung Persada (CITRA) over Metro Manila Expressway (MME) or Stage 4 (also called the C-6 Project), on the other hand, has been approved by President Aquino on 11 August 2014. The usufruct for the construction, operation and maintenance of the MME was assigned to CITRA or its assignee or designated party.



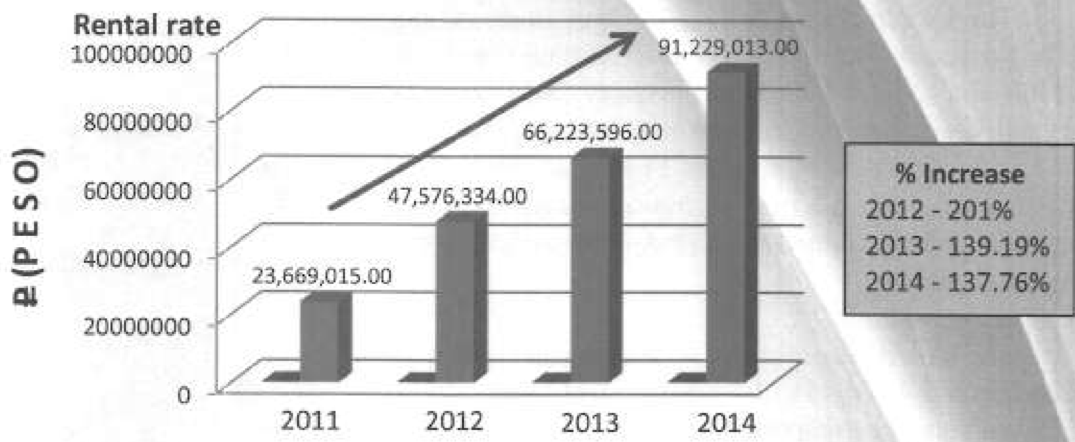
The Board also resolved to accept and receive the full amounts from MNTC, CMMTC, SLTC and MTESI to PNCC corresponding to the full remittances under their respective STOA, pursuant to the Writ of Preliminary Injunction dated May 9, 2014 issued by the Regional Trial Court, National Capital Judicial Region, Branch 132, Makati City, in Civil Case No. 13-919, *Cuenca vs. the Toll Regulatory Board (TRB), et al.* The intent of the Board was to remit said proceeds to the National Government after deducting PNCC's administrative expenses and paying interest expense to the TRB.

However, the Supreme Court on August 12, 2014 issued a Temporary Restraining Order, effectively restraining the Respondents from implementing the RTC Resolution dated 30 April 2014 in this civil case. The RTC Resolution (1) enjoined Petitioner TRB and the PNCC from implementing TRB's interim Rules ad Guidelines dated 22 March 2012 on the remittance to the TRB for the National Treasury of shares, participation and interests of PNCC on the operation of NLEX, SLEX & Skyway, and (2) directed the MNTC, SLTC, CMMTC and MATESI to forward the entire amount to be remitted by them under their respective STOAs to the PNCC.

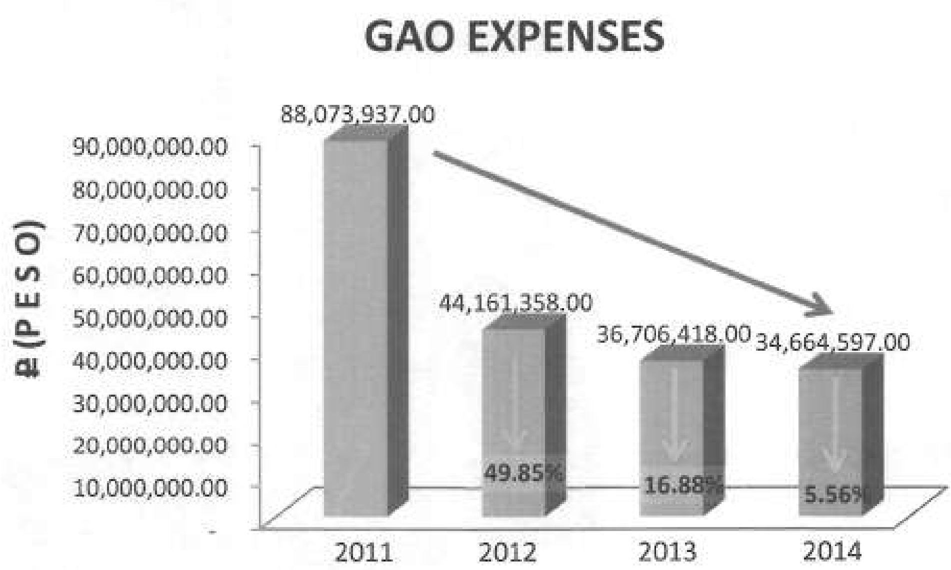
For the year 2014, PNCC reports a total collection of P212.750M broken down as

Account	Amount
Revenue Share and Dividends	₱ 113.269M
TSFs	0.207M
FCA Rental and Parking	91,229M
Porac Lease	0.336M
Asset/Scrap Disposal	3.280M
Interest – Bank Account / Investment	2.209M
Others	2.220M

FCA Property Rental Rates have increased from 2011 thru 2014, as follows



Administrative Overhead Expenses have also decreased accordingly:



The Philippine Stock Exchange (PSE) continues to suspend the trading on PNCC shares due to going-concern issues cited by the Commission on Audit (COA). We likewise were unable to hold a Shareholders' Meeting in 2014 for the same reasons.

Meanwhile, the Board significantly adopted the amendments prescribed by the Securities and Exchange Commission (SEC) in its Corporate Governance Manual. SEC want to emphasize the safeguarding of the interests not only of stockholders, but of all other stakeholders in any SEC registered corporation. Pursuant to this, the Board committed to adopt strategies and policies in order that the corporation survives and thrives despite financial crises and that its assets and reputation are adequately protected. The Board has likewise committed to determine important policies that bear on the character of the corporation to foster its long-term success, its long term viability and strength, and secure its sustained competitiveness.

Pursuing this accepted duty us all the more critical as PNCC approaches the end of its fifty (50) year corporate life by November 22, 2016. We therefore look forward to 2015, being the penultimate year prior to this date, where the work of the PNCC Board and its Management Team will show whether they have done enough to assure the continued viability of PNCC.

LUIS F. SISON
President & CEO

BUSINESS DEVELOPMENT

PNCC

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

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

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

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

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

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

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

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

The Company's debt of P5.552 billion which remained unconverted to equity is treated as part of equity in the Company's books, instead of a liability with the interest and penalties unilaterally charged thereon by the PMO/BTr amounting to P52.066 billion and P52.482 billion as of December 31, 2014 and 2013, respectively, are not considered or taken up in the Company's books. The Company maintains the position that the account/amount shall be booked as equity and not as a liability (inclusive of interests and penalty charges). The assertion that the P5.552 billion should be part of equity is supported by a Supreme Court ruling that recognizes the validity of LOI 1295 confirming that the P5.552 billion is no longer a debt but equity. The Office of the Government Corporate Counsel, and a private firm engaged by PMO have concurred with this ruling. Pursuant to the mutual agreement between the Company and the PMO, the option/authority to convert the mentioned debt into equity was submitted to the Department of Justice (DOJ) on June 21, 2012 for arbitration. In view of the decision dated February 18, 2014 on the arbitration case dismissing the Company's petition against the PMO, the former filed a Motion for Reconsideration (MR) at the DOJ. The MR is still pending with the DOJ. The Company is awaiting the DOJ action on the Motion for Reconsideration dated March 13, 2014, which was filed and received by the DOJ on March 14, 2014.

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

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

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

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

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

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

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

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

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

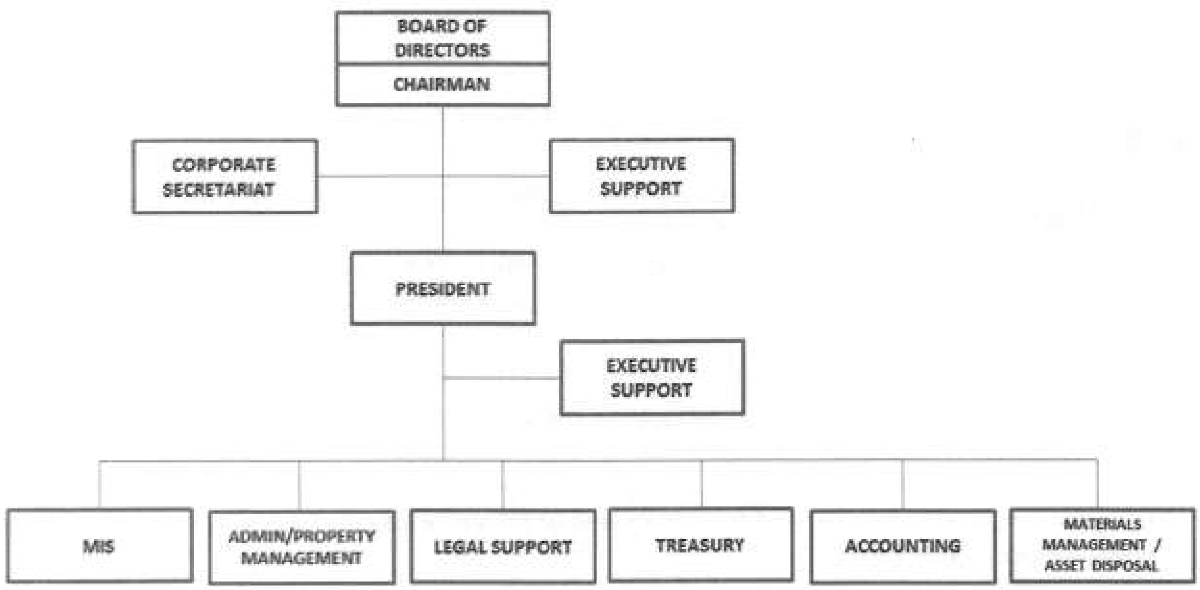
About the same period in Ernesto B. Francisco vs. TRB, PNCC et. al. (G.R. Nos. 166910, 169917, 173630, and 183599, October 19, 2010) and in the case of Strategic Alliance Development Corporation vs. Radstock Securities Limited, et. al (G.R. No. 178158, December 4, 2009), the Supreme Court ruled and declared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

PNCC through the Office of Government Corporate Counsel (OGCC) filed a Motion for Clarification with the Supreme Court (SC) asking for definition of "Net Income". The SC resolved to grant the Motion of PNCC. In addition, it ordered the Toll Regulatory Board (TRB) with the assistance of Commission on Audit (COA) to formulate the Guidelines to determine what can be retained by PNCC to determine the Net Income to be remitted to NG. Due to inevitable delays and in fairness to PNCC, the TRB on 22 March 2012, issued "Interim Guidelines" that determined amounts to be remitted to the NG and PNCC "by the JV Companies in relation to the operation of the NLEX and SLEX projects respectively." Detailed discussion on revenue and dividend share from joint venture companies were described in Notes 19 of Financial Statement, page 79 of this report.

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

Organizational Set-up for 2014

2014 TABLE OF ORGANIZATION



Total Number of PNCC Employees Per Sector as of December 31, 2014

Sector	Regular	Service Contract	Total
Rank & File	3	8	3
Supervisor	10		10
Manager	11		11
Executive	7		7
TOTAL	31	8	39

Business Development & Description of Subsidiaries

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

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

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

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

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

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

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

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

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

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

In the first quarter of 2006, the Securities and Exchange 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 closed its operations in Iligan City due to the recurring overhead expenses without compensatory revenues. To mitigate the growing deficit, the Corporation's workforce was reduced.

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

DCBGSI offers the following services :

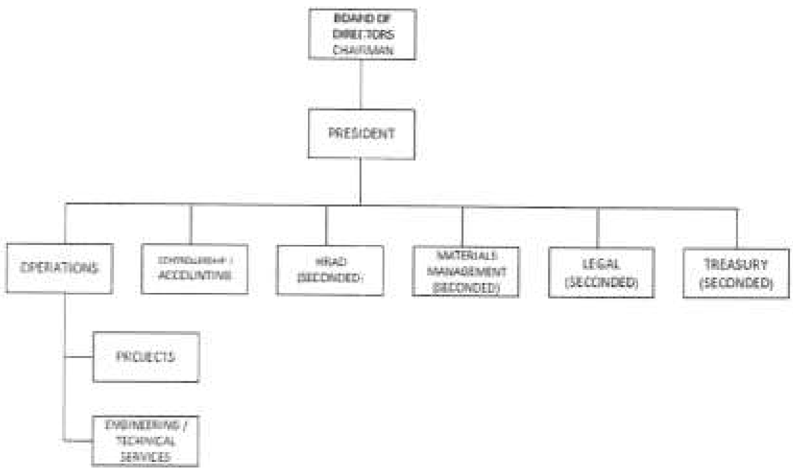
- **General Engineering** which includes Civil and Architectural, Road and Bridges, Site Development, Infrastructure Works, Water Supply and Drainage, Pile Driving;
- **Structural Steel Fabrication and Erection Works** comprises Structural Steel Frames & Structural Components, Ducts, Penstocks & Piping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

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

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

Organizational Setup of DCBGSI for 2014 is as follows:

2014 TABLE OF ORGANIZATION



Manpower Complement

	2014
Executive	2
Managerial	2
Supervisor	14
Rank & File	172
TOTAL	190

Financial Highlights

DCBGSI's gross revenue experienced a marked decrease of 13% in 2012, 19% in 2013 and increase of 1.63% in 2014. The decrease in gross revenue was largely attributed to the completion in 2012 of some awarded projects in Philphos and the adverse effect of typhoon Yolanda also in Philphos operations.

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

During these years, cost to revenue ratios were posted at 73% in 2012, 76% in 2013 and 77% in 2014, as a result of improvements in labor productivity and instituting standards for monitoring raw material prices relative to total budgeted amounts. Also, the hiring of local labor for the Philpos Project, was promoted to reduce the overall cost of employee benefits, compared to hiring from Iligan or Luzon which would have cost DCBGSI more in employee costs.

Bottom line figures in the last three (3) years were posted at ₱ 10.2 million net income in 2012, ₱ 3.13 million net loss in 2013 and ₱ .406 million net income in 2014. Net profit ratio were posted at 11% in 2012, (4.1%) in 2013 and 0.5% in 2014.

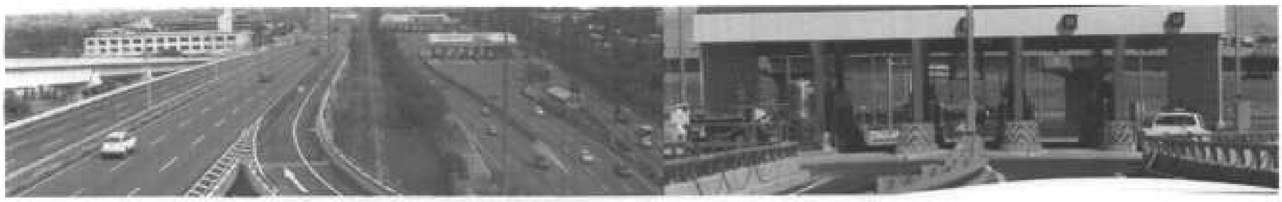
DCBGSI has maintained its liquidity to acceptable and viable levels, maintaining a current ratio exceeding 3:1 yearly average from 2012 to 2014. DCBGSI has been able to sustain its operations largely from internal cash and more favorable supplier credit terms.

Business Development of Affiliates

In compliance with the Supreme Court decision, the company has transferred and turned over the shares of stock in tollway joint venture companies through a Deed of Compliance to Transfer Shares of Stock to the National Government under Supreme Court Decision in G.R. Nos. 166910, 169917, 173630, and 183599.

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

Citra Metro Manila Tollways Corporation and Skyway Operation and Maintenance



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

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

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

Description of Properties

The list of Real Property as of December 31, 2014 are presented below:

ITEM NO.	LOCATION	AREA (sq .m.)	REGISTERED OWNER
A.	**BOOKED PROPERTIES:**		
1.	TAGOLOAN PROPERTY Bo. Casinglot, Tagoloan, Misamis Oriental	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	107 54 27,762 5,123 **33,046**	CDCP CDCP CDCP
3.	ALBAY PROPERTY (Legaspi Lot) Bo. Estrella, Jovellar, Albay	**1,038,821**	PNCC
4.	MABALACAT LOT Bo. Maisac, Mabalacat, Pampanga	10,000 15,000 2,905 **27,905**	CDCP CDCP CDCP
5.	TAGAYTAY PROPERTY Bo. Tolentino, Tagaytay City	49,107 49,100 **98,207**	CDCP CDCP
6.	ANTIPOLO PROPERTY • Victoria Valley Subdivision • Town & Country Estate Subd.	 840 850 958 741 680 701 10,000 **14,770**	 CDCP CDCP CDCP CDCP CDCP CDCP CDCP
7.	MORONG LOT Morong, Rizal	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	**129,548**	R. P.
9.	DASMARINAS LOT Bo. Langkaan, Dasmarinas, Cavite	**75,000**	
10.	PORAC LOT Porac, Pampanga	**116,591**	PNCC

ITEM NO.	LOCATION	AREA (sq .m.)	REGISTERED OWNER
11.	STA. RITA PROPERTY (NLT Office) Sta. Rita, Guiguinto, Bulacan	11,395 8,605 **20,000**	PNCC Remedios Bengzon
12.	BOCAUE REST AREA NLEX, Bocaue, Bulacan	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	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	34.65 34.65 **69.30**	Land Bank Land Bank
B.2	**CDCP FARMS CORP. PROPERTIES**		
1.	TABANG PROPERTY Tabang, Guiguinto, Bulacan	4,945 678 **5,623**	CDCP Farms Corporation CDCP Farms Corporation
2.	BUKIDNON PROPERTY Bukidnon, Mindanao	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

Legal Proceedings

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

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

DEVELOPMENTS:

On January 10, 2007, Radstock and PNCC filed a Joint Motion for Judgment based on a Compromise Agreement before the Court of Appeals, 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 March 7, 2011, the Court of Appeals issued a resolution dismissing the main case in view of the decision by the Supreme Court resolving all the issues on appeal. The dismissal of the case is now final.

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

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

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

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

RECENT DEVELOPMENTS:

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

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

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

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

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

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

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

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

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

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

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

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

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

After the plaintiff filed its formal offer of documentary evidence, PNCC filed its comments and opposition thereto, thereafter the parties filed their respective memoranda. The Urgent Motion to Quash Writ of Execution is considered submitted for resolution.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

On June 13, 2013, the Supreme Court issued a Decision dismissing the petition filed by STRADEC.

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. The decision of the Supreme Court is now final.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

On January 12, 2010, Decision of Kuantan High Court directing the Government of Pahang, Malaysia to pay MYR10,512,275.00 to Syarikat Binaraya. Appealed by the Gov't of Pahang, Malaysia to the Court of Appeals in Putrajaya, Malaysia. Continuation of the Court of Appeals hearing is set on 15 April 2013.

The Court of Appeals in Purajaya, Malaysia has already rendered a Decision dismissing the appeal and affirming the Decision of the Kuantan High Court.

SECURITIES OF THE REGISTRANT

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

Market Information

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

Trading of shares was suspended on May 16, 2008, for this reason, no transaction was recorded for the last three (3) years. Last transaction date was on April 9, 2008, last cosing price at ₱4.90 per share.

The Board of Directors did not declare dividends in the last three (3) years. This was due to the Company's deficit of ₱8.297 billion and ₱8.069 billion as of December 31, 2014 and 2013, respectively. Such action of the Board is supported by Article XI, Section 11.01 of the Amended By-Laws of the Company which provides that *"Dividends maybe declared annually or oftener as the Board of Directors may determine. The Board may declare dividends only from the surplus profits of the Corporation."*

A detailed discussion on this matter can be found on Notes 19 of Financial Statements, page __ of this report.

Shareholders

TOP TWENTY (20) COMMON SHAREHOLDERS OF PNCC *as of December 31, 2014*

Shareholder	No. of Shares	Percentage of Ownership
Republic of the Philippines/Privatization Management Office	79,271,024	45.4419
Government Service Insurance System	47,490,383	27.2237
Universal Holdings Corporation	24,780,746	14.2055
PCD Nominee Corporation - Filipino	10,890,040	6.2427
Cuenca Investment Corporation	2,088,132	1.1970
PCD Nominee Corporation – Non-Filipino	1,698,569	0.9737
Cuenca, Rodolfo M.	698,116	0.4002
Land Bank of the Philippines	657,836	0.3771
Unigrowth Development Corporation	630,625	0.3615
Gow, Jimmy N.	274,000	0.1571
Cruz, F.F. & Co., Inc.	252,630	0.1448
Blue Chip Asset, Inc.	244,700	0.1403
Adachi, Sueo - Foreign	184,025	0.1055
Chung, Felix	173,900	0.0997
Alpapara, Johnson	170,000	0.0975
Go, Manuel	150,000	0.0860
Benpres Corporation	140,000	0.0803
Cruz, Felipe F.	135,993	0.0780
Motelibano A. Hijos, Inc.	120,750	0.0692
Carnet Machineries & Invest. Corp.	119,842	0.0687

Total No. of Shareholders : 4,812

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

Security Ownership of Certain Record and Beneficial Owners and Management

Owners of record of more than ten percent 10% of the company's voting securities *as of December 31, 2014*

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**	22,900,722	11.47%
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) 76.14% 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 24.86% of PNCC's voting equity is strictly under private ownership and 5.44% of which is being held by PCD Nominee Corporation (Filipino).

Security Ownership of Management

BENEFICIAL STOCK OWNERSHIP OF EACH DIRECTORS AND OFFICERS
as of December 31, 2014

Title of Class	Name of Beneficial Owner	Amount and Nature of Beneficial Ownership
DIRECTORS		
Common	Elpidio C. Jamora, Jr.	1
Common	Luis F. Sison	1
Common	Tomas C. Alvarez	101
Common	Rosendo T. Capco	10
Common	Antonio T. Pido	50
Common	Nora O. Vinluan	2
Common	Rosanna E. Velasco	50
Common	Cristino L. Panlilio	1456
Common	Robert G. Vergara	50
Common	Elisea G. Gozun	50
Common	Tomas C. Falgui II	100
OFFICERS		
Common	Luis F. Sison	2000
Common	Yolanda C. Mortel	13

Certain Relationship and Related Transactions

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

CORPORATE GOVERNANCE

Refer to attached Annual Corporate Governance Report for 2014 *(Annex "A")*.

FINANCIAL INFORMATION

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

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

Results of Operations

Revenue. Revenue for the year ended December 31, 2014 stood at ₱198.349 million, higher by 35.11% or ₱51.539 million compared to ₱146.810 million for the year ended December 31, 2013. The increase was mainly attributable to the recognized revenue and dividend share from the Joint Venture Companies and rental income from the leased Financial Center Area (FCA) property.

General and Administrative Overhead. Overhead account increased by 135.36% or ₱100.75 million from ₱74.436 million for the year ended December 31, 2013 to ₱175.186 million for the year ended December 31, 2014 due mainly to the provision of allowance for doubtful accounts.

Income from Operation. Income from operation for the year ended December 31, 2014 stood at ₱23.163 million, lower by 68% or ₱49.211 milion compared to the December 31, 2013 figure of ₱72.374 million. Said unfavorable variance was the resulting effect of the reasons discussed above.

Other Income (Charges). This account posted a balance of ₱9.136 million for the year ended December 31, 2014 compared to the amount of ₱2.604 billion for the year ended December 31, 2013. This was mainly due to the recognition of gain in change in fair value of investment property account in 2013.

Net Income (Loss). Net loss for the year ended December 31, 2014 amounted to ₱225.703 million compared to the net comprehensive income of ₱1.653 bilion for the year ended December 31, 2013. The unfavorable variance was likewise due to the recognition of the gain in change in fair value of investment property as discussed above.

Financial Position

Current Assets. Current assets increased by 3.34% or ₱28.132 million from ₱842.317 million as of December 31, 2013 to ₱870.449 million as of December 31, 2014 mainly due to the cash flows provided by the Company's operating and investing activities.

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

Stockholder's Equity (Capital Deficiency). Capital deficiency as of December 31, 2014 totalled ₱110.549 million vis-à-vis the stockholders' equity as of December 31, 2013 in the amount of ₱114.864 million. The significant decrease in the account is mainly attributable to the recognized gain in change in fair value of investment property in 2013.

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

Performance Indicators	As of 12/31/2014	As of 12/31/2013 (As Restated)	Explanation
Current/Liquidity Ratios			
Current Ratio (Current Assets Divided by Current Liabilities)	0.095	0.095	This ratio evaluates the ability of the company to pay its current debt promptly. Current ratio of P0.095 as of December 31, 2013 is maintained as of December 31, 2014.
Solvency Ratios			
Debt to Assets (Total Liabilities Divided by Total Assets)	100.89%	99.08%	Shows what percentage of the business is not owned by the stockholders. Determines how much of the company is financed by debts. The ratio increased from 99.08% as of December 31, 2013 to 100.89% as of December 31, 2014 brought about mainly by the accrual of the 2% penalty charges on unpaid concession fee.
Debt to Equity (Total Liabilities Divided by Total Equity)	-11374.96%	10731.37%	Shows the proportion of the creditors' capital to the business' total capital. Measures the degree to which the assets of the business are financed by the debts and stockholders of the business. The ratio of 10731.37% as of December 31, 2013 vis-à-vis the negative ratio of 11374.96% as of December 31, 2014 resulted mainly from the reversal of the equity balance of ₱114.864 million as of December 31, 2013 to a capital deficiency of ₱110.549 million as of December 31, 2014.
Asset to Equity Ratio (Total Assets Divided by Total Equity)	-11274.96%	10831.37%	Measures the total debt the company takes to acquire assets. Measures the company's capability to pay debts. The significant decrease of the ratio from 10831.37% as of December 31, 2013 to a negative ratio of 11274.96% as of December 31, 2014 is due to the aforesaid reversal of the equity balance to a capital deficiency balance.
Interest Rate Coverage Ratio (Income Before Interest/Penalty)	0.125	10.423	Determines how easily a company can pay interest on outstanding debt. The ratio decreased from 10.423 as of December 31, 2013 to 0.125 as of December 31, 2014 due to recognition of income resulting from the gain in change in fair value of investment property for the year ended 2013.
Profitability Ratios			
Return on Assets (Net Income (Loss) Divided by Total Assets)	-1.81%	13.29%	Measures the Company's earnings in relation to all the resources it had at its disposal. The ratio of 13.29% as of December 31, 2013 vis-à-vis the negative ratio of 1.81% resulted from the incurrence of loss of ₱225.703 millon for the reporting period compared with the recognized income of ₱1.653 billion for the year ended 2013 improved due to the recognition of comprehensive income for the period ended December 31, 2013 in the amount of ₱1.642 billion (mainly due to the gain in change in fair value of investment property).
Return on Equity (Net Income (Loss) Divided by Total Equity)	-204.17%	1439.05%	Measures the rate of return on the ownership interest of the company's stockholders. Determines the productivity of the owners' capital The decrease in the ratio from 1439.05% to a negative 204.17% is attributable to the incurrence of loss and capital deficiency for the year ended December 31, 2014.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(viii) **Material changes to the Company's Statement of Financial Position as of December 2014 compared to December 31, 2013 (increased/decrease of 5% or more)**

Cash and cash equivalents increased by ₱217.218 million or 119.93% from ₱181.124 million as of December 31, 2013 to ₱398.342 million as of December 31, 2014 due to the cash flows provided by the Company's operating and financing activities.

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

Accounts receivable-subsidiaries and affiliates decreased by ₱87.409 million or 89.68% from ₱97.469 million as of December 31, 2013 to ₱10.060 million as of December 31, 2014. This is mainly due from the Company's collection of its account from one of its subsidiaries, DCBGSI.

Other accounts receivable decreased by ₱64.797 million or 47.71% from ₱135.832 million as of December 31, 2013 to ₱71.035 million as of December 31, 2014 resulting mainly from the reclassification of the amount representing the carry forward benefit of unused tax credits from Other accounts receivable-BIR to deferred tax assets.

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

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

Deferred charges increased by ₱76.616 million or 530.07% from ₱14.454 million as of December 31, 2013 to ₱91.069 million as of December 31, 2014 due mainly to the reclassification of account from receivable from BIR to deferred tax assets.

Other assets decreased by ₱0.646 million or 57.84% from ₱1.117 million as of December 31, 2013 to ₱0.41 million as of December 31, 2014 due to closing of various dormant bank accounts.

Accounts payable decreased by ₱11.784 million or 30.67% from ₱38.431 million as of December 31, 2013 to ₱26.647 million as of December 31, 2014 due to payments of accounts with the suppliers.

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

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

Stockholders equity decreased by ₱225.413 million or 196.25% from ₱114.864 million as of December 31, 2013 to a capital deficiency of ₱110.549 million as of December 31, 2014 due to the recognized gain in change in fair value of investment property in 2013.

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

Revenue and dividend share from joint ventre companies increased by ₱28.256 million or 33.21% from ₱85.102 million as of December 31, 2013 to ₱113.358 million as of December 31, 2014 due to CMMTC's declaration and payment of dividend.

Rental income increased by ₱23.283 million or 37.73% from ₱61.708 million as of December 31, 2013 to ₱84.991 million as of December 31, 2014 due to contracts entered into with new tenants in the leased FCA property.

General and administrative overhead increased by ₱100.75 million or 135.36% from ₱74.436 million for the year ended December 31, 2013 to ₱175.186 million for the year ended December 31, 2014 due mainly to the provision of allowance for doubtful accounts.

Other income charges decreased by ₱2.595 billion or 99.65% from ₱2.604 billion as of December 31, 2013 to ₱9.136 million as of December 31, 2014 primarily due to the recognition of gain in change in fair value of investment property in 2013.

Year End 2013 vs. Year End 2012

Results of Operations

Revenues. Revenues for the year ended December 31, 2013 amounted to ₱147.631 million, up by 27.08% or ₱31.461 million vis-à-vis the ₱116.170 million for the year ended December 31, 2012. The increased in revenue was due to the recognized rental income from new tenants in the leased FCA property and revenue shares which were in direct relationship to the Joint Venture Companies' gross toll revenue.

General and Administrative Overhead. This account decreased by 20.22% or ₱18.772 million from ₱92.851 million for the year ended December 31, 2012 to ₱74.079 million fro the year ended December 31, 2013. The decrease in the overhead account was due to the implementation to cost reduction measures, including manpower unloading, to match the company's present revenue level.

Profit from Operations. This account increased by 215.41% or ₱50.232 million from ₱23.319 million for the year ended December 31, 2012 to ₱73.551 million for the year ended December 31, 2013 due also to the reason discussed above.

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

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

Net Profit (Loss) from Before Tax. For the year ended December 31, 2013, the company recognized a net profit before tax of ₱2.420 billion, posting a 1,245.5% or ₱2.631 billion increase from last year's net loss of ₱211.245 million. This was due to the reason discussed in the preceding paragraph.

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

Net Profit (Loss). The company realized a net profit of ₱1.642 billion for the period ended December 31, 2013, 877.21% or ₱1.852 billion higher compared to the net loss of ₱211.245 million for the period ended December 31, 2012. The favorable variance was due to the reasons discussed above.

Financial Position

Current Assets. The company's current assets as of December 31, 2013 totalled ₱984.483 million vis-à-vis December 31, 2012 balance of ₱898.322 million, higher by 9.59% or ₱86.161 million. The increase in current assets was mainly due to the increase in cash and cash equivalents brought about by the collection of work accomplishments for the Daang Hari SLEX Linkroad Project.

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

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

Other Assets. The account amounted to ₱191.347 million as of December 31, 2012 compared with ₱194.484 million as of December 31, 2013, an increase of 1.64% or ₱3.137 million. This is mainly due to the set up of the 2% Minimum Corporate Income Tax.

Current Portion of Long-term Debt. The amount stood at ₱8.860 billion as of December 31, 2013, increased by 3.25% or ₱278.512 million compared to ₱8.852 billion as of December 31, 2012. The increase was mainly due to the accrual of the 2% penalty charges on unpaid concession fee payable to the Toll Regulatory Board (TRB).

Long-term Debt. The account increased by 28.16% or ₱760.482 million, from ₱2.701 billion as of December 31, 2012 to ₱3.461 billion as of December 31, 2013, which was due to the recognition of deferred ta liability on the gain in change in fair value of the investment property and appraisal increase in property and equipment resulting from the appraisal of the company's real estate properties conducted in 2013.

Stockholders' Equity. Stockholders' equity increased by 108.55% or ₱1.655 billion from capital deficiency of ₱1.525 billion as of December 31, 2012 to stockholders' equity of ₱130.396 million as of December 31, 2013 mainly due to the recognition of gain in change in fair value of investment property.

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

Performance Indicators	As of 12/31/2013	As of 12/31/2012	Explanation
Current/Liquidity Ratios			
Current Ratio (Current Assets Divided by Current Liabilities)	0.111	0.105	Evaluates the ability of the company to pay its current debt promptly. Current ratio as of December 31, 2013 increased from that of December 31, 2012 due to the increase in current assets by 9.59% vs. the increase in current liabilities by 3.25%.
Solvency Ratios			
Debt to Assets (Total Liabilities Divided by Total Assets)	98.95%	115.63%	Shows what percentage of the business is not owned by the stockholders. Determines how much of the company is financed by debts. The ratio improved due to the increase in total liabilities by 9.21% (brought about by the accrual of the 2% penalty charges and recognition of deemed tax on appraisal of real estate properties) and vis-à-vis the increase in total assets by 27.61% (due to appraisal increase-real estate properties).
Debt to Equity (Total Liabilities Divided by Total Equity)	9449.47%	-739.81%	Shows the proportion of the creditors' capital to the business' total capital. Measures the degree to which the assets of the business are financed by the debts and stockholders of the business. The ratio improved due to the increase in total liabilities (as discussed above) coupled with the reversal of the capital

			deficiency as of December 31, 2012 to equity as of December 31, 2013.
Asset to Equity Ratio (Total Assets Divided by Total Equity)	9549.47%	-639.81%	Measures the total debt the company takes to acquire assets. Measures the company's capability to pay debts. The ratio improved due to the increase in total assets and the reversal of the capital deficiency to equity (as discussed above).
Interest Rate Coverage Ratio (Income Before Interest/Penalty Divided by Interest Expense/Penalty Charges)	0.285	0.090	Determines how easily a company can pay interest on outstanding debt. The ratio improved in year 2013 due to the recognition of profit from operations as a result of the cost reduction measures implemented by the company.
Profitability Ratios			
*Return on Assets (*Net Income (Loss) Divided by Total Assets)	13.18%	-2.16%	Measures the Company's earnings in relation to all the resources it had at its disposal. The ratio improved due to the recognition of net profit for the period ended December 31, 2013 in the amount of ₱1.642 billion.
Return on Equity (Net Income (Loss) Divided by Total Equity)	1258.95%	-13.85%	Measures the rate of return on the ownership interest of the company's stockholders. Determines the productivity of the owners' capital. The ratio improved due to the recognition of net profit for the year ended December 31, 2013 and the reversal of capital deficiency to equity.

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

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

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

i.c Pending civil cases which 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 Trail Courts (RTC).

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

To address the above concerns, PNCC implemented a program of manpower rightsizing in 2001 and has been pursued gradually during the year. The program will be considered in the succeeding years until the Company attains manpower complement to match its present revenue level which in 2013 was significantly generated by its 10% revenue share from Joint Venture Companies and by its earnings from the leased FCA property.

Earlier, the PNCC Board approved the settlement of the obligation to the National Government by way of dacion en pago, using the real estate assets of the company notably the 12.9 hectare

Financial Center Area. The property was valued at ₱9.714 billion by independent firms of appraisers conducted in 2013. In the latter months of 2012, the Board reconsidered the option to bid out the property proposed for dacion to attain a higher dacion value and forestall all legal problems that may arise from the option of direct dacion. A letter touching on major issues on PNCC, including this matter among others, was sent to DOF in October 2012.

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

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

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

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

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

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

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

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

v.c The hand-over of the South Luzon Tollway operations to the SLTC on May 2, 2010 likewise had an unfavorable impact on the Company's revenue.

v.d The Supreme Court decision, in Ernesto B. Francisco vs. TRB, PNCC et. al. (G.R. Nos. 166910, 169917, 173630, and 183599, October 19, 2010) and in the case of Strategic Alliance Development Corporation vs. Radstock Securities Limited et. al. (G.R. No. 178158, December 4, 2009), ruled and declared that with the expiration of PNCC's franchise, the toll assets and facilities of PNCC were automatically turned over, by operation of law, to the National Government (NG) at no cost and, consequently, this inevitably resulted in the latter's owning too of the toll fees and the net income derived after May 01, 2007 from the toll assets and facilities, including the company's percentage share in the toll fees collected by the joint venture companies currently operating the tollways.

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

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

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

Cash and cash equivalents increased by ₱153.539 million or 553.777% from ₱27.726 million as of December 31, 2012 to ₱181.265 million as of December 31, 2013 due to increased collection of receivables, proceeds from sale of fixed assets/scrap materials, and dividend payments from joint venture companies.

Receivables from contracts decreased by ₱90.540 million or 39.41% from ₱229.717 million as of December 31, 2012 to ₱139.177 million as of December 31, 2013 due to the collection of work accomplishments for Daang Hari SLEX Linkroad Project.

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

Accounts payable and accrued expenses increased by ₱20.509 million or 131.43% from ₱15.604 million as of December 31, 2012 to ₱36.114 million as of December 31, 2013 resulting mainly from the tenants' advance rental/deposits.

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

Other payables decreased by ₱22.760 million or 10.8% from ₱210.643 million as of December 31, 2012 to ₱187.883 million as of December 31, 2013 due to the adjustment made in the Deferred Credits account.

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

Revenue share increased by ₱11.455 million or 15.38% from ₱74.468 million for the period ended December 31, 2012 to ₱85.923 million for the period ended December 31, 2013 due to the increase in the revenue shares which were in direct relationship to the Joint Venture Companies gross toll revenue.

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

General and administrative overhead decreased by ₱18.772 million or 20.22% from ₱92.851 million for the period ended December 31, 2012 to ₱74.079 million for the period ended December 31, 2013 due to implementation of the Company's Cost Reduction Program resulting to reduction in the Company's employee costs and operating expenses. Except for depreciation, there are no non-cash items (provisions and allowances for losses) taken up in the books in 2013.

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

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

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

Results of Operations

Revenue. The gross revenue decreased by 27.58% or ₱44.257 million, from ₱160.427 million for the year ended December 31, 2011 to ₱116.17 million for the year ended December 31, 2012. The decrease in revenue was mainly attributable to the decline in construction activities, resulting from the DPWH's (pursuant to its PPP mandate) take over of the Daang Hari SLEX Linkroad Project for purposes of bidding it out.

Costs and Expenses. Costs and Expenses decreased by 100% equivalent to the December 31, 2011 figure of ₱46.833 million. The decrease was in direct relationship to the decline in the Company's revenue from the construction activities.

Gross Margin. The positive margin of ₱116.17 million for the year ended December 31, 2012 is higher by 2.26% or ₱2.576 million compared to the December 31, 2011 figure of ₱113.594 million. This was likewise in direct relationship to the decrease in construction income and cost/expenses during the year as mentoned above.

General and Administrative Overhead. This account decreased by 73.49% or ₱257.422 million from ₱350.273 million for the year ended December 31, 2011 to ₱92.851 million for the year ended December 31, 2012, due to the Company's continuing effort to cut down on costs and expenses.

Income (Loss) from Operation. Income from operation for the year ended December 31, 2012 amounted to ₱23.319 million, higher by ₱259.998 million compared to the December 31, 20111 loss from operation of ₱236.679 million. The favorable variance was due to reduction in general and administrative overhead as discussed above.

Other Income (Charges). Other income decreased by 21.77% or ₱6.525 million from ₱29.963 million for the year ended December 31, 2011 to ₱23.438 million for the year ended December 31, 2012, primarily due to minimal interests earned on bank deposits and money market placements.

Net Income (Loss). Net loss decreased by 54.2% or ₱250.057 million **from** ₱461.303 million for the year ended December 31, 2011 to ₱211.246 million for the year ended December 31, 2012. The decrease in net loss was due to the reasons mentioned above.

Financial Position

Current Assets. Total current assets as of December 31, 2012 amounted to ₱898.322 million, lower by 3.86% or ₱36.115 million compared to ₱934.437 million as of December 31, 2011. The decrease in current assets was the resulting effect of the decrease in cash and cash equivalents used in operating/investing activities, net of the increase in the receivable account due to the recognition of revenue share during the period.

Other Assets. The account increased by 62.84% or ₱73.839 million from ₱117.50 million as of December 31, 2011 to ₱191.347 million as of December 31, 2012 primarily due to the guarantee/collateral for the labor bond in favor of Investors Assurance Corporation.

Current Liabilities. The account amounted to ₱8.582 billion as of December 31, 2012, higher by 1.64% or ₱138.829 million compared to ₱8.443 billion as of December 31, 2011. This was due to recognition of additional debt to TRB resulting from the reconciliation of account and accrual of the 2% penalty charges on unpaid concession fee, net of settlement of CMMTC loans via offsetting against the revenue share.

Long-term Debt. The account decreased by 0.89% or ₱24.325 million from ₱2.725 billion as of December 31, 2011 to ₱2.701 billion as of December 31, 2012 mainly attributable to the application of advance rental against monthly rental billing.

Capital Deficiency. The account balance as of December 31, 2012 totalled ₱1.525 billion, 5.89% or ₱84.961 million higher compared to the December 31, 2011 balance of ₱1.44 billion. The increase was mainly due to the incurrence of net loss in 2012 and correction of prior year error.

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

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

The ratio improved due to a lower net loss incurred/reported for the year ended December 31, 2012 compared with that of December 31, 2011.

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

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

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

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

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

To address the above concerns, the Company implemented a program of manpower rightsizing in 2001 and has been pursued gradually during the year. The program will be considered in the succeeding years until the Company attains manpower complement to match its present revenue level which in 2012 was significantly generated by its 10% revenue share from Joint Venture Companies and augmented to some extent by its earnings from the leased FCA property.

Earlier, the PNCC Board approved the settlement of the obligation to the National Government by way of dacion en pago, using the real estate assets of the Company notably the 12.9 hectare Financial Center Area. The property was valued at ₱7.43 billion by the Land Bank of the Philippines in the appraisal conducted from November to December 2011. In the latter months of 2012, the Board reconsidered the option to bid out the property proposed for dacion to attain a higher dacion value and forestall all legal problems that may arise from the option of direct dacion. A letter touching on major issues on the Company including this matter among others, was sent to DOF in October 2012.

The Company still asserts the contracted participation in the Joit 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 the Company at commercial operation on revenue sharing basis for both Project Roads. The revenue scenario best rests on the policy directions intended by the Board and the NG through the PMO/DOF as the disposition entity.

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

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

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

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

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

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

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

v.c The hand-over of the South Luzon Tollway operation to the SLTC on May 2, 2010 likewise had an unfavorable impact on the Company's revenue.

v.d The Supreme Court decision, in Ernesto B. Francisco vs. TRB, PNCC, et. al. (G.R. Nos. 166910, 169917, 173630 and 183599, October 19, 2010) and in the case of Strategic Alliance Development Corporation vs. Radstock Securities Limited et. al. (G.R. Nos. 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 Gvoernment (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 1, 2007 from the toll assets and facilities, including the Company's percentage share in the toll fees collected by the Joint venture companies currently operating the tollways.

(vi) There are ano significant elements of income or loss that did not arise from the Company's continuing operations.

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

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

Cash and cash equivalents decreased by ₱84.589 million or 75.31% from ₱112.315 million as of December 31, 2011 to ₱27.726 million as of December 31, 2012 due to payment of payroll and related accounts and payments made to suppliers of goods and services.

Advances and other receivables increased by ₱45.223 million or 7.89% from ₱573.036 million as of December 31, 2011 to ₱618.259 million as of December 31, 2012 due to accomodations made to DISC, a subsidiary, net of collections from tenants and joint venture companies.

Inventories decreased by ₱2.814 million or 30.2% from ₱9.319 million as of December 31, 2011 to ₱6.505 million as of December 31, 2012 due to the disposal of inventories and issuances of office supplies, edical supplies (medicine), and common supplies and hardware materials for repair and maintenance.

Prepayments decreased by ₱5.646 million or 25.95% from ₱21.761 million as of December 31, 2011 to ₱16.115 million as of December 31, 2012 due to the application of creditable withholding taxes against pertinent tax liabilities.
Other assets increased by ₱73.839 million or 62.84% from ₱117.508 million as of December 31, 2011 to ₱191.347 million as of December 31, 2012 due to the posting of guarantee/collateral bond in favor of a bondng company in connection with a labor case filed against the Company.

Accounts payable and accrued expenses decreased by ₱175.909 million or 91.85% from ₱191.513 million as of December 31, 2011 to ₱15.604 million as of December 31, 2012 due to the settlement of the liability to CMMTC and payments made to the suppliers of goods and services.

Deferred rental income/others decreased by ₱23.635 million or 10.09% from ₱234.278 million as of December 31, 2011 to ₱210.643 million as of December 31, 2012 due to the application of the tenants' advance rental/deposits against their respective monthly rental.

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

Rental income increased by ₱14.993 million or 56.13% from ₱26.709 million for the period ended December 31, 2011 to ₱41.702 million for the period ended December 31, 2012 due to contracts entered into with new tenants in the leased FCA property.

Construction income decreased by ₱60.092 million or 100% due to the DPWH's take over of the Daang Hari Project, pursuant to its PPP mandate.

Construction costs and expenses decreased by ₱46.833 million or 100%, which decrease was in direct relationship to the decrease in the construction income discussed above.

General and administrative overhead decreased by ₱257.422 million or 73.49% from ₱350.273 million for the period ended December 31, 2011 to ₱92.851 million for the period ended December 31, 2012 due to the implementation of the Company's Cost Reduction Program resulting to reduction in the Company's employee costs and operating expenses. Except for depreciation, there are no non-cash items (provisions and allowances for losses) taken up in the books in 2012.

Other income (charges) decrease by ₱6.525 million or 21.77% from ₱29.963 million for the period ended December 31, 2011 to ₱23.438 million for the period ended December 31, 2012 mainly due to the minimal interests earned on savings and placements in 2012.

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

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

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

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

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

SUBSCRIBED AND SWORN to before me this ______ day of AUG 20 2015 affiants exhibiting to me their Tax Identifications, as follows:

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

ATTY. BENJAMIN F. ALFONSO
NOTARY PUBLIC
UNTIL December 31, 2016
PTR No. [illegible]
IBP No. [illegible] CITY
Roll No. [illegible]
ADM No. N.P. [illegible] - 2016)
TIN NO. [illegible]
MCLE [illegible]
54 Assoc's [illegible] Village
Project 6, Quezon City

Notary Public

Doc. No. 783
Page No. 57
Book No. 224
Series of 2015

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

Date 26 AUG 2015 SDS

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the Philippine National Construction Corporation (PNCC), which comprise the statements of financial position as at December 31, 2014 and 2013 and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Basis for Adverse Opinion

On February 23, 1983, Letter of Instruction (LOI) No. 1295 was issued, directing the conversion into equity or common shares of stock all PNCC obligations and guarantees from concerned Government Financial Institutions (GFIs). LOI 1295 provides, among others, that after the obligations of the then CDCP, now PNCC, are converted into shares of common stock at par value it would result to the payment/prepayment of PNCC's various obligations enumerated in the LOI. After the prepayments/payments have been made, PNCC shall not be required to make further payments for interest on such obligations up to, and inclusive of, December 31, 1983.

Due to the Central Bank of the Philippines' rule on Single Borrower's Limit, some P5.552 billion debts, inclusive of the advances made by the Bureau of the Treasury (BTr) in servicing these debts, remained unconverted and were eventually transferred to the NG, thru the Asset Privatization Trust, now Privatization Management Office (PMO), pursuant to Proclamation No. 50 issued in 1986. The PNCC derecognized from its books the unconverted debts and treated them as part of equity under the account "Equity Adjustments – Under Rehabilitation Plan – Loans Transferred to National Government", believing that the debts should effectively be equity and, therefore, should no longer incur interest charges. The PMO/BTr, however, still considered these unconverted debts as liabilities, claiming the total amount of P57.618 billion and P58.034 billion as of December 31, 2014 and 2013, respectively, inclusive of accumulated interest charges and penalties amounting to P52.066 billion and P52.482 billion, respectively. In view of the differences in the position between the PNCC and the PMO, the issue was submitted to the Department of Justice (DOJ) on June 21, 2012. As discussed in Note 19 to the financial statements, the DOJ dismissed the PNCC's petition against the PMO and ordered the former to pay the latter its due and demandable obligation inclusive of interests and penalties until actually paid. On March 13, 2014, the PNCC filed a Motion for Reconsideration, which it intends to elevate to the Office of the President in the event that it is denied.

As regard the validity of LOI 1295, the Office of the Government Corporate Counsel (OGCC), in its Opinion No. 127 in 2007, and the Office of the Solicitor General (OSG), in its letter to the PMO dated August 23, 2007, are of the same view that LOI 1295 is still in force and effect and therefore binding on all parties concerned. OGCC Opinion No. 245 dated November 15, 2007 explained that PNCC may enter into an agreement with PMO xxx for the conversion of PNCC's remaining liabilities into equity or common stock of PNCC at par value xxx and that after the completion of the equity conversion, PNCC shall no longer have any remaining obligations with the National Government and PMO under LOI No. 1295, subject to the approval by higher authorities as may be required by law or regulation.

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

Under Securities and Exchange Commission (SEC) Financial Reporting Bulletin (FRB) No. 006, issued in relation to the definition of an equity instrument under Philippine Accounting Standard 32, *Financial Instruments*, and the requirements for the increase in authorized capital stock under Section 36 of the Corporation Code of the Philippines, four elements must be met as of reporting date in order for deposits for future subscriptions, or in the case of the PNCC, debts subject of the debt-to-equity conversion, may be treated as part of equity. As of reporting dates, PNCC has met one of the requirements, which pertains to the insufficiency of the authorized capital stock to absorb the unconverted debts. However, it has not met the other three requirements which pertain to the approval by the PNCC Board and stockholders on the proposed increase in authorized capital stock and the filing for the approval of the proposed increase with the SEC.

The recognition of the unconverted debts of P5.552 billion as part of equity as of December 31, 2014 and 2013 resulted in the overstatement in the reported equity by P5.552 billion and understatement in the reported liabilities by this same amount. On the other hand, the non-recognition of the accrued interest charges of P52.066 billion and P52.482 billion as of December 31, 2014 and 2013, respectively, resulted in the understatement in the reported accumulated deficit, understatement in the reported liabilities and overstatement in the reported equity as of those dates and by those same amounts.

Adverse Opinion

In our opinion, because of the significance of the matters discussed in the Basis for Adverse Opinion paragraphs, the financial statements do not present fairly, in all material respects, the financial position of the PNCC as at December 31, 2014 and 2013 and of its financial performance and its cash flows for the years then ended in accordance with Philippine Financial Reporting Standards.

Emphasis of Matter

We draw attention to Notes 2, 24 and 25 to the financial statements which discuss matters pertaining to PNCC's going concern status, the Bureau of Internal Revenue assessments on PNCC's deficiencies in various taxes, and the uncertainties related to the outcome of the various pending lawsuits, litigations and arbitrations the PNCC is involved in. Because of the significance of the matters described in the Basis for Adverse Opinion paragraphs, it is inappropriate to and we do not express an opinion on the information referred to above.

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

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information on taxes, duties and license fees in Note 30 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such supplementary information is the responsibility of management. Because of the significance of the matters described in the Basis for Adverse Opinion paragraphs, it is inappropriate to and we do not express an opinion on the information referred to above.

COMMISSION ON AUDIT

FELISA M. DALOPE
Supervising Auditor

June 15, 2015

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
STATEMENTS OF FINANCIAL POSITION
December 31, 2014 and 2013
(In Philippine Peso)

	Notes	2014	2013 (As Restated)
ASSETS			
Current Assets			
Cash and cash equivalents	4	**398,342,129**	181,123,529
Accounts receivable	3.4, 5	**419,140,464**	595,647,095
Receivables from officers and employees	3.4, 6	**42,899,957**	42,813,387
Prepayments	3.5, 7	**10,066,593**	22,733,050
		870,449,143	842,317,061
Non-Current Assets			
Investments	3.6, 8	**260,984,252**	261,750,919
Investment property	3.7, 9	**10,442,198,155**	10,442,198,155
Property and equipment, net	3.8, 10	**563,070,872**	569,204,473
Other assets, net	11	**327,625,388**	325,855,578
		11,593,878,667	11,599,009,125
TOTAL ASSETS		**12,464,327,810**	12,441,326,186
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities			
Accounts payable and accrued expenses	12	**44,575,986**	50,776,709
Due to national government and its instrumentalities	13	**7,879,297,416**	7,621,295,216
Due to government-owned or controlled corporations	14	**1,203,000,000**	1,203,000,000
		9,126,873,402	8,875,071,925
Non-Current Liabilities			
Deferred tax liabilities	23	**3,273,141,560**	3,273,432,335
Other payables	15	**174,861,629**	177,958,110
		3,448,003,189	3,451,390,445
Stockholders' Equity (Capital Deficiency)		**(110,548,781)**	114,863,816
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY		**12,464,327,810**	12,441,326,186

See accompanying Notes to Financial Statements.

BUREAU OF INTERNAL REVENUE
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9127
3448
12,575

12326

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
STATEMENTS OF COMPREHENSIVE INCOME
For the Years Ended December 31, 2014 and 2013
(In Philippine Peso)

	Notes	2014	2013 (As Restated)
REVENUES			
Revenue and dividend share from Joint Venture Companies	3.3, 19	**113,357,634**	85,102,347
Rental income	3.3, 20	**84,991,163**	61,707,881
		198,348,797	146,810,228
GENERAL AND ADMINISTRATIVE OVERHEAD	21	**(175,185,920)**	(74,435,946)
INCOME FROM OPERATIONS		**23,162,877**	72,374,282
PENALTY CHARGES ON UNPAID CONCESSION FEE	3.10, 13	**(258,002,200)**	(258,002,300)
OTHER INCOME (CHARGES), net	22	**9,135,951**	2,604,445,883
NET PROFIT (LOSS) BEFORE TAX		**(225,703,372)**	2,418,817,865
DEFERRED TAX EXPENSE		**0**	(778,185,647)
NET PROFIT (LOSS)		**(225,703,372)**	1,640,632,218
OTHER COMPREHENSIVE INCOME			
Net movement in revaluation increment	3.9	**0**	12,314,005
COMPREHENSIVE INCOME (LOSS)		**(225,703,372)**	1,652,946,223

See accompanying Notes to Financial Statements.

BUREAU OF INTERNAL REVENUE
Date: 26 AUG 2015 SDS
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PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
STATEMENTS OF CHANGES IN EQUITY
For the Years Ended December 31, 2014 and 2013
(In Philippine Peso)

	Capital Stock P10 Par Value (Note 16)	Capital in Excess of Par Value	Subscriptions Receivable (Note 17)	Treasury Stock	Revaluation Increment in Propery	Equity Adjustment- Loans Transferred to Nat'l Gov't (Note 18)	Retained Earnings (Deficit)	Total Equity
Balances, December 31, 2012	2,283,758,120	46,137,443	(56,158,831)	(16,699,918)	366,214,446	5,551,726,307	(9,697,998,752)	(1,523,021,185)
Correction of prior years' income and expense (Note 27)							(15,283,123)	
As at January 01, 2013, as restated	2,283,758,120	46,137,443	(56,158,831)	(16,699,918)	366,214,446	5,551,726,307	(9,713,281,875)	(1,538,304,308)
Piecemeal realization of revaluation surplus					(739,668)		739,668	-
Reduction in deferred tax liability					221,901			221,901
	2,283,758,120	46,137,443	(56,158,831)	(16,699,918)	365,696,679	5,551,726,307	(9,712,542,207)	(1,538,082,407)
Net profit							1,640,632,218	1,640,632,218
Other comprehensive income:								
Appraisal of property and equipment					17,591,436			17,591,436
Recognition of deferred tax liability					(5,277,431)			(5,277,431)
	-	-	-	-	12,314,005	-	1,640,632,218	1,652,946,223
Balances, December 31, 2013, as restated	2,283,758,120	46,137,443	(56,158,831)	(16,699,918)	378,010,684	5,551,726,307	(8,071,909,989)	114,863,816
Balances, January 01, 2014	2,283,758,120	46,137,443	(56,158,831)	(16,699,918)	378,010,684	5,551,726,307	(8,071,909,989)	114,863,816
Piecemeal realization of revaluation surplus					(969,251)		969,251	-
Reduction in deferred tax liability					290,775			290,775
	2,283,758,120	46,137,443	(56,158,831)	(16,699,918)	377,332,208	5,551,726,307	(8,070,940,738)	115,154,591
Net loss							(225,703,372)	(225,703,372)
Other comprehensive income								-
	-	-	-	-	-	-	(225,703,372)	(225,703,372)
Balances, December 31, 2014	2,283,758,120	46,137,443	(56,158,831)	(16,699,918)	377,332,208	5,551,726,307	(8,296,644,110)	(110,548,781)

See accompanying Notes to Financial Statements.

BUREAU OF
Date 26 AUG 2015 SDS
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PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2014 and 2013
(In Philippine Peso)

	Note	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Rental		103,940,982	65,113,386
Revenue share		74,079,423	74,198,320
Others		2,518,103	96,380,207
		180,538,508	235,691,913
Payments to:			
Suppliers		(57,988,214)	(50,484,836)
Employees		(31,759,479)	(46,739,356)
Directors		(2,706,569)	(4,403,956)
Consultants/retainers		(565,982)	(748,150)
Cash provided by operations		87,518,264	133,315,615
Deficiency taxes		(4,818,810)	(6,564,694)
Taxes and licenses		(2,627,140)	(1,901,963)
Penalties		(150,000)	(225,000)
Net cash provided by operating activities		79,922,314	124,623,958
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividends		39,280,476	14,680,809
Proceeds from sale of fixed assets/scrap materials		2,990,346	9,500,377
Interests		2,914,047	1,687,837
Others (various adjustments)		92,116,007	5,128,656
Purchase of property and equipment		(4,590)	(2,224,243)
Net cash provided by investing activities		137,296,286	28,773,436
NET INCREASE IN CASH AND CASH EQUIVALENTS		217,218,600	153,397,394
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		181,123,529	27,726,135
CASH AND CASH EQUIVALENTS AT END OF YEAR	4	398,342,129	181,123,529

See accompanying Notes to Financial Statements.

Date 26 AUG 2015 SDS
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PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
NOTES TO FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Company was originally incorporated under the name of Construction Development Corporation of the Philippines (CDCP) in 1966 for a term of 50 years. Its Articles of Incorporation 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, the Middle East, and other ASEAN countries.

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

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

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

Pursuant to the above and by virtue of LOI 1136 and LOI 1295, 55.72 per cent of the Company's equity is held by the Privatization Management Office (then Asset Privatization Trust) which was created on December 8, 1986 by virtue of Proclamation No. 50. The Proclamation also created the Committee on Privatization. The other 21.25 per cent is held by the Government Service Insurance System and the Land Bank of the Philippines with 20.96 per cent and 0.29 per cent, respectively. The remaining 23.03 per cent of the Company's equity is under private ownership.

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

For the South Luzon Tollways, the Company entered into a joint partnership with Indonesia's P.T. Citra Lamtoro Gung Persada to build the elevated toll road or Skyway System from Nichols to Alabang. The at-grade portion from Nichols to Alabang has, likewise, been upgraded under this JV agreement. The Citra Metro Manila Tollways Corporation (CMMTC) is the joint venture company which is the concessionaire currently running these segments (since 1999). Originally, PNCC Skyway Corporation (PSC) was conducting the operation and maintenance but due to financial losses, PSC turned over the operation to Skyway Operation and Maintenance Corporation (SOMCO) in 2007.

For the Alabang to Calamba stretch, the Company currently has a joint venture agreement with the Malaysian corporation, MTD Manila Expressways, Inc. (MTDME) under the corporate name of South Luzon Tollway Corporation (SLTC), which undertook the following South Luzon Expressway (SLEX) Projects: the rehabilitation and upgrading of the Alabang Viaduct, the expansion and rehabilitation of the Alabang to Calamba segment, and the construction of a 7.8 km. toll road extension from Calamba to Sto. Tomas, Batangas. All projects have been completed. The Operation and Maintenance Company is named Manila Toll Expressway Systems, Inc. (MATES). The Company owns 20 per cent of SLTC and 40 per cent of MATES. The operation and ownership of MTDME has since been sold to Citra/San Miguel Holding Company, Aurum Atlantic, Inc. (AAI) in 2011.

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

In addition to all of the above, a Subscription Agreement was executed by and among the Alabang-Sto. Tomas Development Inc. (ASDI), the National Development Company

(NDC), and the Company on November 14, 2008, wherein the Company subscribed 12,500 shares from the unissued portion of the 150,000 shares authorized capital stock (with par value of P1,000 per share) of ASDI, a wholly-owned subsidiary of NDC, incorporated to undertake the Daang Hari-SLEX connector road.

On December 15, 2009, a Memorandum of Agreement for the Advance Works on the Daang Hari-SLEX Link Road Project (DHSLRP) was entered by and between the ASDI and the Company. The Company was designated as the Main Turnkey Contractor responsible for undertaking the Advance Works and for the implementation of the design and the construction of the Road Project, which consists of a toll road facility connecting Daang Hari Road in Cavite to the SLEX near Susana Heights Interchange (the Road Project). The project was 25 per cent complete when the Department of Public Woks and Highways (DPWH), pursuant to its Public Private Partnership (PPP) mandate, took over the project for the purpose of bidding it out. ASDI will be reimbursed of its cost plus a premium. Bidding of the road project was undertaken by DPWH in December 2011 and was subsequently awarded to Ayala Corporation (AC) in the same month. On April 02, 2012, a Deed of Absolute Sale was executed between ASDI and AC for the turn over of the project.

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 which has since taken over the operation and maintenance of subject toll roads.

Pursuant to the Supplemental Toll Operation Agreement (STOA), the operation and maintenance responsibilities for and over the said Project Toll Roads were handed over by the Company to MATES on May 2, 2010. Although the Company is entitled to a share in the gross proceeds of the operation of the SLEX and dividends if declared, the Supreme Court, in Ernesto B. Francisco vs. TRB, PNCC et. al. (G.R. Nos. 166910,169917, 173630, and 183599, October 19, 2010) and in the case of Strategic Alliance Development Corporation vs. Radstock Securities Limited et. al. (G.R. No. 178158, December 4, 2009), ruled and declared that with the expiration of the Company's franchise, the toll assets and facilities of the Company were automatically turned over, by operation of law, to the National Government (NG) at no cost and consequently, this inevitably resulted in the latter's owning too of the toll fees and the net income derived, after May 01, 2007, from the toll assets and facilities, including the Company's percentage share in the toll fees collected by the joint venture companies currently operating the tollways, including NLEX and Skyway.

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

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

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

The financial statements as of and for the year ended December 31, 2014 was approved and authorized for issue by the Board of Directors on June 15, 2015.

2. GOING CONCERN

PNCC's Corporate Life

The corporate life of the Company expires on November 22, 2016. Extension of corporate life will be done by amending the articles of incorporation which will be an agenda item in the 2015 annual stockholders' meeting.

New Projects

The Company has asserted its participation in the Metro Manila Skyway Projects – Stage 3 & 4 on the basis of Presidential Decree (PD) No. 1894 – Amending the Franchise of the Philippine National Construction Corporation to Construct, Maintain and Operate Toll Facilities in the North Luzon and South Luzon Expressways to Include the Metro Manila Expressway to Serve as an Additional Artery in the Transportation of Trade and Commerce in the Metro Manila Area.

The Company holds updated partnerships for new Toll Road projects within the purview of Section 2 of the said PD:

- Metro Manila Skyway Stage 3 (MMS)

  The Metro Manila Skyway Stage 3 Project starts from the existing Buendia interchange and will be extended and eventually connected to the North Luzon Expressway at the Balintawak-EDSA Interchange. The project is 14.80 kilometers in length. It will be the fastest multi-lane highway in the greater Manila metropolis connecting the south to the north.

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

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

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

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

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

- 20 per cent equity in CCEC, 10 per cent of which is free-carry amounting to approximately P500 million to remain undiluted even in the event of any issuance of shares by the JV Company;
- Share in gross revenues amounting to about P35.06 billion for the duration of the operation period (30 years);
- Share in net profits amounting to about P21.42 billion for the duration of the operation period (30 years);
- One permanent seat with one non-voting director to the Board of CCEC, regardless of its shareholdings; and
- Membership in all Board Committees and Chairmanship of the Board Audit Committee.

The Company waived its right in the Operation and Maintenance (O&M) in exchange for the shares in gross revenues. The Company also agreed to forego any equity share in the O & M provided the latter remains a cost center and not a profit center.

The STOA governing the design, construction, operation and maintenance of the Metro Manila Skyway Stage 3 Project has been approved by the Office of the President of the Philippines on September 26, 2013. The start of commercial operations of the project is expected in late 2016.

- C-6 or Metro Manila Expressway (MME)

The Metro Manila Expressway or C-6 Project is actually Stage 4 of the South Metro Manila Skyway (SMMS). This tollroad will stretch from Bicutan to San Jose Del Monte and will then connect to the proposed MRT 7 Project which will extend to the NLEX.

The tollroad will have a length of 34.33 km, 7.62 km of which is the elevated portion, six lanes, with six interchanges and 20 ramps, and a close toll collection system. The construction cost is estimated at P19.76 billion out of the total P29.84 billion project cost.

The Restated Supplement to the Business and Joint Venture Agreement (Restated Supplement to BJVA) for MME Project executed in January 2014 contains the agreement of the parties and embodies the terms and conditions for MME.

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

- 20 per cent equity in the Joint Venture Company, 10 per cent of which is free-carry amounting to about P704 million and shall not be diluted in the event of any issuance of shares by the JV Company;
- Share in gross revenues amounting to about P43.86 billion for the duration of the operation period (30 years);

- Share in net profits amounting to about P27.21 billion for the duration of the operation period (30 years);
- One permanent seat and one non-voting director to the Board of the Joint Venture Company, regardless of its shareholdings;
- Membership in all Board Committees and Chairmanship of the Board Audit Committee.

The Company assigned its usufruct to design and construct to the Joint Venture Company to be established with CITRA for this purpose. The STOA has been approved by the Office of the President of the Philippines on August 11, 2014. The start of commercial operations of the project is expected in 2018.

The abovementioned projects will enable the Company to generate sufficient cash flow from dividend and revenue shares from the JV Companies for the next 30 years.

The Company will earn revenue shares on net toll revenue from the projects at the following rates: 2.5 per cent for the 1st 4 years; 3 per cent from the 5th to the 7th year; 3.5 per cent from the 8th to the 10th year; and 4 per cent from the 11th year onward. The Company also gets 10 per cent equity for free. The Company has the right to subscribe and pay for 10 per cent or more of the shares in CCEC but, in the event that it cannot put up funds for the 10 per cent, it will waive its right.

Equity Participation with CMMTC

The Company will continue to assert its equity participation on the basis of PD 1894 and pursuant to the clear provisions of the SMMS Supplemental Tollway Operation Agreement (STOA) dated November 27, 1995 approved by then President Fidel V. Ramos. The matter is now before the Department of Justice and is expected to be likewise elevated to the highest authorities for final resolution. The share in the gross proceeds of the toll reserves in CMMTC are also subject to the same issues as the shares and will most likely be fought all the way to the Supreme Court. The Company intends to pursue this until final resolution. The amount involved is around P260 million per annum arising out of the revenues from Stage 1 and Stage 2 of Skyway. The Company shares in CMMTC are worth P551.87million.

10 per cent Revenue Share from Toll Fee Collections and 10 per cent Share in Declared Dividends from Joint Venture Companies (Both are guided by the Interim Guidelines of the TRB)

The Company receives the following revenue shares: 10 per cent of 6 per cent share on the Manila North Tollways Corporation (MNTC) Gross Revenue; 10 per cent of 3.5 per cent share on the Citra Metro Manila Tollways Corporation (CMMTC) Gross Revenue; and 10 per cent of 1.75 per cent share on the South Luzon Tollway Corporation (SLTC) Gross Revenue.

It also receives 10 per cent dividend in the equity share from CMMTC, MNTC, and Tollway Management Corporation (TMC).

Issuance of Final Implementing Rules and Guidelines by the TRB

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

To comply with the statutory mandate that the toll fees and net income derived from the Company's toll assets and facilities be automatically remitted to the government as part of the General Fund, TRB issued Memorandum Order No. 2012-2 dated March 22, 2012 which enacted the Interim Rules and Guidelines to determine PNCC's remittable net income (the "Interim Rules").

Due to the complexity of determining the Company's remittable net income, the TRB issued the Interim Rules so that the government income in the Company will be automatically remitted to the National Treasury pending the preparation of the final implementing rules and guidelines. The Interim Rules temporarily set aside 10 per cent of the remittable income for Company's administrative expenses, while 90 per cent of the remittable income immediately goes to the National Treasury. Under the Interim Rules, the 1:9 ratio of the remittable income is subject to adjustment when the final implementing rules and guidelines are released by the TRB.

To date, the TRB has not released the final implementing rules and guidelines.

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

<u>Rental Income</u>

Rental income is derived from renting out investment property which includes the Financial Center Area in Pasay City, the PNCC compound in Bicutan, Paranaque, and a property in Porac, Pampanga. Total rent income for 2014 amounted to P85 million. It is projected to increase in 2015 with the minimum rental rate adjusted to P140 per square meter for areas that have structures.

<u>Debt of P5.552 Billion Remained Unconverted to Equity</u>

The Company's debt of P5.552 billion which remained unconverted to equity is treated as part of equity in the Company's books, instead of a liability with the interest and penalties unilaterally charged thereon by the PMO/BTr amounting to P52.066 billion and P52.482 billion as of December 31, 2014 and 2013, respectively, are not considered or taken up in the Company's books. The Company maintains the position that the account/amount shall be booked as equity and not as a liability (inclusive of interests and penalty charges).

The assertion that the P5.552 billion should be part of equity is supported by a Supreme Court ruling that recognizes the validity of LOI 1295 confirming that the P5.552 billion is no longer a debt but equity. The Office of the Solicitor General, the Office of the Government Corporate Counsel, and a private firm engaged by PMO have concurred with this ruling.

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

In view of the decision dated February 18, 2014 on the arbitration case dismissing the Company's petition against the PMO, the former filed a Motion for Reconsideration (MR) at the DOJ.

The MR is still pending with the DOJ. The Company is awaiting the DOJ action on the Motion for Reconsideration dated March 13, 2014, which was filed and received by the DOJ on March 14, 2014.

Payment of Company Obligation to National Government

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

Reorganization and Streamlining of Company Operations

The Company has deemed it to be in the best interest of the Company that its operations be reorganized and streamlined. Accordingly, the Company is set to implement the agreed upon action plan as provided for in the Performance Agreement (PA) executed with the GCG, with the following objectives:

1. *Efficient remittance of share in toll fees.* The PA provides for the establishment of measures and procedures for the payment and remittance of NG shares in PD 1113 and PD 1894 projects. At present, the Company only receives 10 per cent of revenue from Toll Revenues from said projects as provided for by TRB issued Memorandum Order No. 2012-2 dated March 22, 2012, which enacted the Interim Rules and Guidelines to determine PNCC's remittable net income (the "Interim Rules").

2. *Disposal/Disposition of assets to pay off obligations.* The Company is set to dispose part of its Macapagal Blvd. property (FCA) to be applied to/pay off recognized obligations to the National Government and its instrumentalities.

3. *Disposition of subsidiaries/Closure of inactive subsidiaries.* The Company is set to close all four (4) subsidiaries that are non-operational, non-performing, or losing. Upon the recommendation of the Governance Commission for GOCCs (GCG), President Benigno S. Aquino III, in August 2014, issued instructions to close the following Company subsidiaries:

   - Alabang-Sto. Tomas Development Inc. (ASDI);
   - CDCP Farms Corporation;
   - DISC Contractors Builders and General Services Incorporated (DCBGSI);
   - Tierra Factors Corporation (TFC); and
   - Traffic Control Products Corporation (TCPC).

   However, the PNCC President has appealed the closure of DCBGSI to the Office of the President and up to this writing, no response has been received.

4. *Streamlining of operations of PNCC.* The Company has reduced its manpower complement and will determine, upon proper evaluation, if it can further reduce the same.

Operating Losses and Capital Deficiency

The continuous operating losses are clearly and simply due to the two per cent penalty charges imposed by the TRB on the unpaid concession fee. The actual plan is to pay the TRB the full amount of the unpaid concession fee which will result in the elimination of the penalty in the amount of around P258 million per annum. The manner of payment is discussed under the "Payment of Company Obligation to National Government."

The Company further plans to mitigate its operating losses by engaging in cost reduction measures through manpower reduction effective at the third quarter of 2015, rationalizing its capital expenditures and promoting better operating efficiencies. The Company plans to increase its revenue by targeting higher rental rates upon renewal of rental contracts from the FCA property.

Adverse Key Performance Indicators

The Company shall offer to dacion a portion or all of its FCA property under a bidding process to pay off its debts to the National Government in the amount of P14.634 billion (inclusive of the **recognized P5.5B equity to debt only**). This may still leave the Company part of the said property where it can continuously lease to interested parties.

The dacion en pago arrangement alone, without taking into consideration yet the revenues from the joint venture companies and the tenants and the corresponding collections therefrom within the year 2015, will result to reversal of the capital deficiency and improvements in the Company's financial ratios, as follows:

Ratio	Per FS as of 12/31/2014	After Implementation of Dacion
Current/Liquidity Ratio	0.10	19.56
Solvency Ratios:		
Debt to Assets	100.89%	63.85%
Debt to Equity	-11374.90%	183.07%
Asset to Equity	-11274.90%	283.07%
Profitability Ratios:		
Return on Assets	-1.84%	135.94%
Return on Equity	207.04%	384.81%

CONCLUSION: Based on the foregoing, Management is convinced that the Company can and will be a "going concern" for many more years.

3. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

3.1 Basis of Preparation

The financial statements are prepared on a historical cost basis, except for investment property and property and equipment which are carried at revalued amounts. The financial statements are presented in Philippine peso, which is the

Company's functional and presentation currency. All amounts are rounded off to the nearest peso except when otherwise indicated.

3.2 Statement of Compliance

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

3.3 Revenue Recognition

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

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

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

3.4 Allowance for Doubtful Accounts

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

3.5 Prepayments

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

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

3.6 Investments

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

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

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

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

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

3.7 Investment Property

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

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

3.8 Property and Equipment

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

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

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

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

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

3.9 Revaluation Increment in Property

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

The surplus realized as of December 31, 2014 and 2013 amounting to P0.969 million and P0.740 million, respectively, are reflected in the statement of changes in equity. Piecemeal realization of the revaluation increment is effected on a yearly basis.

3.10 Borrowing Costs

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

3.11 Income Taxes

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

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

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

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

3.12 Adoption of New and Revised PFRS

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

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

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

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

3.13 New and Revised PFRSs

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

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

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

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

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

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

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

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

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

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

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

- Improvements to PFRSs

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

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

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

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

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

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

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

4. CASH AND CASH EQUIVALENTS

This account consists of:

	2014	2013
Cash on hand and in banks	**46,727,310**	23,706,446
Cash equivalents	**351,291,819**	157,124,083
Petty cash and revolving fund	**323,000**	293,000
	398,342,129	181,123,529

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

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

5. ACCOUNTS RECEIVABLE

The account consists of the following:

	2014	2013
Advances to the Bureau of Treasury	**150,000,000**	150,000,000
Billed contract receivable	**120,413,785**	145,319,265
Accounts receivable-trade	**67,594,984**	66,889,937
Accounts receivable-subsidiaries and affiliates	**10,060,268**	97,469,335
Advances to CESLA	**27,659**	121,507
Advances to suppliers	**3,690**	15,030
Advances for SSS/EC benefits	**5,400**	0
Other accounts receivable	**71,034,678**	135,832,021
	419,140,464	595,647,095

Advances and receivables account in CY 2014 consists of the following:

- Remittances to the Bureau of Treasury (BTr) of P150 million (P50 million in 2008 and P100 million in 2010) originally intended for application against the unpaid concession fee, but was confirmed by the BTr to have been applied against outstanding NG advances to the Company. The account is initially recorded as Advances to BTr pending clarification on the application of payment considering that no liability to BTr is recorded in the books of the Company (as discussed in Notes 13 and18).

- Billed contract receivable:

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

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

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

    The COA, in its letter reply of August 7, 2014, informed the Company that the aforesaid cases are under the evaluation of the Commission under the Legal Services Sector, Claims and Adjudication Office-Corporate. Accordingly, the Company will be provided with the pertinent decisions after approval of the Commission Proper.

- Accounts receivable-trade:

  - Revenue shares from joint venture companies in the amount of P59.586 million, P51.845 million of which was collected in January 2015. Of the balance of P7.741 million, P2.972 million was collected in February 2015 while the other P4.769 million is collectible in June 2015.

  - Receivable from various tenants at the Financial Center Area (FCA) amounting to P8.009 million.

- The accounts receivable-subsidiaries and affiliates totaling P10.06 million represents various accommodations to the Company's subsidiaries: Alabang-Sto.Tomas Development, Inc. (ASDI)-P1.299 million; DISC Contractors, Builders and General Services, Inc. (DCBGSI)-P7.733 million; and Traffic Control Products Corporation (TCPC)-P1.028 million.

The decrease in the account by P87.409 million from P97.469 million as of December 31, 2013 to P10.06 million as of December 31, 2014 is due mainly to the Company's collection from DCBGSI.

- The other accounts receivable consists mainly of the following:
  - Over remittance of corporate income tax in the amount of P60.041 million for the taxable year 2010 consisting of cash payment and MCIT application. This resulted from the reversal of the tollways and related income pursuant to the Supreme Court En Banc Decision as discussed in Note 1.
  - Supersedeas/cash bonds re: various NLRC cases filed by present and former employees of the Company totaling P8.516 million, which consist mostly of claims for non-payment of benefits, such as mid-year bonus, exit bonus, and other benefits.
  - Appeal bond of P1.277 million paid to Prime Association International re: ROR Enterprises vs. PNCC, which account was referred to Legal for appropriate action.

This account decreased by P64.797 million from P135.832 million as of December 31, 2013 to P71.035 million as of December 31, 2014 resulting mainly from the reclassification of the amount representing the carry forward benefit of unused tax credits from Other Accounts Receivable-BIR to Deferred Tax Assets (see Note 11).

6. RECEIVABLES FROM OFFICERS AND EMPLOYEES

The account consists of the following:

	2014	2013
Former officers and consultants	**42,510,000**	42,510,000
Officers and employees	**379,457**	302,729
Directors	**10,500**	658
	42,899,957	42,813,387

- The amount of P42.51 million represents cash advances for franchise extension granted to former officers and consultants, of which P2.99 million are receivables from former consultants which are covered by Notices of Disallowance with corresponding Memorandum of Appeal filed with the Commission on Audit. The balance of P39.52 million is a receivable from a former officer which was referred to Legal for appropriate action.
- Receivables from officers and employees totaling P0.379 million are broken down as follows: cash advances of P0.092 million which are liquidated in January 2015; health insurance premium of P0.085 million; and employees' 2014 under withheld tax on compensation of P0.202 million, which are being paid through payroll deduction up to February 2015 and June 2015, respectively.

7. PREPAYMENTS

This account consists of the following:

	2014	2013
Prepayments	**3,718,481**	16,356,196
Inventories	**6,348,112**	6,376,854
	10,066,593	22,733,050

7.1 Breakdown of the prepayments account:

	2014	2013
Prepaid income tax	**2,122,280**	14,803,107
Prepaid taxes and licenses	**1,093,968**	1,097,994
Prepaid insurance	**502,233**	396,620
Prepaid expenses	**0**	58,475
	3,718,481	16,356,196

7.2 Composition of the inventory account:

	2014	2013
Spare parts and supplies	**2,538,996**	11,282,477
Fuel, oil, and lubricants	**139,133**	139,133
Construction materials	**0**	33,189
Others	**3,669,983**	3,665,536
	6,348,112	15,120,335
Allowance for inventory writedown	**0**	(8,743,481)
	6,348,112	6,376,854

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

The Company, however, was able to dispose of the P8.743 million worth of the said inventory items (fully provided with allowance, as discussed above) at P1.571 million on March 10, 2014.

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

8. INVESTMENTS

This account consists of:

	2014	2013
Investments in stocks		
Subsidiaries and affiliates		
Alabang-Sto Tomas Development, Inc.	**255,000,000**	255,000,000
Dasmariñas Industrial & Steelworks Corp.	**96,413,530**	96,413,530
Tierra Factors Corporation	**51,635,109**	51,635,109
CDCP Farms Corporation	**15,120,200**	15,120,200
Manila Land Corporation	**10,000,000**	10,000,000
Managerial Resources Corporation	**1,525,922**	1,525,922
San Ramon Ranch	**1,100,000**	1,100,000
Traffic Control Products Corporation	**700,000**	700,000
San Roque Ranch	**550,000**	550,000
PNCC Skyway Corporation	**125,050**	125,050
Land Management Corporation	**11,000**	11,000
	432,180,811	432,180,811
Allowances for losses	**(177,180,811)**	(177,180,811)
	255,000,000	255,000,000
Investments in available for sale securities		
Mimosa Golf and Country Club	**3,180,000**	3,180,000
Manila Electric Company	**476,970**	476,970
Philippine Long Distance Telephone Company	**350,799**	350,799
Laguna Lake Development Authority (net of subscriptions payable of P258,642 in 2013 and 2012)	**181,158**	181,158
Puerto Azul Beach and Country Club	**100,000**	100,000
Valley Golf Club	**0**	22,000
Architectural Centre, Inc.	**3,500**	3,500
	4,292,427	4,314,427
Market adjustment - available for sale securities	**(1,589,500)**	(1,444,833)
	2,702,927	2,869,594
Investment-others		
CDCP Employees Savings & Loan Asso.	**2,994,725**	3,594,725
Others	**286,600**	286,600
	3,281,325	3,881,325
	260,984,252	261,750,919

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

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

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

Through a Memorandum from the Executive Secretary dated August 7, 2014, the GCG was informed that its recommendation to abolish the PNCC subsidiaries had been approved by His Excellency, the President, subject to pertinent laws, rules, and regulations.

On October 22, 2014, the GCG wrote a letter to the Securities and Exchange Commission (SEC) wherein the former asked the latter's assistance in carrying out the necessary actions for the dissolution of the PNCC subsidiaries in pursuance to their April 8, 2014 Memorandum of Agreement. The SEC shall issue the appropriate regulations governing the abolition/dissolution of non-chartered GOCCs ordered dissolved by the President of the Philippines.

The said dissolution is one of the intermediate goals of the Company which is targeted within the calendar year 2015.

9. INVESTMENT PROPERTY

This account consists of the following:

	Land	Buildings and Improvements	Total
At December 31, 2014			
Cost			
Opening Net Book Value	70,772,301	0	70,772,301
Additions	0	0	0
Net Book Value	**70,772,301**	0	**70,772,301**
Fair Value Adjustment			
Balance at beginning of year	10,031,522,854	339,903,000	10,371,425,854
Appraisal Adjustment	0	0	0
Balance at end of year	**10,031,522,854**	**339,903,000**	**10,371,425,854**
	10,102,295,155	**339,903,000**	**10,442,198,155**
At December 31, 2014			
Cost	70,772,301	0	70,772,301
Appraisal	10,031,522,854	339,903,000	10,371,425,854
	10,102,295,155	**339,903,000**	**10,442,198,155**

9.1 Financial Center Area (FCA) in Pasay City

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

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

Administrative Order (AO) No. 397, which was signed and approved by then President Fidel V. Ramos on May 31, 1998, mandated that Lot 6 be titled in the name of PNCC.

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

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

Independent firms of appraisers engaged by the Company to determine the fair value of the property reported a P6.63 billion appraised value in 2009, P7.462 billion in 2010, P7.434 billion in 2011 and P9.72 billion in 2013.

The subject property has been rented out and generating rental revenue since 2005. Rental income earned, net of vat, amounted to P84.991 million and P61.708 million in 2014 and 2013, respectively (see Note 20).

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

Location	Area (in sq.m.)	Cost	Appraisal Increase	Fair Value
Casinglot, Misamis Oriental	60,620	1,077,484	86,600,516	87,678,000
Dasmariñas, Cavite	75,000	625,800	335,967,450	336,593,250
Mabalacat, Pampanga	27,905	32,027	23,685,723	23,717,750
Rizal, Tagaytay	98,207	1,367,339	52,359,661	53,727,000
Antipolo, Rizal	14,770	1,185,531	56,179,969	57,365,500
Porac, Pampanga	116,591	145,737	38,330,418	38,476,155
Sta. Rita, Bulacan	20,000	1,579,950	92,180,050	93,760,000
Bocaue, Bulacan	9,926	162,678	30,605,822	30,768,500
Total	**423,019**	**6,176,546**	**715,909,609**	**722,086,155**

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

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

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

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

10. PROPERTY AND EQUIPMENT

This account includes the following:

	Land & Land Improvements	Buildings & Improvements	Construction Equipment	Transportation Equipment	Others	Total
At December 31, 2013						
Cost	10,115,936	37,904,340	23,842,635	45,172,267	41,894,615	158,929,793
Accumulated Depreciation	(2,128,636)	(25,257,769)	(22,921,854)	(38,975,600)	(40,456,724)	(129,740,583)
Net Book Value	**7,987,300**	**12,646,571**	**920,781**	**6,196,667**	**1,437,891**	**29,189,210**
Appraisal Increase	539,213,259	67,759,775	7,827,127	107,172	2,471,117	617,378,450
Accumulated Depreciation	(21,271,590)	(45,690,268)	(7,826,972)	(107,172)	(2,467,185)	(77,363,187)
Net Book Value	**517,941,669**	**22,069,507**	**155**	**0**	**3,932**	**540,015,263**
	525,928,969	**34,716,078**	**920,936**	**6,196,667**	**1,441,823**	**569,204,473**

	Land & Land Improvements	Buildings & Improvements	Construction Equipment	Transportation Equipment	Others	Total
Cost						
Opening Net Book Value	7,987,300	12,646,571	920,781	6,196,667	1,437,891	29,189,210
Additions	0	0	0	0	62,649	62,649
Disposals/Write off	0	0	(37,680)	(26,726)	(12,334)	(76,740)
Adjustments	0	0	0	132,986	0	132,986
Depreciation for the Year	(58,009)	(1,635,790)	(33,194)	(2,707,448)	(848,804)	(5,283,245)
Closing Net Book Value	**7,929,291**	**11,010,781**	**849,907**	**3,595,479**	**639,402**	**24,024,860**
Appraisal Increase						
Opening Net Book Value	517,941,669	22,069,507	155	0	3,932	540,015,263
Depreciation for the Year	0	(969,251)	0	0	0	(969,251)
Closing Net Book Value	**517,941,669**	**21,100,256**	**155**	**0**	**3,932**	**539,046,012**
At December 31, 2014						
Cost	10,115,936	37,904,340	23,266,350	44,030,239	41,915,769	157,232,634
Accumulated Depreciation	(2,186,645)	(26,893,559)	(22,416,443)	(40,434,760)	(41,276,367)	(133,207,774)
Net Book Value	**7,929,291**	**11,010,781**	**849,907**	**3,595,479**	**639,402**	**24,024,860**
Appraisal increase	539,213,259	67,759,775	7,827,127	107,172	2,471,117	617,378,450
Accumulated Depreciation	(21,271,590)	(46,659,519)	(7,826,972)	(107,172)	(2,467,185)	(78,332,438)
Net Book Value	**517,941,669**	**21,100,256**	**155**	**0**	**3,932**	**539,046,012**
	525,870,960	**32,111,037**	**850,062**	**3,595,479**	**643,334**	**563,070,872**

10.1 Appraisal

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

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

10.2 Others

The Company also owns some 278,477 sq.m. of property, with a total value of P174.127 million, located in different areas of the country which are not yet recorded in the books, as the same are still registered in the name of previous owners. The Company is working on the transfer of title to its name.

11. OTHER ASSETS

This account consists of:

	2014	2013
Restricted cash	**100,327,360**	100,327,360
Accounts receivable-trade	**50,879,182**	125,109,012
Receivables from officers and employees	**12,581,589**	12,588,845
Deferred charges	**91,069,378**	14,453,840
Guarantee deposits	**71,072,000**	71,072,000
Miscellaneous deposits	**1,224,542**	1,187,721
Other assets	**471,337**	1,116,800
	327,625,388	325,855,578
Assets for write off	**9,615,422,219**	9,615,422,219
Allowance for losses	**(9,615,422,219)**	(9,615,422,219)
	0	0
Other assets	**713,606,857**	607,240,936
Allowance for doubtful accounts	**(713,606,857)**	(607,240,936)
	0	0
	327,625,388	325,855,578

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

Accounts receivable-trade is for operating access fees due from oil companies totaling P50.879 million, of which P46.728 million was referred to Legal for appropriate action, P2.646 million is subject of on-going reconciliation, and P1.505 million is being paid on installment basis. One of the oil companies referred to Legal had informed the Company that the funds for payment of the royalty fees are in escrow because of the Writ of Garnishment issued in 2005 prohibiting it from making any payments to PNCC. Payments will accordingly be made once the garnishment is lifted. The decrease of P74.23 million in the trade receivables account from P125.109 million as of December 31, 2013 to P50.879 million as of December 31, 2014 is mainly due to the provision of 100 per cent allowance for doubtful accounts for Advances to Joint Venture account.

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

Deferred charges account consists mainly of the deferred tax assets recognized for the carry forward benefit of unused tax credits of P79.322 million and the excess of the minimum corporate income tax over the regular corporate income tax of P12.35 million (see Note 23).

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

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

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

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

The Company, in its letter of June 3, 2014, requested authority from the Commission on Audit (COA) to adjust/write-off the aforesaid long-outstanding accounts in consonance with COA Circular No. 97-001 dated February 5, 1997.

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

	2014	2013
Accounts receivable-subsidiaries and affiliates	240,323,379	240,323,379
Other accounts receivables	175,200,317	175,200,317
Billed contract receivables	109,285,376	90,522,501
Advances to joint venture, net	74,021,620	0
Accounts receivable-trade	60,149,526	60,149,526
Claims receivable	24,406,064	24,406,064
Advances to subcontractors	17,169,107	11,026,502
Deferred charges	6,802,733	0
Contract retention receivable	2,380,025	2,380,025
Advances to suppliers	2,190,126	2,190,126
Advances to contract owners	636,431	636,431
Other assets-dormant account	636,088	0
Unbilled contract receivable	234,456	234,456
Accounts receivable-officers & employees	171,609	171,609
	713,606,857	607,240,936

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

12. ACCOUNTS PAYABLE AND ACCRUED EXPENSES

This account consists of the following:

	2014	2013
Accounts payable	**26,646,554**	38,430,764
Accrued expenses	**6,003,550**	2,420,632
Customers deposit	**11,925,882**	9,925,313
	44,575,986	50,776,709

12.1 Accounts payable

	2014	2013
Vouchers payable	**26,361,815**	38,212,421
CESLA savings and loan dues	**126,605**	114,004
Other accounts payable	**158,134**	104,339
	26,646,554	38,430,764

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

Other accounts payable as of December 31, 2014 consists mostly of over withheld tax on compensation refunded to the concerned officers and employees in January 2015.

12.2 Accrued expenses

The accrued expenses account of P6.004 million includes accrual of the mandatory benefits and leave credits of the Company's employees, unpaid professional fees and unpaid accounts to suppliers of goods and services that are normally settled within 12 months from the reporting period.

12.3 Customers deposit

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

13. DUE TO NATIONAL GOVERNMENT AND ITS INSTRUMENTALITIES

This account consists of payables to the following:

	2014	2013
Toll Regulatory Board (concession fees)	**5,012,428,800**	4,754,426,600
Toll fees (SLEX operation under TOC)	**1,537,850,967**	1,537,850,967
Joint venture companies' revenue/dividends	**1,329,017,649**	1,329,017,649
	7,879,297,416	7,621,295,216

Concession fees

The concession fees of P5.012 billion (principal amount of P1.06 billion plus penalty charges of P0.258 billion in 2014 and P3.694 billion in 2013 and prior years) pertain to the Company's payable to the Toll Regulatory Board (TRB) pursuant to the Toll Operation Agreement dated October 1977. The Company is being charged of 2 per cent penalty charges per month on unpaid concession fees.

From May 2008 to March 2009, the Company made initial payments to the Bureau of the Treasury (BTr) totaling P220 million, of which the latter confirmed application of the P170 million against outstanding concession fees while the P50 million was unilaterally applied by the BTr against an outstanding advances from the National Government (NG).

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

These payments bring the Company's total remittances to P495 million from 2006 to date.

Unremitted share in the toll revenue

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

Joint venture companies' revenue/dividends

As likewise discussed in Note 1, the expiration of the Company's franchise in 2007 resulted in the Government's owning not only of the toll fees and the net income derived from the toll assets and facilities but also the Company's percentage share in the toll fees collected by the joint venture companies currently operating the tollways.

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

The aforesaid amounts were computed at 90 per cent of the gross revenue share and dividends received from May 2007 to December 31, 2010. This is in accordance with the interim guidelines issued by the Toll Regulatory Board (TRB) in compliance with the decision of the Supreme Court in the Francisco case (see Note 1).

The Supreme Court directed TRB, with the assistance of the COA, to prepare and finalize the implementing rules and guidelines for the determination of the amounts that the Company is entitled for its administrative expenses.

14. DUE TO GOVERNMENT-OWNED OR CONTROLLED CORPORATIONS

This account covers various advances from the National Development Company (NDC) totaling P214 million between 1990 to1999 for foreign and peso accounts and interest and penalties thereon of P989 million as of December 2009. The issue covering the various advances from NDC is under arbitration before the OGCC Arbitral Tribunal:

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

Based on the submitted pleadings and supporting documents, the following issues appear to be clear:

- Whether respondent is liable to pay petitioner the principal amount of the Promissory Notes plus accrued interest and penalties as provided in the said Notes, and the Documentary Stamp Tax necessary for the execution thereof;
- Whether respondent is liable to pay/reimburse petitioner the amount of respondent's mortgage loan (Including interest thereon) that petitioner paid in order to release the titles of the properties that petitioner bought from the respondent; and
- Whether petitioner must pay the lot consisting of 7.5 hectares which petitioner developed with its Joint Venture partner despite the fact that said lot was specifically excluded in the Contract of Sale.

The DOJ, in its February 18, 2014 Consolidated Decision, granted the NDC's Petition against PNCC, the dispositive portion of which follows:

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

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

The Company, in its letter of March 19, 2014, informed NDC that it cannot yet settle the account as the decision of the DOJ is not final and executory and that it had filed a Motion for Reconsideration (MR) dated March 13, 2014, duly received at the DOJ on March 14, 2014

In the said MR, the Company prayed that the DOJ consider the consolidation as not proper and decide on OGCC ARB. Case No. 001-2000 separately:

- Order the dismissal of the instant Petition for lack of merit;
- Order the Petitioner to pay PNCC the amount of P3.850 million representing the unpaid balance of the Dasmarinas properties, plus legal interest thereon from the time of demand up to the time of payment; and

- Order the Petitioner to pay PNCC the value of the 7.5 hectares of Dasmarinas properties which was excluded in the Contract of Sale but developed and sold by Petitioner to locators of the First Cavite Industrial Estate, plus legal interest thereon from the time of demand up to the actual date of payment.

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

15. OTHER PAYABLES

This account comprises of the following:

	2014	2013
Other accounts payable	**171,072,000**	174,168,481
Trust liabilities	**2,768,583**	2,768,583
Advances from contract owners	**1,021,046**	1,021,046
	174,861,629	177,958,110

Other accounts payable pertains to the provision for liability of P171.072 million, the details of which were not disclosed as allowed by "PAS 37, *Provisions, Contingent Liabilities and Contingent Assets.*"

16. CAPITAL STOCK

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

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

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

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

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

Dividends (in arrears) on cumulative preferred shares are not recognized in the books due to the Board of Directors' non-declaration of dividends in view of the Company's deficit of P8.297 billion and P8.069 billion as of December 31, 2014 and 2013, respectively. Such action of the PNCC Board is supported by Article XI, Section 11.01 of the Amended Corporate By-Laws which provides that "Dividends maybe declared annually or oftener as the Board of Directors may determine. The Board of Directors may declare dividends only from the surplus profits of the Company."

For purposes, however, of the required disclosure in the financial statements, the dividends in arrears (computed from 2007 to 2014) are as follows:

Name of Stockholders (a)	Class of Stock (b)	Shareholdings (c)	Undeclared Dividends (b x c x 8 yrs)
Republic of the Phil. Through the PMO (previously under PNB)	Preferred "B" (8%-17%, cumulative, non-participating, non-voting)	150,000,000	96,000,000
Marubeni	Preferred "B" (8%-17%, cumulative, non-participating, non-voting)	36,895,000	23,612,800
Republic of the Phil. Through the PMO (previously under NDC)	Preferred "C" (14%, cumulative, non-participating, non-voting)	64,851,210	72,633,355
Republic of the Phil. Through the PMO (previously under PNB)	Preferred "D" (8%, cumulative, non-participating, non-voting)	255,000,000	163,200,000
Total		**506,746,210**	**355,446,155**

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

17. SUBSCRIPTIONS RECEIVABLE

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

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

As of the end of 2014, there was no call made by the Board of Directors for the unpaid subscriptions.

18. EQUITY ADJUSTMENTS

Under Rehabilitation Plan-Loans Transferred to National Government

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

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

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

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

The Privatization Management Office (PMO), however, still considered these unconverted debts as liabilities, claiming the total amount of P54.91 billion and P55.697 billion as of December 31, 2014 and 2013, respectively, inclusive of accumulated interest charges and penalties amounting to P49.358 billion and P50.145 billion, respectively.

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

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

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

In like manner, the Bureau of the Treasury (BTr) confirmed as of December 31, 2014 the amount of P2.708 billion (inclusive of P1.299 billion interest) representing advances made by the BTr to settle the Company's foreign obligations with creditors. Said loans are included in the Equity Adjustments under Rehabilitation Plan which are among the accounts transferred by the Company to the Government through the Asset Privatization Trust (APT) pursuant to PNCC's Rehabilitation Plan of 1987 and are no longer recorded as liabilities in the Company books. As such, the Company is precluded from servicing the accounts.

As discussed in Note 13, the application of the P50 million and P100 million payments in 2008 and 2010, respectively, against outstanding NG advances were already effected in the aforesaid confirmed amount of P2.708 billion.

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

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

  The parties entered into a Joint Stipulation of Facts and Issues identifying the issues, as follows:

  - Whether or not PNCC is indebted to the National Government in the amount of P5.4 billion which, inclusive of interests as of October 31, 2011, amounted to P51.060 billion;
  - Whether or not the unconverted debt to equity, which is a leftover of LOI 1295, should be considered as simple loan;
  - Whether or not the unconverted portion of CDCP's debts are liable for interest and penalty charges; and
  - Whether LOI 1295 repealed the general provisions of R.A. 337, as amended, the charters of DBP (R.A. 85, as amended), PNB (PD 694), and LBP (R.A. 3844), which all restricted the GFI's exposure to non-allied industries."

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

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

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

- Render judgment declaring that the interest and penalty charges being imposed by PMO on the actual outstanding debt of PNCC to the National Government is without basis and violative of LOI 1295;
- Declare that PNCC's outstanding debt to the National Government is only in the amount of P5.4 billion, representing the value of the unconverted debt-to-equity obligation to the Government Financial Institutions (GFIs); and
- Require or direct the debt-to-equity conversion of the P5.4 billion debt of PNCC pursuant to the clear and explicit instructions under LOI 1295.

In the event that the DOJ renders a decision adverse to the Company, the matter will be raised to the Office of the President of the Philippines (OP). And if the OP so decides that the P5.55 billion be considered as liability and not an amount to be converted as equity pursuant to LOI 1295, the subject amount shall be reflected in the books of PNCC as an outstanding obligation of the Company to the National Government without any consideration of the interest and penalties computed by the PMO.

19. REVENUE AND DIVIDEND SHARE FROM JOINT VENTURE COMPANIES

This account consists of the following:

	2014	2013
Revenue Share		
MNTC	**46,827,608**	37,764,937
CMMTC	**26,006,290**	24,299,813
SLTC	**7,618,416**	7,335,589
	80,452,314	69,400,339
Dividend Share		
MNTC	**0**	5,150,400
TMC	**6,686,000**	10,551,608
CMMTC	**26,219,320**	0
	32,905,320	15,702,008
	113,357,634	85,102,347

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

Relative to the aforesaid interim guidelines, a complaint (entitled: Rodolfo M. Cuenca vs. Toll Regulatory Board, et., al., Civil Case No. 13-919) was filed before the Regional Trial Court (RTC) of Makati Branch 132 by petitioner Rodolfo M. Cuenca in his capacity as stockholder of the Company against the Toll Regulatory Board (TRB), Commission on Audit (COA), Manila North Tollways Corporation (MNTC), CITRA Metro Manila Tollways Corporation (CMMTC), South Luzon Tollways Corporation (SLTC) and Manila Toll Expressways Systems, Inc. (MATESI) and the Company as respondents.

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

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

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

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

Thus, petitioner is praying for the Honorable Court that:

- The respondents TRB and COA come up with and release the final implementing rules and guidelines embodying the final formula relative to the determination of the net income remittable by respondent PNCC to the NG;

- That the respondents corporations be enjoined from remitting any and all amounts directly to the NG until respondents TRB and COA have issued the final implementing rules and guidelines; and

- The respondents be ordered to consign with the Honorable Court any and all amounts they ready to remit to the NG until the final implementing rules and guidelines has been issued by TRB and COA.

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

It appearing that the government stands to suffer gravely and irreparably from the aforesaid ruling of the RTC as it deprives the government of income based on the government's direct ownership of the assets and facilities of PNCC, the Supreme Court resolved, on August 4, 2014, to require respondents to file Comment on the petition, not a motion to dismiss, within ten (10) days from notice and to issue, effective immediately and continuing until further orders from the Court, a Temporary Restraining Order (TRO), enjoining the RTC Branch 132, Makati City, the private respondent, their representatives, agents or other persons acting on their behalf from implementing the RTC Resolution dated April 30, 2014 in Civil Case No. 13-919.

20. RENTAL INCOME

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

	2014	2013
Pasay City	**83,901,921**	60,779,321
Bicutan, Paranaque	**703,500**	703,500
Porac, Pampanga	**326,271**	225,060
Others	**59,471**	0
	84,991,163	61,707,881

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

Rental income for the calendar year 2015 is expected at P106.34 million.

21. GENERAL AND ADMINISTRATIVE OVERHEAD

This account consists of the following:

	2014	2013
Salaries, wages, and allowances	**24,142,144**	26,177,437
Bonuses and gratuities	**4,327,984**	2,457,503
Employees' terminal pay - vacation/sick leave	**2,180,875**	2,378,038
Fringe benefit expense	**1,736,624**	2,528,530
Fringe benefit tax expense	**817,235**	1,189,897
Employees' welfare	**741,587**	808,286
SSS/ECC contribution	**428,884**	429,856
PhilHealth contribution	**145,750**	160,025
Pag-IBIG contribution	**35,500**	40,300
Medical and dental expenses	**21,275**	34,268
Sports and recreation	**86,739**	88,457
Employees' terminal pay - retrenchment	**0**	413,821
Employee costs	**34,664,597**	36,706,418
Professional fees	**3,471,959**	3,482,493
Transportation and traveling	**3,457,283**	4,338,374
Taxes and licenses	**3,249,353**	2,573,267
Light and water	**3,201,496**	3,450,450
Directors' fees and allowances	**2,275,176**	3,369,823
Other outside services	**2,164,016**	1,907,856
Janitorial and messengerial services	**2,093,751**	2,138,922
Legal and documentation	**1,886,442**	1,961,104
Security services - salaries of guards/agency fee	**1,729,753**	2,333,340
Insurance premium	**1,134,391**	850,398
Postage and other communications	**1,036,338**	1,365,037
Repairs and maintenance – materials/labor	**998,341**	790,247
Office supplies and stationery	**383,893**	467,351
Conferences and conventions	**250,879**	282,763
Manpower recruitment, training, and development	**143,113**	35,700
Entertainment, amusement, and representation	**71,926**	251,749
Membership fees	**49,498**	40,650
Subscriptions	**17,359**	18,660
Advertising and promotions	**16,320**	48,960
Bank charges	**1,250**	5,576
Contributions and donations	**0**	104,014
Contracted manpower cost	**0**	358,341
Miscellaneous expense	**270,369**	437,364
Operating expenses	**27,902,906**	30,612,439
	62,567,503	67,318,857
Bad debts/doubtful accounts	**106,365,921**	0
Depreciation	**6,252,496**	7,117,089
Others	**112,618,417**	7,117,089
	175,185,920	74,435,946

22. OTHER INCOME (CHARGES)

This account comprises of the following:

	2014	2013
Interest income	**3,509,049**	2,626,050
Dividend income	**3,174,771**	92,384
Gain in reversal of allowance for inventory write-down	**1,402,607**	220,689
Gain on sale of property and equipment	**633,117**	4,980,550
Gain on sale of inventory	**190,918**	1,205,924
Realized gain – available for sale securities	**148,000**	89,167
Gain in change in fair value of investment property	**0**	2,593,952,155
Interim operation – FCA parking area	**0**	1,202,455
Miscellaneous income	**77,489**	76,509
	9,135,951	2,604,445,883

23. INCOME TAXES

The Company's income tax due for the year 2014 is P4.08 million, computed under the Minimum Corporate Income Tax (MCIT).

Of the carry forward benefit of MCIT of P12.35 million presented under "Deferred Charges" account as of December 31, 2014 (see Note 11), P2.364 million was closed to Retained Earnings at the beginning of CY 2015 due to the three-year prescription period, as follows:

Date Incurred	Amount	Application	Expired	Balance	Expiry Date
2014	4,080,181	0	0	4,080,181	2017
2013	3,138,868	0	0	3,138,868	2016
2012	2,767,289	0	0	2,767,289	2015
2011	2,363,702	0	2,363,702	0	2014
	12,350,040	**0**	**2,363,702**	**9,986,338**	

As of December 31, 2014 and 2013, the following are the temporary differences for which no deferred tax asset was set up because the Management believes that it is more likely that no future taxable income is available against which the benefit from deferred tax assets can be offset:

	2014	2013
Allowance for losses on assets for write off	**9,615,422,219**	9,615,422,219
Allowance for doubtful accounts	**713,988,425**	607,622,504
NOLCO	**619,244,592**	848,606,876
Allowance for losses on investments	**177,180,811**	177,180,811
Allowance for inventory write-down	**0**	8,743,481
	11,125,836,047	11,257,575,891

Net Operating Loss Carry Over (NOLCO) amounting to P619.245 million can be carried forward and claimed as deduction from regular taxable income, as follows:

Date Incurred	Amount	Application	Expired	Balance	Expiry Date
2014	231,940,260	0	0	231,940,260	2017
2013	176,058,852	0	0	176,058,852	2016
2012	211,245,480	0	0	211,245,480	2015
2011	461,302,544	0	461,302,544	0	2014
	1,080,547,136	**0**	**461,302,544**	**619,244,592**	

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

As of December 31, 2014 and 2013, deferred tax liabilities pertain to the following:

	2014	2013
Fair value adjustment of investment property	**3,111,427,757**	3,111,427,757
Revaluation increment in property	**161,713,803**	162,004,578
	3,273,141,560	3,273,432,335

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

24. TAX MATTERS

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

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

  The Company sought a reinvestigation of the case on November 8, 1995, and as a consequence, the BIR issued a final decision promulgated on September 9, 2004 ordering PNCC to pay the amount of P101.46 million, the reduction of P111.87 million represent deficiency contractor's tax which the BIR resolved to cancel and withdraw from the assessment it being bereft of merit for lack of legal basis, thus finding the Company's contention meritorious.

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

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

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

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

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

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

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

  Management, in its letter of October 29, 2010 to the BIR, protested the aforesaid proposed deficiency taxes pursuant to Section 203 of the NIRC of 1997 (Prescription of limitation upon assessment and collection) and Revenue Regulations (RR) No.12-99 (which requires discussion between the Company and BIR Examiner/s before submission of the report to the BIR Chief concerned).

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

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

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

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

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

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

25. PENDING LAWSUITS/LITIGATIONS

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

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

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

26. RELATED PARTY TRANSACTIONS

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

Agreements:

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

  - Contract for janitorial services dated March 19, 2014 wherein DCBGSI shall supply one clerk and 10 janitors/janitress, more or less, as maybe necessary depending on the actual need of the Company. For and in consideration of the services rendered, DCBGSI will be paid P18,125.71 per janitor/janitress or P2.393 million from January 01, 2014 to December 31, 2014. The amount billed by DCBGSI for the period ended December 31, 2014 totaled P2.225 million. Outstanding payable as of reporting date amounted to P0.425 million.

  - Supply of three (3) service drivers and one (1) driver/mechanic for the year 2014 is covered by the following contracts: December 01, 2013 to April 30, 2014 dated March 27, 2014; May 01, 2014 to September 30, 2014 dated July 22, 2014; and October 01, 2014 to December 31, 2014 dated December 02, 2014. All contracts provide that in consideration for the services rendered, the Company shall pay DCBGSI the following amounts: P18,125.69 /driver/month and P23,549.52/driver-mechanic/month. Total billings from January 2014 to December 2014 amounted to P3.108 million, of which P0.2 million remained unpaid as of reporting date.

  In the Performance Agreement executed between the Company and the Governance Commission for GOCCs (GCG) for the FY 2015-2016, the functions of the DCBGSI will be transferred to the Company, which is targeted within the calendar year 2015.

- The Company, lawful owner and possessor of a real property situated at the Financial Center Area (as lessor), entered into a Contract of Lease with AHEAD-Operations and Nutritional Enterprises, Inc. (as lessee), incorporators and stockholders of which are executives and officers of the Company. The parties mutually agreed to and accepted the terms and conditions specifically provided for in the Contracts of Lease, as follows:

	Particulars	Date of Contract	Lease Period	Area in Sq.M.	Rate/ Sq.M.	Monthly Rental
1	Contract of Lease (CL)	05/27/13	06/01/13 to 12/31/13	200	100	20,000
2	Amendment to CL	07/01/13	06/01/13 to 05/31/14	200	100	20,000
3	Addendum to CL	07/01/13	07/01/13 to 05/31/14	100	100	10,000
				300		30,000
4	Amendment/Extension to CL	01/23/14	06/01/14 to 05/31/15	300	100	30,000
5	Contract of Lease	05/20/14	05/01/14 to 04/30/15	170	112	19,040
				470		49,040

For the year ended December 31, 2014, the Company billed the lessee the amount of P0.512 million, which amount was fully collected as of reporting date.

The Board of Directors of the Company decided, however, not to renew the Contract of Lease after its expiration in April 2015.

Other Transactions

- Compensation/other benefits of key management personnel amounted to P15.538 million and P14.855 million for the years ended December 31, 2014 and 2013, respectively.

27. CORRECTION OF PRIOR YEARS' INCOME AND EXPENSES

The deficit as of January 1, 2013 was restated as for the following adjustments:

Removal of the 2010 MCIT due to the expiration of the three-year reglementary period	(6,342,493)
Payment of deficiency taxes for taxable year 2009	(4,818,811)
Reversal - double take up of the balance of the revenue share from MNTC's 2011 gross revenue	(3,125,985)
Reversal of movement in revaluation increment in CY2013	(739,668)
Others	(256,166)
As restated	**(15,283,123)**

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

Credit Risk

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

Liquidity Risk

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

Fair Values

Set out below is a comparison by category of carrying amounts and fair values of all of the Company's financial instruments that are carried in the financial statements as of December 31, 2014 and 2013.

	Carrying Amount		Fair Value	
	2014	2013	**2014**	2013
Financial assets				
Cash and cash equivalents	398,342,129	181,123,529	398,342,129	181,123,529
Accounts receivable	419,140,464	598,821,866	419,140,464	598,821,866
Receivables from officers and employees	42,899,957	42,813,387	42,899,957	42,813,387
	860,382,550	822,758,782	860,382,550	822,758,782
Financial liabilities				
Accounts payable and accrued expenses	44,512,491	50,793,117	44,512,491	50,793,117
Due to National Government and its Instrumentalities	7,879,297,416	7,621,295,216	7,879,297,416	7,621,295,216
Due to Government Owned or Controlled Corporation	1,203,000,000	1,203,000,000	1,203,000,000	1,203,000,000
Other accounts payable	171,072,000	174,168,481	171,072,000	174,168,481
Trust liabilities	2,768,583	2,768,583	2,768,583	2,768,583
Advances from contract owners	1,021,046	1,021,046	1,021,046	1,021,046
	9,301,671,536	9,053,046,443	9,301,671,536	9,053,046,443

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

In compliance with the requirements set forth by Revenue Regulation (RR) No. 15-2010, hereunder are the information on taxes, duties, and licenses paid or accrued during the taxable year 2014:

29.1 The Company is a VAT-registered company with VAT output tax declaration of P19.961 million for the year based on the amount reflected in the Sales Account of P166.345 million.

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

Beginning of the year	0
Current year's purchases:	
Goods for resale/manufacture or further processing	0
Goods other than for resale or manufacture	354,614
Capital goods subject to amortization	0
Capital goods not subject to amortization	7,132
Services lodged under cost of goods sold	0
Services lodged under other accounts	1,478,878
Claims for tax credit/refund and other adjustments	0
Balance at the end of the year	1,840,624

29.3 Other taxes and licenses:

Local:	
Real Estate Tax	1,543,054
Mayor's Permit	1,044,877
Community tax	21,000
Total	2,608,931

National:	
BIR Annual Registration	500
VAT/Percentage Taxes	540,484
Fringe Benefit Tax	794,178
Others (CGT/DST)	84,871
Total	1,420,033

29.4 The amount of withholding taxes paid/accrued for the year amounted to P7.166 million, broken down as follows:

Tax on compensation and benefits	6,324,104
Creditable withholding tax/es	841,836
Final withholding taxes	0
Total	7,165,940

30. RESTATEMENT/RECLASSIFICATION OF ACCOUNTS

The 2013 financial statements were restated/reclassified to reflect the transactions/adjustments discussed in Notes 5, 6, and 11 and to conform with the presentation of the 2014 financial statements.

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
SCHEDULES A to K
As of December 31, 2014

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

The company's Short-Term Investment as of December 31,2014 amounting to P351.292 million represents 2.82% only of the total assets of P12.464 billion. This is way below the ceiling requirement of 10% or more of the total assets, hence, this schedule need not be filed.

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

Corresponding schedule is herewith attached/submitted. Included in the list are the company's former employees, officers, and consultants with outstanding aggregate indebtedness of more than P100,000.00 or one (1) percent of the total assets, whichever is less, as of December 31, 2014.

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

The Investment account which stood at P260.984 million as of December 31, 2014 constitutes 2.1% of the total assets in the related balance sheet. Considering that the account is below the 5% ceiling requirement, the schedule is omitted.

Schedule D - Indebtedness of Unconsolidated Subsidiaries and Affiliates

This schedule is omitted. Total receivables from subsidiaries and affiliates as of December 31, 2014 in the amount of P10.060 million is only 0.08% (below the 5% requirement) of the P12.464 billion assets.

Schedule E - Property, Plant, and Equipment

The company's property, plant, and equipment account amounting to P774.611 million is 6.22% of the P12.464 billion assets (or down by 18.78% vis-à-vis the 25% ceiling requirement), hence, the schedule need not be submitted.

Schedule F - Accumulated Depreciation

The related schedule of the accumulated depreciation account amounting to P211.540 million is likewise not submitted due to the reason stated in Shedule E above.

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION

SCHEDULES A to K

As of December 31, 2014

Schedule G - Intangible Assets and Other Assets

The other assets account balance of P327.625 million as of December 31, 2014 comprises 2.63% only (below the 5% requirement) of the P12.464 billion assets, hence, omitted.

Schedule H - Long-Term Debt

Applicable account schedule as of December 31, 2014 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, 2014.

Schedule J - Guarantees of Securities of Other Issuers

Not applicable.

Schedule K - Capital Stock

Applicable account schedule as of December 31, 2014 is herewith attached/submitted.

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
AGING SCHEDULE OF RECEIVABLES & ADVANCES
As of December 31, 2014
(In Thousand Pesos)

	Amount	Allowance for Doubtful Account	Net Amount	Current	Past Due					
					1-30 Days	31-60 Days	61-90 Days	91 Days but not over 1 Yr.	Over 1 Yr. but not over 5 Yrs.	Over 5 Years
Current Assets:										
Billed Contract Receivable	52,607		52,607							52,607
Contract Retention Receivable	2,755		2,755							2,755
Claims Receivable	65,052		65,052							65,052
Accounts Receivable - Trade	67,595		67,595	10,740	9,233	5,168	4,470	36,636	1,348	-
Accounts Receivable - Subs. and Aff. (net)	10,060		10,060	194	716	97	6	852	8,195	-
Other Accounts Receivable	71,379	345	71,034			100			70,930	4
Advances for SSS/EC Benefits	5		5					5		-
Advances to Suppliers	4		4						4	-
Advances to CESLA	28		28	7	8	6	7			-
Advances to Bureau of Treasury	150,000		150,000							150,000
Total Accounts Receivable	419,485	345	419,140	10,941	9,957	5,371	4,483	37,493	80,477	270,418
Receivables from Officers and Employees	42,900		42,900	379				11	39,350	3,160
Sub-total (Current Assets)	**462,385**	**345**	**462,040**	**11,320**	**9,957**	**5,371**	**4,483**	**37,504**	**119,827**	**273,578**
Non-Current Assets:										
Accounts Receivable - Trade	50,879		50,879						22,868	28,011
Receivables from Officers and Employees	12,582		12,582						12,082	500
Sub-total (Non-Current Assets)	**63,461**	**-**	**63,461**	**-**	**-**	**-**	**-**	**-**	**34,950**	**28,511**
Total	**525,846**	**345**	**525,501**	**11,320**	**9,957**	**5,371**	**4,483**	**37,504**	**154,777**	**302,089**

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
SCHEDULE B: AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES
RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN AFFILIATES).
As of December 31, 2014-(In Thousand Pesos)

Name and Designation of Debtor		Balance at Beginning of Period	Additions/ Reclassications	DEDUCTIONS		Current	Not Current	Balance at End of Period
				Amounts Collected	Amounts Written-off			
Alentajan, Bonifacio	Former Consultant	400					400	400
Armonio, Manuel	Former Consultant	106	32				138	138
Asuncion, Ma. Theresa	Former President & CEO	1,200	502				1,702	1,702
Bucio, Hermilo	Former Employee		105				105	105
Caballo, Marlon	Former Technical Assistant (Legal Corp.)	5,554					5,554	5,554
Encanto, Melvin	Former Consultant	300					300	300
Garin, Edgardo	Former Employee	192					192	192
Gaston, Segundo	Former Group Head - (Senior Vice Pres.)	41,013	30				41,043	41,043
Jardin, Penny	Former Employee	2,860					2,860	2,860
Pascual, Ruben	Former Consultant		2,190				2,190	2,190
Paulino, Ibarra	Former Officer	632					632	632
Purugganan, Abraham	Former Executive Vice President	475					475	475
Rivera, Reynaldo	Former Consultant		400				400	400
		52,732	3,259	-	-	-	55,991	55,991

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
SCHEDULE H : LONG TERM DEBT
As of December 31, 2014 and December 31, 2013
(In Thousand Pesos)

Creditors	Amount Authorized by Indenture	As of December 31, 2014					As of December 31, 2013				
		Current Portion of Long-term Debt	Long-term Debt				Current Portion of Long-term Debt	Long-term Debt			
			Amount	Interest Rate	No. of Periodic Install.	Mat. Date		Amount	Interest Rate	No. of Periodic Install.	Mat. Date
Domestic:											
Toll Regulatory Board	912M	5,012,428 *		2%/mo.on outs.bal.	30 years	04/30/2007	4,754,426 *		2%/mo.on outs.bal.	30 years	04/30/2007
Debt to NG		2,866,869					2,866,869				
Debt to GOCC		1,203,000					1,203,000				
Total		9,082,297	0				8,824,295	0			

*inclusive of pena;ty charges

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

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

√PHILIPPINE NATIONAL CONSTRUCTION CORPORATION

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

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

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

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

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

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

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
FINANCIAL SOUNDNESS INDICATORS

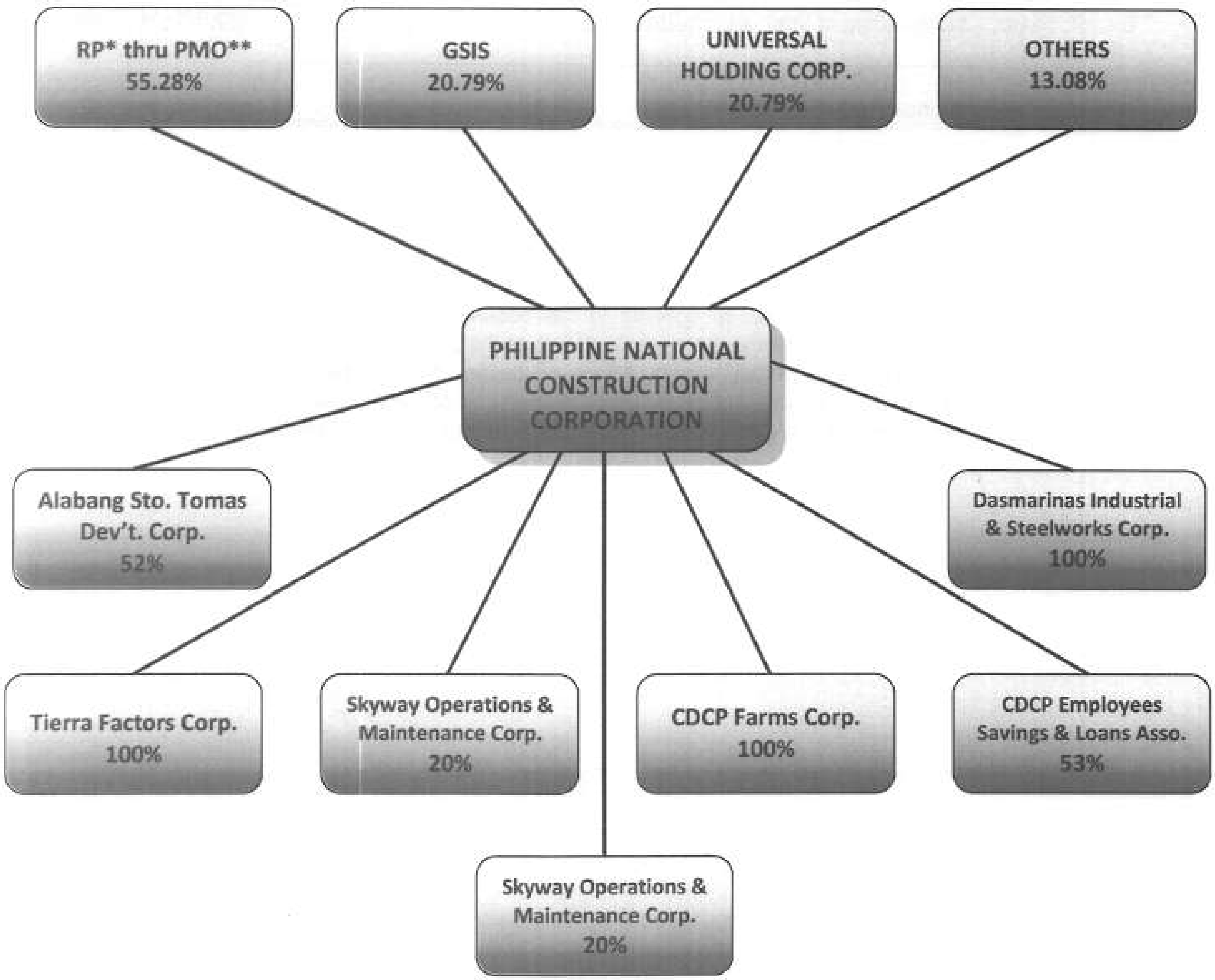
		2014 (Audited)	2013 (As restated)
1	Current/Liquidity Ratios:		
	Current Ratio	0.095	0.095
	Quick Asset Ratio	0.094	0.092
2	Solvency Ratios:		
	Debt to Assets	100.89%	99.08%
	Debt to Equity Ratio	-11374.96%	10731.37%
3	Asset to Equity Ratio	-11274.96%	10831.37%
4	Interest Rate Coverage Ratio	0.125	10.423
5	Profitability Ratios:		
	Return on Assets	-1.81%	13.29%
	Return on Equity	-204.17%	1439.05%

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
SUPPLEMENTARY SCHEDULE OF RETAINED EARNINGS (DEFICIT)
For the Year Ended December 31, 2014

Deficit, balance at beginning of year	(8,071,909,989)
Piecemeal realization of revaluation surplus	969,251
Deficit, balance at beginning of year, as adjusted	(8,070,940,738)
Net loss	(225,703,372)
Deficit, balance at end of year	(8,296,644,110)

As discussed in Note 16 of the 2014 Audited of the Financial Statements, dividends (in arrears) on cumulative preferred shares are not recognized in the books due to the Board of Directors' non-declaration of dividends in view of the Company's deficit of P8.297 billion as of December 31, 2014. Such action of the PNCC Board is supported by Article XI, Section 11.01 of the Amended Corporate By-Laws which provides that "Dividends maybe declared annually or oftener as the Board may determine. The Board of Directors may declare dividends only from the surplus profits of the Corporation."

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



ANNEX "A"

101302015001909

SECURITIES AND EXCHANGE COMMISSION

SEC Building, EDSA, Greenhills, Mandaluyong City, Metro Manila, Philippines
Tel:(632) 726-0931 to 39 Fax:(632) 725-5293 Email: mis@sec.gov.ph

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Company Representative

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Company Information

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

Document Information

Document ID	101302015001909
Document Type	LETTER/MISC
Document Code	LTR
Period Covered	January 30, 2015
No. of Days Late	0
Department	CED/CFD/CRMD/MRD/NTD
Remarks	ACGR

COVER SHEET

3 0 9 3 9

S.E.C. Registration Number

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION

(Company's Full Name)

PNCC COMPLEX KM 15 EAST SERVICE ROAD BICUTAN PARANAQUE CITY

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

ATTY. HENRY B. SALAZAR

Contact Person

846-2906

Company Telephone Number

1 2 | 3 1

Month | Day

Fiscal Year

ACGR

FORM TYPE

0 3 | 4th Tuesday

Month | Day

Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number / Section

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel Concerned

File Number

LCU

Document ID

Cashier

STAMPS

SECURITIES AND EXCHANGE COMMISSION

SEC FORM – ACGR

ANNUAL CORPORATE GOVERNANCE REPORT

1. Report is Filed for the Year **2014**

2. Exact Name of Registrant as Specified in its Charter **Philippine National Construction Corporation**

3. **PNCC Compound, Km. 15 East Service Road, Bicutan Parañaque City** **1700**
   Address of Principal Office Postal Code

4. SEC Identification Number **30939**

5. [redacted] (SEC Use Only)
   Industry Classification Code

6. BIR Tax Identification Number **410-000-058-V**

7 **(632) 846 3045**
   Issuer's Telephone number, including area code

8. ....
   Former name or former address, if changed from the last report

TABLE OF CONTENTS

A. BOARD MATTERS

1) Board of Directors

Number of Directors per Articles of Incorporation	11
Actual number of Directors for the year	11

(a) Composition of the Board

Director's Name	Type [Executive (ED), Non-Executive (NED) or Independent Director (ID)]	If nominee, identify the principal	Nominator in the last election (If ID, state the relationship with the nominator)	Date first elected	Date last elected(IfID, state the number of years served as ID)[1]	Elected when (Annual /Special Meeting)	No. of years served as director
Elpidio C. Jamora, Jr.	NED	OP*	OP*	09/30/2013	09/30/2013	Special Meeting	2
Luis F. Sison	ED	OP*	OP*	01/11/2011	01/11/2011	Special Meeting	4
Tomas C. Alvarez	NED	OP*	OP*	01/11/2011	01/11/2011	Special Meeting	4
Rosendo T. Capco	NED	OP*	OP*	01/11/2011	01/11/2011	Special Meeting	4
Antonio C. Pido	NED	OP*	OP*	01/11/2011	01/11/2011	Special Meeting	4
Nora O. Vinluan	NED	OP*	OP*	01/11/2011	01/11/2011	Special Meeting	4
Rosanna E. Velasco	NED	OP*	OP*	09/30/2013	09/30/2013	Special Meeting	2
Cristino L. Panlilio	NED	OP*	OP*	09/30/2013	09/30/2013	Special Meeting	2
Tomas C. Falgui II	NED	OP*	OP*	10/08/2013	10/08/2013	Special Meeting	2
Elisea G. Gozun	NED	GSIS	OP*	10/14/2013	10/14/2013	Special Meeting	2
Robert G. Vergara	NED	GSIS	OP*	10/14/2013	10/14/2013	Special Meeting	2
Toni Angeli V. Coo	Ex-officio	PMO	OP*	01/20/2014	01/20/2014	Regular Meeting	1

Legend:
*OP – Office of the President of the Philippines

(b) **Brief Summary of the Corporate Governance Policy that the Board of Directors Adopted**

BOARD RESPONSIBILITIES.
As provided for in the company's Revised Manual on Corporate Governance:

It is the Board's responsibility to foster the long-term success of the corporation, and to sustain its competitiveness and profitability in a manner consistent with its corporate objectives and the best interests of its stockholders.

1. Implement a process for the selection of directors who can add value and contribute independent judgment to the formulation of sound corporate strategies and policies. Appoint competent, professional, honest and highly motivated management officers. Adopt an effective succession planning program for Management.
2. Provide sound strategic policies and guidelines to the corporation on major capital expenditures. Establish programs that can sustain its long-term viability and strength. Periodically evaluate and monitor the implementation of such policies and strategies, including the business plans, operating budgets and Management's overall performance.
3. Ensure the corporation's faithful compliance with all applicable laws, regulations and best business practices.
4. Establish and maintain an investor relations program that will keep the stockholders informed of important developments in the corporation. If feasible, the corporations's CEO or Chief Financial Officer shall exercise oversight responsibility over this program.
5. Identify the corporation's stakeholders in the community in which the corporation operates or are

directly affected by its operations, and formulate a clear policy of accurate, timely and effective communication with them.

6. Implement a system of internal checks and balances within the Board. A regular review of the effectiveness of such system should be conducted to ensure the integrity of the decision-making and reporting processes at all times. There should be a continuing review of the corporation's internal control system in order to maintain its adequacy and effectiveness.
7. Identify key risk areas and performance indicators and monitor these factors with due diligence to enable the corporation to anticipate and prepare for possible threats to its operational and financial viability.
8. Formulate and implement policies and procedures that would ensure the integrity and transparency of related party transactions between and among the corporation and its parent company, joint ventures, subsidiaries, associates, affiliates, major stockholders, officers and directors, including their spouses, children and dependent siblings and parents, and of interlocking director relationships by members of the Board.
9. Constitute an Audit Committee and such other committees it deems necessary to assist the Board in the performance of its duties and responsibilities.
10. Ensure the integrity of the corporation's accounting and financial reporting systems, including independent audit, and that appropriate systems of control are in place, in particular, systems for risk management, and financial and operational control.
11. Establish and maintain an alternative dispute resolution system in the corporation that can amicably settle conflicts or differences between the corporation and its stockholders, and the corporation and third parties, including the regulatory authorities.
12. Meet regularly, ideally at least once a month, and at such times or frequency as may be needed, to properly discharge its responsibilities, with independent views expressed during such meetings being given due consideration. The minutes of such meetings should be duly recorded. Independent views during Board meetings should be encouraged and given due consideration.
13. Keep the activities and decisions of the Board within its authority under the articles of incorporation and by-laws, and in accordance with existing laws, rules and regulations.
14. Appoint a Compliance Officer who shall have the rank of at least vice president. In the absence of such appointment, the Corporate Secretary, preferably a lawyer, shall act as Compliance Officer.

STOCKHOLDERS' RIGHTS AND PROTECTION OF MINORITY STOCKHOLDERS' INTEREST.
As provided for in the company's Revised Manual on Corporate Governance:

The Board respects the rights of the stockholders as provided for in the Corporation Code such as voting right, pre-emptive right, power of inspection, right to information, right to dividends and appraisal right.

Voting Right

1. Shareholders have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code.
2. Cumulative voting shall be used in the election of directors.
3. A director shall not be removed without cause if it will deny shareholders representation in the Board.

Pre-emptive Right

All stockholders shall have pre-emptive rights in accordance with law, unless the same is denied in the Articles of Incorporation or an amendment thereto. They shall have the right to subscribe to the capital stock of the Corporation. The Articles of Incorporation shall lay down the specific rights and powers of stockholders with respect to the particular shares they hold, all of which shall be protected by law so long as they shall not be in conflict with the Corporation Code.

Power of Inspection

All stockholders shall be allowed to inspect corporate books and records including minutes of the Board meetings and stock registries in accordance with the Corporation Code and shall be furnished with annual reports, including financial statements, without cost or restrictions.

Right to Information

1. The stockholders shall be provided, upon request, with periodic reports which disclose personal and professional information about the directors and officers and certain other matters such as their holdings of the corporation's share, dealings with the corporation, relationship among directors and key officers and the aggregate compensation of directors and officers.
2. The minority stockholders shall be granted the right to propose the holding of a meeting, and the right to propose items in the agenda provided the items are for legitimate business purposes, and in accordance with law, jurisprudence and best practice.
3. The minority stockholders shall have access to any and all information relating to matters for which the management is accountable for. If not included, then the minority stockholders shall be allowed to propose such matters in the agenda of a stockholders' meeting, being within the definition of "legitimate purposes" and in accordance with law, jurisprudence and best practice.

Right to Dividends

1. Stockholders shall have the right to receive dividends subject to the discretion of the Board.
2. The corporation shall be compelled to declare dividends when its retained earnings shall be in excess of 100% of its paid-in capital stock except : a) when justified by definite corporate expansion projects or programs approved by the Board, or b) when the corporation is prohibited under loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its consent, and such consent has not been secured, or c) when it can be clearly shown that such retention is necessary under special circumstances obtaining in the corporation, such as when there is a need for special reserve for probable contingencies.

Appraisal right

The stockholders shall have appraisal right or the right to dissent and demand payment of the fair value of their shares in the manner provided for under Section 82 of the Corporation Code of the Philippines, under any of the following circumstances:

1. In case any amendments to the Articles of Incorporation has the effect of changing or restricting the rights of any stockholder or class of shares, or of authorizing preferences in any respect superior to those of outstanding shares of any class, or of extending or shortening the terms of corporate existence;
2. In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property and assets provided in the Corporation Code; and
3. In case of merger or consolidation.

The Board shall continue to be transparent and fair in the conduct of the annual and special stockholders' meetings of the corporation. The stockholders shall be encouraged to personally attend such meetings. If they cannot attend, they shall be apprised ahead of time of their right to appoint a proxy. Subject to the requirements of the by-laws, the exercise of that right shall not be unduly restricted and any doubt about the validity of a proxy shall be resolved in the stockholder's favor.

It is the duty of the Board to promote the rights of the stockholders, remove impediments to the exercise of those rights and provide an adequate avenue for them to seek timely redress for breach of their rights.

The Board shall take the appropriate steps to remove excessive or unnecessary costs and other administrative impediments to the stockholders' meaningful participation in meetings, whether in person or by proxy. Accurate and timely information shall be made available to the stockholders to enable them to make a sound judgment on all matters brought to their attention for consideration or approval.

Although all stockholders shall be treated equally or without discrimination, the Board shall give minority stockholders the right to propose the holding of meetings and the items for discussion in the agenda that relate directly to the business of the corporation.

DISCLOSURE AND TRANSPARENCY.
As provided for in the company's Revised Manual on Corporate Governance:

1. All material information about the corporation which could adversely affect its viability or the interests of its stockholders and other stakeholders shall be publicly and timely disclosed. Such information shall include, among others, earning results, acquisition of assets, off balance sheet transactions, related party transactions and direct and indirect remuneration of members of the Board and Management.
2. The reports or disclosures required under this Manual shall be prepared and submitted to the pertinent regulatory agencies by the responsible Committee or Officer through the Corporation's Compliance Officers.
3. All disclosed information shall be released via the approved stock exchange procedure for company announcements as well as through the annual report.
4. The Board shall commit at all times to full disclosure of material information dealings. It shall cause the filing of all required information through the appropriate Exchange mechanisms for listed companies and submissions to the Securities and Exchange Commission for the interest of its stockholders and other stakeholders.
5. The Revised Manual on Corporate Governance shall be available for inspection by any stockholder of the Corporation at reasonable times on business days.
6. The Compliance Officer shall provide copies of the Manual to all directors, division and department heads to ensure that thorough dissemination of the Manual to all employees and related third parties, and to enjoin compliance in the process.
7. An adequate number of printed copies of the Manual must be produced under the supervision of the Compliance Officer, with a minimum of at least one (1) hard copy of the Manual per department.

(c) The Company's vision and mission statement is under review and will be approved as required.

(d) Directorship in Other Companies

(i) Directorship in the Company's Group[2]

Director's Name	Corporate Name of the Group Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Elpidio C. Jamora, Jr.	**Manila North Tollway Corp.** *(resigned effective July 31, 2014)*	**NED**
Luis F. Sison	**CDCP Farms Corp.** **Alabang Sto. Tomas Devt. Inc.** **Traffic Control Products Corp.** **DISC Contractors, Builders & Gen. Services Inc.** **Tollways Management Corp.** *(replaced by NG Representative effective October 28, 2014)*	**ED** **ED** **ED** **ED** **NED**
Tomas C. Alvarez	**Traffic Control Products Corp.** **DISC Contractors, Builders & Gen. Services Inc.**	**NED** **NED**
Rosendo T. Capco	**Traffic Control Products Corp.**	**NED**
Antonio C. Pido	**DISC Contractors, Builders & Gen. Services Inc.** **Alabang Sto. Tomas Devt. Inc.** **Tollways Management Corp.** *(replaced by NG Representative effective October 28, 2014)*	**NED** **NED** **NED**
Nora O. Vinluan	**Traffic Control Products Corp.**	**NED**

[2] The Group is composed of the parent, subsidiaries, associates and joint ventures of the company.

(ii) Directorship in Other Listed Companies

Director's Name	Name of Listed Company	Type of Directorship (Executive, Non-Executive, Independent). Indicate if director is also the Chairman.
Robert G. Vergara	**National Reinsurance Corporation of the Philippines**	**NED**

(iii) Relationship within the Company and its Group

There is known relationship among the members of the Board of Directors which links them to significant shareholders in the company and/or in its group.

Director's Name	Name of the Significant Shareholder	Description of the relationship
Robert G. Vergara	**GSIS**	**GSIS Representative**
Tomas G. Falgui II	**Robert G. Vergara**	**3rd degree by affinity**

(iv) Has the company set a limit on the number of board seats in other companies (publicly listed, ordinary and companies with secondary license) that an individual director or CEO may hold simultaneously? In particular, is the limit of five board seats in other publicly listed companies imposed and observed? If yes, briefly describe other guidelines:

NO, the company has not set a limit on the number of board seats in other companies that an individual director or CEO may hold simultaneously. The Governance Commission for GOCCs (GCG), per Memorandum Circular No 2012-07, has ruled that the capacity of Appointive Directors to serve with diligence shall not be compromised. Pursuant thereto, GCG has ruled that no Appointive Director in a GOCC, Subsidiary or Affiliate may hold more than two (2) other Board seats in other GOCCs, Subsidiaries and/or Affiliates.

	Guidelines	Maximum Number of Directorships in other companies
Executive Director **Non-Executive Director** **CEO**	**Section 11 of Code of Corporate Governance for GOCCs (GCG Memorandum Circular No. 2012-07)**	**2**

(e) Shareholding in the Company

Name of Director	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
Elpidio C. Jamora, Jr.	**1**		**00.00%**
Luis F. Sison	**2001**	**1 / PNCC**	**00.00%**
Tomas C. Alvarez	**101**		**00.00%**
Rosendo T. Capco	**10**		**00.00%**
Rodolfo C. Naguit*	**2**		**00.00%**
Antonio C. Pido	**50**		**00.00%**
Roman Felipe S. Reyes	**100**		**00.00%**
Nora O. Vinluan	**2**		**00.00%**
Rosanna E. Velasco	**50**		**00.00%**
Cristino L. Panlilio	**1456**		**00.00%**
Robert G. Vergara	**50**		**00.00%**
Elisea G. Gozun	**50**		**00.00%**
Tomas C. Falgui II	**100**		**00.00%**

- *Resigned effective June 30, 2013. However, he has not been replaced. Hence, the direct shares assigned to Mr. Naguit still bears his name.*

2) Chairman and CEO

(a) Do different persons assume the role of Chairman of the Board of Directors and CEO? If no, describe the checks and balances laid down to ensure that the Board gets the benefit of independent views.

Yes [X]   No [ ]

Identify the Chair and CEO:

Chairman of the Board	**Elpidio C. Jamora, Jr.**
CEO/President	**Luis F. Sison**

(b) Roles, Accountabilities and Deliverables

Define and clarify the roles, accountabilities and deliverables of the Chairman and CEO.

	Chairman	Chief Executive Officer
Role	• Presides at all meetings of the stockholders and of the Board of Directors. He presides and/or attends meetings of standing committees created by the Board • Informs the Board of Directors and the stockholders on matters of interest to them at their respective meetings • Represents and votes shares of the Company in other corporations.	• Exercises overall responsibility for the successful administration of the affairs and business of the Corporation • Presides at all meetings of the stockholders and of the directors, in the absence, inability or default of the Chairman • Exercises general supervision over all the other officers of the Corporation • Represents and votes the shares owned by the Corporation in other corporations
Accountabilities	• Ensures that policies enunciated by the Board are implemented • Ensures that the meetings of the Board and shareholders are held in accordance with the by-laws	• Negotiates, enters into and executes on behalf of the Corporation all contracts and agreements • Signs, endorses and delivers all checks, drafts, bills of exchange, promissory notes and orders of payment of sums of money • Submits an annual report of the operations of the company to the Board and at such other times as the latter may request, an annual report to the stockholders at the annual meeting • Appoints, removes or suspends all agents, employees, and other subordinate personnel of the company
Deliverables	• Supervises the preparation of agenda of the meeting in coordination with the Corporate Secretary taking into consideration the suggestions of the CEO, Management and directors • Maintains qualitative and timely lines of communication and information between the Board and Management	• Determines, promulgates and enforces the general operating and administrative policies required to implement basic policy established by the Board

3) Explain how the board of directors plans for the succession of the CEO/Managing Director/President and the top key management positions?

Members of the Board of Directors in GOCCs and their Subsidiaries are appointed by the President of the Philippines from a shortlist prepared by the GCG per Section 15 of R.A. 10149. Generally, top key management positions are retained by current position holders.

4) Other Executive, Non-Executive and Independent Directors

Does the company have a policy of ensuring diversity of experience and background of directors in the board? Please explain.

Article 3.2.2 of the Revised Manual on Corporate Governance provides that:

The Board may likewise provide for the following additional qualifications for membership in the Board 1) membership in good standing in relevant industry, business or professional organizations; and 2) previous business experience in relevant industry.

Does it ensure that at least one non-executive director has an experience in the sector or industry the company belongs to? Please explain.

The Directors of the Board as constituted are experts or have broad experience in the industry the company belongs to. The appointment of Directors by the Office of the President of the Philippines is mindful of these qualifications.

Define and clarify the roles, accountabilities and deliverables of the Executive, Non-Executive and Independent Directors:

	Executive	Non-Executive	Independent Director
Role	Designs, develops and implements strategic plans for the organization in a cost-effective and time efficient manner. The Executive Director is authorized to run the organization.	Participates in governing the organization by establishing broad policies and organizational objectives	Promotes independent judgment in carrying out his responsibilities in the establishment of policies and objectives. Protects the voice / interests of minority shareholders.
Accountabilities	Accountable to the Board of Directors for his management of the organization	Accountable to the shareholders / stakeholders for the organization's performance	Accountable to the minority shareholders in representing their interests
Deliverables	Business Plan Operational Budget	Inputs to policy formulation consistent with organizational goals	Contribution to policy formulation that speaks for minority concerns

Provide the company's definition of "independence" and describe the company's compliance to the definition.

Independent director is a person who, apart from his fees and shareholdings, exercises independence resulting from being independent of management and being free from any business or other relationship which could, or could reasonably be perceived to, materially interfere with his exercise of independent judgment in carrying out his responsibilities/

The company adopts the the principle under Securities Regulation Code of having at least two (2) independent directors or such number of independent directors that constitutes twenty percent (20%) of the members of the Board, whichever is lesser, but in no case less than two (2). The membership of the Board may be a combination of

executive and non-executive directors (which include independent directors) in order that no director or small group of directors can dominate the decision making process. However, as explained below, this has yet to be implemented.

Does the company have a term limit of five consecutive years for independent directors? If after two years, the company wishes to bring back an independent director who had served for five years, does it limit the term for no more than four additional years? Please explain.

Not applicable. The above definition cannot be applied as yet. As a GOCC, no independent directors have as yet been nominated / elected in the Company. Consequently, no term limit has as yet been set for independent director(s).

5) Changes in the Board of Directors (Executive, Non-Executive and Independent Directors)

(a) Resignation/Death/Removal

Indicate any changes in the composition of the Board of Directors that happened during the period:

Name	Position	Date of Cessation	Reason
Karen G. Singson	Ex-Officio Director	January 20, 2014	Resignation

(b) Selection/Appointment, Re-election, Disqualification, Removal,_Reinstatement_and Suspension

Describe the procedures for the selection/appointment, re-election, disqualification, removal, reinstatement and suspension of the members of the Board of Directors. Provide details of the processes adopted (including the frequency of election) and the criteria employed in each procedure:

Procedure	Process Adopted	Criteria
a. Selection/Appointment		
(i) Executive Directors (ii) Non-Executive Directors	Every GOCC and Subsidiary, through the Compliance Officer, or the Corporate Secretary, if there is no Compliance Officer appointed, shall submit to the GCG within thirty (30) days from the start of each calendar year a certificate stating and attesting to the qualifications and disqualifications rules applicable to their Appointive Directors and CEO, as found in their Charter or By-laws and the provisions of laws, rules and regulations applicable to the particular GOCC.	*Minimum Qualification of Directors* – provided for in the Revised Manual on Corporate Governance: t(a) Be a Filipino citizen; (b) At least a college graduate or equivalent college degree, with at least five years relevant experience; (c) Be at least thirty (30) years old; (d) Be of good moral character, of unquestionable integrity and of known probity; (e) Possess management skills and competence preferably relating to the operations of the corporation; (f) Assiduous;
	(Art. 4 of Fit and Proper Rule for Appointive Directors and CEOs of GOCCs – Memo Circular No. 2012-05 of GCG)	*(Minimum Qualifications) Additional Qualifications of Appointive Directors and CEOs(not indicated in the Revised Manual on Corporate Governance)* - Without prejudice to the qualifications set out in the Charter or By-laws of the GOCC, every Appointive Director and CEO, if a sectoral representative, to be a *bona fide* member

Procedure	Process Adopted	Criteria
a. Selection/Appointment		
		of the indicated sector or the association being represented as provided for in the Charter or By-laws. Further, a director may be allowed to attend within three (3) months from the date of appointment a special seminar on public corporate governance for Directors conducted by the GCG or any individual or entity accredited by the GCG. *(Art. 5 of Fit and Proper Rule for Appointive Directors and CEOs of GOCCs – Memo Circular No. 2012-05 of GCG)*
(iii) Independent Directors	The company adopts the process and qualifications set by Securities Regulation Code on nomination and election of Independent directors.	
b. Re-appointment		
(i) Executive Directors	Unless removed by the President of the Republic of the Philippines, Executive Director and Non-Executive Director are automatically reappointed.	
(ii) Non-Executive Directors		
(iii) Independent Directors	The company adopts the process and qualifications set by Securities Regulation Code on nomination and election of Independent directors.	
c. Permanent Disqualification		
(i) Executive Directors (ii) Non-Executive Directors (iii) Independent Directors	Apply Article 3.3 of Revised Manual on Corporate Governance	Grounds for the permanent disqualification of a director: • Any person convicted by final judgment or order by a competent judicial or administrative body of any crime that (a) involves the purchase or sale of securities, as defined in SRC; (b) arises out of the person's conduct as an underwriter, broker, dealer, futures commission merchant, commodity trading advisor, or floor broker; or (c) arises out of his fiduciary relationship with a bank, quasi-bank, trust company, investment house or as an affiliate person or any of them. • Any person who, by reason of misconduct, after hearing, is permanently enjoined by a final judgment or order of the SEC or any court or administrative body of competent jurisdiction from: (a) acting as underwriter, broker, dealer, investment adviser, principal distributor, mutual fund dealer, futures commission merchant, commodity trading advisor, or floor broker; (b) acting a director or officer of a bank, quasi-bank, trust company, investment house, or investment company; (c) engaging or in continuing any conduct or practice in any of the capacities mentioned in sub-paragraphs (a) and

Procedure	Process Adopted	Criteria
c. Permanent Disqualification		
		(b) above, or willfully violating the laws that govern securities and banking activities. • If such person is currently the subject of an order of the Commission or any court or administrative body denying, revoking or suspending any registration, license or permit issued to him under the Corporation Code, SRC or any other law administered by the Commission or BangkoSentral ng Pilipinas (BSP), or under any rule or regulation issued by the Commission or BSP, or has otherwise been restrained to engage in any activity involving securities and banking; or such person is currently the subject of an effective order of a self-regulatory organization suspending or expelling him from membership, participation or association with a member or participant of the organization. • Any person convicted by final judgment or order by a court or competent administrative body of an offense involving moral turpitude, fraud, embezzlement, theft, estafa, counterfeiting, misappropriation, forgery, bribery, false affirmation, perjury or other fraudulent acts. • Any person who has been adjudged by final judgment or order of the Commission, court, or competent administrative body to have willfully violated, or willfully aided, abetted, counseled, induced or procured the violation of any provision of the Corporation Code, SRC or any other law administered by the Commission or BSP, or any of its rule, regulation or order. • Any person earlier elected as independent director who becomes an officer, employee or consultant of the same corporation. • Any person judicially declared as insolvent. • Any person found guilty by final judgment or order of a foreign court or equivalent financial regulatory authority of acts, violations or misconduct similar to any of the acts, violations or misconduct enumerated

Procedure	Process Adopted	Criteria
c. Permanent Disqualification		
		• in ((i) to (v)) above. • Conviction by final judgment of an offense punishable by imprisonment for more than six (6) years, or a violation of the Corporation Code committed within five (5) years prior to the date of election or appointment. • Persons who have been convicted by final judgment or a court or tribunal of: o A crime or offense involving dishonesty or breach of trust such as, but not limited to estafa, embezzlement, extortion, forgery, malversation, swindling, theft, robbery, falsification, or bribery; violation of the Bouncing Checks Law, the Anti-Graft and Corrupt Practices Act; violating banking laws, rules and regulations; o Persons who have been judicially declared insolvent, spendthrift or incapacitate to contract; o Persons who have been found by a competent administrative body as administratively liable for violation of laws, rules and regulations where a penalty of removal from office is imposed, which finding of the administrative body has become final and executor.
	Article 6 of the GCG Memorandum Circular No. 2012-05 entitled **Fit and Proper Rule for Appointive Directors and CEOS of GOCCs** provides the criteria for permanent disqualification of a Director	*Directors, CEO and Officers of GOCCs who have been:* *1. Found by a competent administrative body as administratively liable for violationof laws, rules and regulations particularly applicable to the sector of the GOCC concerned, as well as those covered by related sectors, and where a penalty of removal from office is is imposed, which finding of the administrative body has become final and executory;* *2. Determined by the Commission on Audit (COA) pursuant to a Notice of Disallowance which has become final and executory, to have, by virtue of their office, acquired or received a benefit or profit, of whatever kind or nature including, but not limited to, the acquisition of shares in corporations where the GOCC has an interest, using rights, options or properties of the GOCC for their own benefit, receiving*

Procedure	Process Adopted	Criteria
c. Permanent Disqualification		
		commission on contracts from the GOCC's assets, or taking advantage of corporate opportunities of the GOCC's, or 3. *Found to be culpable for a GOCC's insolvency, closure, or ceasure of operations, as determined by the GCG in consultation with the appropriate Government Agency;* • Directors and Officers of private corporations, or any person found by the GCG in consultation with the appropriate Government Agency, to be unfit for the position of Appointive Director because they were found administratively liable by such Government Agency for; 1. *A violation of laws, rules and regulations relevant to the sector of the GOCC concerned, as well as in related sectors; or* 2. *Any offense/violation involving dishonesty or breach of trust;* and which finding of such Government Agency has become final and executory.
d. Temporary Disqualification		
(i) Executive Directors (ii) Non-Executive Directors (iii) Independent Directors	As provided for in Article 3.3.2 of Revised Manual on Corporate Governance	• Refusal to comply with the disclosure requirements of SRC and its Implementing Rules and Regulations. The disqualification shall be in effect as long as the refusal persists; • Directors who have been absent or who have not participated for whatever reason in more in more than fifty (50) percent of all meetings, both regular and special, of the Board during the immediately preceding semester, or who failed to attend for whatever reasons at least twenty (20) percent of all board meetings in any year; • Dismissal or termination for cause as director of any corporation covered by SEC. The disqualification shall be in effect until he has cleared himself from any involvement in the cause that gave rise to his dismissal or termination; • If the beneficial equity ownership of an independent director or its subsidiaries and affiliates exceeds two (2) percent of its subscribed capital stock. The disqualification shall be lifted if the limit

Procedure	Process Adopted	Criteria
d. Temporary Disqualification		
		is later complied with; • If any of the judgments or orders cited in the grounds for permanent disqualification has not yet become final; • Persons who refused or failed to fully disclose the extent of their business interest or any material information to the appropriate agency, when required pursuant to the requirements of the SRC, or any other relevant provision of law, as well as when required by a circular, memorandum, rule or regulation, applicable to such institutions; and such disqualification shall be in effect as long as the refusal or failure persists; • Persons who are delinquent in the payment of their obligations as defined below: o Delinquency in the payment of obligations means the failure to pay according to the terms of the contracted obligation within at least sixty (60) days from formal demand; o Obligations shall include all borrowings obtained by: 1) a director for his/her own account or as a representative or agent of others or where he/she acts as a guarantor, endorser or surety for loans from such institutions; 2) the spouse or child under the parental authority of the director; 3) any person whose borrowings or loan proceeds were credited to the account of, or used for the benefit of a director; 4) a partnership in which a director, or his/her spouse, is the managing partner or a general partner owning a controlling interest in the partnership, and 5) a corporation, association or firm wholly-owned or majority of the capital of which is owned by any of the group of persons mentioned. • Persons who have been convicted in the first instance by a court for: o Any offense involving dishonesty or breach of trust such as, but not limited to, estafa, embezzlement, extortion, forgery, malversation, swindling, theft, robbery, falsification or bribery;

Procedure	Process Adopted	Criteria
d. Temporary Disqualification		
		○ A violation of the Bouncing Checks Law and the Anti-Graft and Corrupt Practices Act; ○ A violation of banking laws, rules and regulations; or ○ An offense where the penalty imposed is to serve a maximum term of imprisonment of more that six (6) years. But whose conviction has not yet become final and executory; provided that such temporary disqualification shall cease upon receipt of a certified true copy of a judgment amounting to an acquittal. • Persons with derogatory records as certified by, or on the official files of the Judiciary, the National Bureau of Investigation (NBI), the Philippine National Police (PNP), the Ombudsman, quasi-judicial bodies, other government agencies, international police, monetary authorities and similar agencies of foreign countries, for irregularities and violations of any law, rules and regulations that would adversely affect the reputation and integrity of the Director, of the ability to effectively discharge his/her duties. A temporarily disqualified director shall, within sixty (60) business days from such disqualification, take the appropriate action to remedy or correct the disqualification. If he fails or refuses to do so for unjustified reasons, the disqualification shall become permanent.
e. Removal		
(i) Executive Directors	Exexutive Directors and Non-Executive Directors representing the equity interest of the Government in the Company serve at the pleasure of and may be removed by the President of the Republic of the Philippines anytime.	
(ii) Non-Executive Directors		
(iii) Independent Directors		
f. Re-instatement		
(i) Executive Directors	The President of the Republic of the Philippines has the discretion to re-instate any Director to the PNCC Board representing the equity interest of the government in the Company.	
(ii) Non-Executive Directors		
(iii) Independent Directors		
g. Suspension		
(i) Executive Directors	The Company has not adopted a rule on suspension of Directors.	
(ii) Non-Executive Directors		
(iii) Independent Directors		

Voting Result of the last Annual General Meeting **NO MEETING HELD IN 2014**

Name of Director	Votes Received
N/A	**N/A**

6) Orientation and Education Program

(a) Disclose details of the company's orientation program for new directors, if any.

No new director was appointed in 2014.

(b) State any in-house training and external courses attended by Directors and Senior Management for the past three (3) years: 2012 to 2014

Name of Director/Officer	Date of Training	Program	Name of Training Institution
		None	None

(c) Continuing education programs for directors: programs and seminars and roundtables attended during the year. (2014)

Name of Director/Officer	Date of Training	Program	Name of Training Institution
Tomas S. Falgui II	November 28 – 29, 2013	Corporate Governance & Risk Management	Institute of Corporate Directors
Elpidio C. Jamora, Jr. Rosanna E. Velasco	March 6-7, 2014	Corporate Governance & Risk Management	Institute of Corporate Directors
Elpidio C. Jamora, Jr. Luis F. Sison Rosanna E. Velasco Rosendo T. Capco Tomas C. Falgui II Nora O. Vinluan	July 9-10, 2014	Board Director's Guide for Audit Committees	Center for Global Best Practices
Name of Director/Officer	Date of Training	Program	Name of Training Institution
Rosanna E. Velasco	September 5, 2014	Best Practices & Remedies to Avoid COA Disallowances	Center for Global Best Practices
Luis F. Sison	October 21, 2014	Corporate Governance Forum	Makati Business Club

<table>
<tr><th>Business Conduct & Ethics</th><th>Directors</th><th>Senior Management</th><th>Employees</th></tr>
<tr><td>(a) Conflict of Interest</td><td>As provided for in the Company's Revised Manual on Corporate Governance:
• A Director should not use his position to profit or gain some benefit or advantage for himself and/or his related interest.
• If an actual or potential conflict of interest may arise on the part of a director, he should fully and immediately disclose it and should not participate in the decision-making process.

As provided for in Section 27.1 of Code of Corporate Governance for GOCCs, GCG Circular Memorandum No. 2012-07:
• Directors and Officers shall at all times avoid any actual or potential conflict of interest with the GOCC. Each shall also avoid any conduct, or situation, which could reasonably be construed as creating an appearance of a conflict of interest

Any question about a Director's or Officer's actual or potential conflict of interest with the GOCC shall be brought promptly to the attention of the Chairman of the Board, who will review the question and determine an appropriate course of action.</td><td colspan="2">As provided for in the company's Codes of Conduct and Employee Discipline:

All employees shall not directly or indirectly participate for their personal gain in any business transaction or contact entered into by the company and shall strictly avoid conflict of interest in the performance of their functions. Conflict of interest is deemed to exist where a PNCC employe has or acquires a financial or other interest of a personal nature in any business enterprise or transaction in which he may be called upon to act (for example, to approve, recommend action, make a study, or make findings of fact) in a manner detrimental to the interest of the company by reason of his personal involvement in such business enterprise or transaction.</td></tr>
<tr><td>(b) Conduct of Business and Fair Dealings</td><td>As provided for in the Company's Revised Manual on Corporate Governance:
• A director should avoid situations that may compromise his impartiality.
• A director should carefully evaluate the issues and, if necessary, make inquiries and request clarification.</td><td colspan="2">As provided for in the company's Codes of Conduct and Employee Discipline:
• All employees shall remain truthful in dealing with their clients, superiors or subordinates at all times. They must act with justice and sincerity and shall not discriminate anyone. They shall act at all times respect the rights of others, and shall refrain from doing acts contrary to law, good morals, good customs, public policy, public order, public safety and public interest.</td></tr>
</table>

Business Conduct & Ethics	Directors	Senior Management	Employees
(b) Conduct of Business and Fair Dealings *(continued)*	*As provided for in Section 26 of Code of Corporate Governance for GOCCs, GCG Memorandum Circular 2012-07:* The fiduciary duty of diligence of Directors and Officers to always act in the best interest of the GOCC, with utmost good faith in all its dealings with the property and monies of the GOCC, includes the obligation to: • Exercise extraordinary diligence, skill and utmost good faith in the conduct of the business and in dealing with the properties of the GOCC, using the utmost diligence of a very cautious person with due regard to all the circumstances; • Apply sound business principles to ensure the financial soundness of the GOCC; and • Elect and/or employ only Officers who are fit and proper to hold such office with due regard to the qualifications, competence, experience and integrity	*As provided for in the company's Codes of Conduct and Employee Discipline:* • Officers and employees shall extend prompt, courteous and adequate service to the company's clients. • The Employee must make truthful representations regarding his rank/position at all times in all his official transactions and must perform any act pertaining to any person in authority in the Company only if he is being officially authorized to do so. • The Employee must observe proper conduct and courtesy and show respect towards his fellow employees, Company visitors, patrons/clients at any time within Company premises.	
(c) Receipt of gifts from third parties	*As provided for in Section 26 of Code ofCorporate Governance for GOCCs, GCG Memorandum Circular 2012-07:* *No Gift Policy.* A Director or Officer shall not solicit, nor accept, directly or indirectly, any gift, gratuity, favor, entertainment, loan or anything of monetary value ("Gift") from any person where such Gift: • Would be illegal or in violation of law; • Is part of an attempt or agreement to do anything in return; Has a value beyond what is normal and customary in the GOCC's business; • Is being made to influence the matter of Board's, or Officer's actions as such, or • Could create the appearance of a conflict of interest	*As provided for in the company's Codes of Conduct and Employee Discipline:* The Company prohibits all Employees of the following: • Soliciting or receiving money, gift or anything of value, from any person, personally or through the mediation of another, to perform an act prejudicial to the Company or as a condition for the performance of one's duty. Bribing, or offering money, gift or anything of value to any employee, personally of through mediation of another, to seek or qualify for preference, benefit or favorable condition of employment. Extorting/accepting bribes in cash or in kind from clients for personal gain.	

Business Conduct & Ethics	Directors	Senior Management	Employees
(d) Compliance with Laws & Regulations	*As provided for in the Company's Revised Manual on Corporate Governance:* • A director shall have a working knowledge of the statutory and regulatory requirements that affect the corporation, including its articles of incorporation and by-laws, the rules and regulations of the Commission and, where applicable, the requirements of relevant regulatory agencies. *As provided for in Section 25 of Code of_Corporate Governance for GOCCs, GCG Memorandum Circular 2012-07:* *Respect for and Obedience to the Constitution and the law.* – As Public Officials, a Director or Officer shall respect and obey the Constitution, and shall comply, and cause the GOCC to faithfully and timely comply, with all legal provisions, rules and regulations, and corporate governance standards, applicable to them and to the GOCC in which they serve, and to act within the bounds of their Charter, Articles of Incorporation and By-laws.	*As provided for in the company's Codes of Conduct and Employee Discipline:* All employees shall at all times respect the rights of others, and shall refrain from doing acts contrary to law, good morals, good customs, public policy, public order, public safety and public interest.	
(e) Respect for Trade Secrets/Use of Non-public Information	*As provided for in the Company's Revised Manual on Corporate Governance:* • A director should keep secure and confidential all non-public information he may acquire or learn by reason of his position as director. • He should not reveal confidential information to unauthorized persons without the authority of the Board. *As provided for in Section 30 of Code ofCorporate Governance for GOCCs, GCG Memorandum Circular 2012-07: Duty of Confidentiality.* Pursuant to their duties of diligence and loyalty, a member of the Board or an Officer shall not use or divulge confidential or classified information officially made known to them by reason of their	*As provided for in the company's Codes of Conduct and Employee Discipline:* The Company prohibits all employees from: • Losing or misplacing Company records or any other documents which cause prejudice to the Company • Knowingly submitting false, misleading or grossly inaccurate data or information about the work assigned to him as a result of neglect or failure to make proper research or inquiry causing prejudice to Company interest.	

Business Conduct & Ethics	Directors	Senior Management	Employees
	office and not made available to the public, either: (1) to further their private interests, or give undue advantage to anyone; or (2) which may prejudice the public interest.		
(f) Use of Company Funds, Assets and Information	*As provided for in Section 27 of Code of_Corporate Governance for GOCCs, GCG Memorandum Circular 2012-07:* The fiduciary duty of loyalty of Directors and Officers to always act in the best interest of the GOCC, with utmost good faith in all its dealings with the property and monies of the GOCC, includes the obligation to: (a) Act with utmost and undivided loyalty to the GOCC; (b) Avoid conflicts of interest and declare any interest they may have in any particular matter before the Board; and Avoid (1) taking for themselves opportunities related to the GOCC's business; (2) using the GOCC's property, information or position for personal gain; or (3) competing with the GOCC's business opportunities.	*As provided for in the company's Codes of Conduct and Employee Discipline:* The Employee who is accountable for or is entrusted with the custody, control, handling of company funds must use or appropriate said funds for legal or authorized purposes only.	
(g) Employment & Labor Laws & Policies	Not Applicable – No employee – employer relationship	All employees are expected to at all times respect the rights of others, and shall refrain from doing acts contrary to law, good morals, good customs, public policy, public order, public safety and public interest. The company and its senior management and employees must adhere to what is lawful, just, fair and resonalbe in all matters concerning hiring, recruitment, terms and conditions of employment, salaries and wages, working days, hours, promotions, transfers, and other matters relations to the employee and his job. The company, its senior management and its employees should commit to provide safe, healthy and harmonious working conditions, to treat everyone considerately and fairly, to uphold the dignity of the individual, to recognize their importance as an asset to the company and to recognize the employees' constitutional right to organize within legal bounds.	
(h) Disciplinary action	The GCG Code of Governance provides for the bases for disqualification, either permanent or temporary, of directors. It provides for the the bases for removal from office and for suspension. The President of the	The company prescribes a Code of Ethical Conduct and Personnel Discipline (CCED) to govern ethical behavior and commendable performance of its employees. Any infraction to the CCED will be subjected to thorough	

Business Conduct & Ethics	Directors	Senior Management	Employees
	Philippines, upon the recommendation of the GCG, appoints, re-appoints, suspends and removes directors of the company.	investigation by the Local Board, Administrative Board, Special Administrative Board or the Safety Committee, depending on the committed infraction. The same shall be meted with the appropriate penalty/ies in accordance with the company's Code of Discipline.	
(i) Whistle Blower	Any employee or non-employee can file a complaint against anybody in the Company whom he deems to have committed an infraction against himself or the company.		
(j) Conflict Resolution	The current system is to discuss/evaluate issues at the Board level. Failing resolution within the Board, opinion of OGCC/DOJ will be sought.		

1) Has the code of ethics or conduct been disseminated to all directors, senior management and employees?

   Yes, the PNCC Code of Conduct and Employee Discipline has been disseminated to all employees as this applies to them. On the other hand, the Revised Manual on Corporate Governance and Code of Corporate Governance for GOCCs – GCG Memorandum Circular No. 2012-07 have been disseminated to all Directors, as these are applicable to them.

2) Discuss how the company implements and monitors compliance with the code of ethics or conduct.

   The Code of Conduct and Employee Discipline provides for mechanisms to monitor adherence to the provisions thereof. These include not only the declaration of company principles on expected behavior and conduct on all aspects of corporate activities, but also the clearly defined disciplinary measures on any infraction thereon. The following are also provided for: Jurisdiction of various Administrative Boards, the Procedure to be followed in Prosecuting Administrative Cases, Provisions on Preventive Suspension and in the Imposition of Penalties. All these have promoted the implementation of the provisions of the Code of Conduct in the company.

3) Related Party Transactions
   (a) Policies and Procedures

   Describethecompany's policies and procedures for the review, approval or ratification, monitoring and recording of related party transactions between and among the company and its parent, joint ventures, subsidiaries, associates, affiliates, substantial stockholders, officers and directors, including their spouses, children and dependent siblings and parents and of interlocking director relationships of members of the Board.

   It is an avowed policy of the Company that all transactions between the Company and Related parties are carried out with integrity and transparency.

Related Party Transactions	Policies and Procedures
(1) Parent Company	The company does not have any parent company, and is in fact the parent company of its various subsidiaries.
(2) Joint Ventures	All joint venture agreements in relation to tollways franchise under P.D. 1894 is approved by the Board of Directors. Any supplemental agreement and/or amendments, or restatements of the existing Joint Venture Agreements are likewise approved by the Board of Directors. The NegotiatingCommittees_created by the Board negotiate the terms of the joint venture agreement, which are then submitted to the Board for approval and ratification. Before the agreement is signed by PNCC, this is first referred for review by the Office of Government Corporate Counsel

Related Party Transactions	Policies and Procedures
	(OGCC), its statutory counsel, prior to signing thereof. The Board of Directors then designates the President and/or the Chairman of the Board to sign, execute and deliver the said agreements and/or amendments, supplements or restatements. All such agreements stipulate that the approval of the President of the Philippines is required to be valid and binding.
(3) Subsidiaries (4) Entities Under Common Control (5) Substantial Stockholders (6) Officers including spouse/children/siblings/parents (7) Directors including spouse/children/siblings/parents (8) Interlocking director relationship of Board of Directors	All other bidded contracts/agreements for projects: - Up to₱500K for approval of the President/CEO - Over₱500Kshall be recommended by President/CEO for approval of the Board - All agreements shall be signed by the President/CEO

(b) Conflict of Interest

(i) Directors/Officers and 5% or more Shareholders

Identify any actual or probable conflict of interest to which directors/officers/5% or more shareholders may be involved.

Related Party Transactions	Details of Conflict of Interest (Actual or Probable)
Name of Director/s	
1. Elpidio C. Jamora, Jr.	**No related party transaction with /among subject directors**
2. Luis F. Sison	
3. Antonio C. Pido	
4. Rosendo T. Capco	
5. Nora O. Vinluan	
6. Cristino L. Panlilio	
7. Rosanna E. Velasco	
8. Elisea G. Gozun	
9. Robert G. Vergara	
10. Tomas C. Alvarez	
11. Tomas C. Falgui II	
12. Toni Angeli V. Coo (*Ex-Officio*)	
Name of Officer/s	
1. Janice Day E. Alejandrino	**No related party transaction with subject officers**
2. Miriam M. Pasetes	
3. Yolanda C. Mortel	
4. Susan R. Vales	
5. Henry B. Salazar	
6. Felix M. Erece, Jr.	**Mr. Erece is a shareholder of AHEAD which has a lease contract with the company.**
Name of Significant Shareholders	**No known related party transaction with significant shareholders**

(ii) Mechanism

Describe the mechanism laid down to detect, determine and resolve any possible conflict of interest between the company and/or its group and their directors, officers and significant shareholders.

	Directors/Officers/Significant Shareholders
Company	**Regular discussion/resolution of issues that are coming up; Office of Government Corporate Counsel (OGCC), the company's statutory legal counsel and Department of Justice (DOJ) are consulted on issues. However, in cases of unsettled issues, the same are elevated to the DOJ, OGCC, Office of the Solicitor General (OSG) and regular courts as the case may be.**
Group *(This pertains to Directors, officers and significant shareholders)*	

	Directors/Officers/Significant Shareholders
Company Group *(This pertains to Directors, officers and significant shareholders)*	**In compliance with disclosure requirements of related accounting standards and the Securities Regulation Code reporting requirements, we properly disclose to the public all material information, through detailed disclosures provided in the related Notes to financial statements (Note 30. Related Party Transactions) and Sec Form 17-A, Annual Report.**

4) Family, Commercial and Contractual Relations

(a) Indicate, if applicable, any relation of a family,[3] commercial, contractual or business nature that exists between the holders of significant equity (5% or more), to the extent that they are known to the company:

Names of Related Significant Shareholders	Type of Relationship	Brief Description of the Relationship
There is nothing to report.		

(b) Indicate, if applicable, any relation of a commercial, contractual or business nature that exists between the holders of significant equity (5% or more) and the company:

Names of Related Significant Shareholders	Type of Relationship	Brief Description
There is nothing to report.		

(c) Indicate any shareholder agreements that may impact on the control, ownership and strategic direction of the company:

Name of Shareholders	% of Capital Stock affected (Parties)	Brief Description of the Transaction
The Company is not aware of any person holding more than 5% of the shares of the Company under a voting trust or similar agreement which may result in a change in control of the Company.		

[3] Family relationship up to the fourth civil degree either by consanguinity or affinity.

5) Alternative Dispute Resolution

Describe the alternative dispute resolution system adopted by the company for the last three (3) years in amicably settling conflicts or differences between the corporation and its stockholders, and the corporation and third parties, including regulatory authorities.

	Alternative Dispute Resolution System
Corporation & Stockholders	The Board of Directors shall establish an alternative dispute resolution system in the corporation that can amicably settle conflicts or differences between the corporation and its stockholders, and the corporation and third parties, including the regulatory authorities. *Article 3.4.2.11 of Revised Manual on Corporate Governance*
Corporation & Third Parties	
Corporation & Regulatory Authorities	

B. BOARD MEETINGS& ATTENDANCE

1) Are Board of Directors' meetings scheduled before or at the beginning of the year?

YES

2) Attendance of Directors

Board	Name	Date of Election	No. of Meetings Held during the year	No. of Meetings Attended	%
Chairman	Elpidio C. Jamora, Jr.	09/30/2013	16	16	100%
Member	Luis F. Sison	01/11/2011	16	15	94%
Member	Tomas C. Alvarez	01/11/2011	16	14	88%
Member	Rosendo T. Capco	01/11/2011	16	16	100%
Member	Tomas C. Falgui, II	10/08/2013	16	9	56%
Member	Elisea G. Gozun	10/14/2013	16	8	50%
Member	Cristino L. Panlilio	09/30/2013	16	15	94%
Member	Antonio C. Pido	01/11/2011	16	14	88%
Member	Rosanna E. Velasco	09/30/2013	16	14	88%
Member	Robert G. Vergara	10/14/2013	16	10	63%
Member	Nora O. Vinluan	01/11/2011	16	16	100%
Ex-Officio	Toni Angeli V. Coo	01/20/2014	16	-	-

3) Do non-executive directors have a separate meeting during the year without the presence of any executive? If yes, how many times? **NONE**

4) Is the minimum quorum requirement for Board decisions set at two-thirds of board members? Please explain.

No. As provided for in Section 5.07 of Corporation's By-Laws, "A majority of the Directors shall constitute a quorum at any meeting but if less, the meeting may be adjourned from time to time, and the meeting may be continued as adjourned without further notice; unless a quorum is constituted at the meeting, no business may be transacted."

5) Access to Information

(a) How many days in advance are board papers[4] for board of directors meetings provided to the board? **At least 3 days before the actual meeting**

[4]Board papers consist of complete and adequate information about the matters to be taken in the board meeting. Information includes the background or explanation on matters brought before the Board, disclosures, budgets, forecasts and internal financial documents.

(b) Do board members have independent access to Management and the Corporate Secretary?
YES.

(c) State the policy of the role of the company secretary. Does such role include assisting the Chairman in preparing the board agenda, facilitating training of directors, keeping directors updated regarding any relevant statutory and regulatory changes, etc?

As stated in Section 7.08 of the Corporation's By-Laws, the Corporate Secretary shall have the following powers and duties:

1) **He shall keep accurate minutes of all meetings of the stockholders of the Board, and of the Executive Committee, and shall attend tothe giving of all notices required by the By-Laws to be given.**
2) **He shall be the custodian of the corporate seal, stock certificate books, stock and transfer books, records, documents, and papers of the Corporation, prepare ballots for the annual elections and keep a complete and up-to-date list of the stockholders and their addresses**

The Revised Manual on Corporate Governance enumerates the following responsibilities of the Corporate Secretary:

1) **Be responsible for the safekeeping and preservation of the integrity of the minutes of the meetings of the Board and its committees, as well as the other official records of the corporation;**
2) **Be loyal to the mission, vision and objectives of the corporation;**
3) **Work fairly and objectively with the Board, Management and stockholders and stakeholders;**
4) **Have appropriate administrative and interpersonal skills;**
5) **If he is not at the same time the corporation's legal counsel, be aware of the laws, rules and regulations necessary in the performance of his duties and responsibilities;**
6) **Have a working knowledge of the operations of the corporation;**
7) **Inform members of the Board of the agenda of their meetings and ensure that the members have before them accurate information that will enable them to arrive at intelligent decisions on matters that require their approval;**
8) **Attend all Board meetings, except when justifiable causes, such as illness, death in the immediate family and serious accidents, prevent him from doing so;**
9) **Ensure that all Board procedures, rules and regulations are strictly followed by members;**
10) **If he is also the Compliance Officer, perform all the duties and responsibilities of the said officer as provided for in this Code; and**
11) **Submit to the Commission, on of before January 30 of the following year, a sworn certification about the directors' record of attendance in Board meetings. The certification may be submitted through SEC Form 17-C in a separate filing.**

The Code of Corporate Governance for GOCCs provides the following responsibilities of the Corporate Secretary:

1) **Serve as an adviser to the Board Members on their responsibilities and obligations;**
2) **Keep the minutes of meetings of the shareholders, the Board, the Executive Committee, and all other committees in a book or books kept for that purpose, and furnish copies thereof to the Chairman, the CEO and other members of the Board as appropriate;**
3) **Keep in safe custody the seal of the GOCC and affix it to any instrument requiring the same;**
4) **For stock GOCCs, have charge of the stock certificate book and such other books and papers as the Board may direct;**
5) **Attend to the giving and serving of notices of Board and shareholder meetings, if applicable;**
6) **Be fully informed and be part of the scheduling process of other activities of the Board;**
7) **Receive instructions from the Chairman on the preparation of an annual schedule, the calling of Board meetings, the preparation of regular agenda for meetings, and notifying the Board of such agenda at every meeting;**
8) **Oversee the adequate flow of information to the Board prior to meetings; and**
9) **Ensure fulfillment of disclosure requirements to regulatory bodies.**

(d) Is the company secretary trained in legal, accountancy or company secretarial practices? Please explain should the answer be in the negative.

YES

(e) Committee Procedures

Disclose whether there is a procedure that Directors can avail of to enable them to get information necessary to be able to prepare in advance for the meetings of different committees:

Yes [X]   No [ ]

Committee	Details of the procedures
Executive	1. For information that may require preparation for such, a Director may directly write the concerned personnel through the President; 2. Request for a copy of documents, a Director may fill-out the Document Request Form for the release of needed documents.
Audit	
Nomination	
Remuneration	
Others (specify)	

6) External Advice

Indicate whether or not a procedure exists whereby directors can receive external advice and, if so, provide details:

Generally, the members, either individually or as a Board, in furtherance of their duties and responsibilities, may access independent professional advice at the company's expense, subject to the approval of the Board of Directors.

Procedures	Details
Seek legal advice/opinion	Refer to the Office of the Government Corporate Counsel for advice and guidance on possible legality or implications
Seek independent opinion on financial matters and related regulatory concerns	Refer to the external auditors for proper guidance on the correct accounting treatment and other financial statement disclosure requirements

Change/s in existing policies

Existing Policies	Changes	Reason
NONE	**NONE**	**NONE**

C. REMUNERATION MATTERS

1) Remuneration Process

Process	CEO	Top 4 Highest Paid Management Officers
(1) Fixed remuneration	**Board Approval**	
(2) Variable remuneration		
(3) Per diem allowance	**N/A**	**N/A**
(4) Bonus	**Board Approval**	
(5) Stock Options and other financial instruments		
(6) Others (specify)		

2) Remuneration Policy and Structure for Executive and Non-Executive Directors

	Remuneration Policy	Structure of Compensation Packages	How Compensation is Calculated
Executive Directors	Follows Company's salary structure and benefit packages	Compensation / salary package is composed of basic salary pay plus allowances.	Directors who assume executive positions follow the salary structure in place for corresponding positions.
Executive Directors, Non-Executive Directors	The Board adopts and complies with Executive (E.O.) 24, series of 2011, prescribing rules to govern the compensation of members of the board of directors.	Effective 01 June 2013, the Governance Commission for Government Owned or Controlled Corporation (GOCC), in its letter dated 27 May 2013 determined PNCC to be under classification "D". The entitlement of the members of the Board of Directors for actual attendance of meeting are as follows: <u>Board Meetings</u>: **₱10,000.00** per meeting but not to exceed the maximum annual amount of **₱240,000.00** <u>Committee meetings:</u> **₱6,000.00** per meeting but not to exceed the maximum annual amount of **₱144,000.00**	
		The Directors furthermore are each entitled to the following: <u>Transportation & Gasoline Allowance</u> **₱20,000.00** per month subject to submission of receipts, including normal/ordinary vehicle maintenance costs and gasoline expenses but not to exceed **₱240,000.00** per annum <u>Meals and Representation Allowance</u> **₱20,000.00** per month subject to submission of receipts, but not to exceed **₱240,000.00** per annum	

	Remuneration Policy	Structure of Compensation Packages	How Compensation is Calculated
		Effective July 21, 2014, the Board resolved to amend the previous resolutions on the matter of Directors' reimbursable representation, transportation and communication expenses, as follows: Transportation & Gasoline Allowance — **₱1,000.00** per meeting but not to exceed **₱5,000** per month subject to submission of receipts Communication Allowance — **₱2,000.00** per month but not to exceed **₱24,000**per annum subject to submission of telephone/cellphone bills or receipts for cellphone loads	

Do stockholders have the opportunity to approve the decision on total remuneration (fees, allowances, benefits-in-kind and other emoluments) of board of directors? Provide details for the last three (3) years.

NO. The Company has not held any stockholders' meeting for the last three years. Executive Order # 24, series of 2011 has been adopted by the Board as to govern the directors' compensation.

Remuneration Scheme	Date of Stockholders' Approval
NO	**No stockholder's meeting was held for the last three years**

3) Aggregate Remuneration

Complete the following table on the aggregate remuneration accrued during the most recent year:

Remuneration Item	Executive Directors	Non-Executive Directors (other than independent directors)	Independent Directors
(a) Fixed Remuneration	**₱4,504,356.00**	**N/A**	**N/A**
(b) Variable Remuneration	**N/A**	**N/A**	**N/A**
(c) Per diem Allowance	**₱226,000.00**	**₱1,908,000.00**	**N/A**
(d) Bonuses	**₱385,363.00**	**N/A**	**N/A**
(e) Stock Options and/or other financialinstruments	**N/A**	**N/A**	**N/A**
(f) Others (Specify) Gas & Driver Allowance	**₱160,000.00**	**N/A**	**N/A**
Total	**₱5,275,719.00**	**₱1,908,000.00**	**N/A**

Other Benefits	Executive Directors	Non-Executive Director (other than independent directors)	Independent Directors
(a) Advances	N/A	N/A	N/A
(b) Credit granted	N/A	N/A	N/A
(c) Pension Plan/sContributions	N/A	N/A	N/A
(d) Pension Plans, Obligationsincurred	N/A	N/A	N/A
(e) Accident / Life Insurance Premium	₱1,020.00	₱8,593.00	N/A
(f) Hospitalization Plan (HMO)	₱106,051.00	₱321,810.00	N/A
(g) Car Plan	N/A	N/A	N/A
(h) Others (Specify) Reimbursables: Representation Transportation Communication Rice Subsidy Clothing Allowance	 ₱62,800.00 ₱219,046.00 ₱97,668.00 ₱18,000.00 ₱4,000.00	 ₱5,594.00 ₱260,771.00 ₱32,483.00	N/A
Total	₱508,585.00	₱629,251.00	

(d) Stock Rights, Options and Warrants

(a) Board of Directors

Director's Name	Number of Direct Option/Rights/ Warrants	Number of Indirect Option/Rights/ Warrants	Number of Equivalent Shares	Total % from Capital Stock
N/A	N/A	N/A	N/A	N/A

(b) Amendments of Incentive Programs

Incentive Program	Amendments	Date of Stockholders' Approval
N/A	N/A	N/A

(e) Remuneration of Management

Identify the five (5) members of management who are not at the same time executive directors and indicate the total remuneration received during the financial year:

Name of Officer/Position	Total Remuneration
Senior Management as a group (Senior Vice President, Vice President and Assistant Vice President)*	**₱9,754,123.89**

**includes the following officers:*
1. *Janice Day E. Alejandrino*
2. *Miriam M. Pasetes*
3. *Yolanda C. Mortel*
4. *Susan R. Vales*
5. *Henry B. Salazar*

D. BOARD COMMITTEES

1) Number of Members, Functions and Responsibilities

Provide details on the number of members of each committee, its functions, key responsibilities and the power/authority delegated to it by the Board: **Refer to Annex "A"**

2) Committee Members

(a) Executive Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	**The Company has not set up an Executive Committee starting 2013. Specific board committees are already in place with their respective oversight role on key business areas and each reporting to the Board on significant matters arising from their respective areas of responsibility.**					
Member (ED)						
Member						

(b) Audit & Finance Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Joint Audit/Finance Committee						
Audit Committee (November 20, 2013 to July 21, 2014)						
Chairman	Rosanna E. Velasco	09/30/2013	5	5	100%	1
Member (NED)	Tomas C. Alvarez	01/11/2011	5	5	100%	4
	Cristino L. Panlilio	09/30/2013	5	4	80%	1
Member (Ex-officio)	Luis F. Sison	01/11/2011	5	3	60%	4
	Elpidio E. Jamora, Jr.	09/30/2013	5	2	40%	1
Finance Committee (November 20, 2013 to July 21, 2014)						
Chairman	Cristino L. Panlilio	09/30/2013				1
Member (NED)	Rosanna E. Velasco	09/30/2013				1
	Nora O. Vinluan	01/11/2011	5	5	100%	4
Member (Ex-officio)	Luis F. Sison	01/11/2011				4
	Elpidio E. Jamora, Jr.	09/30/2013				1

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Audit Committee (July 21, 2014 to present)						
Chairman	Rosanna E. Velasco	09/30/2013	6	6	100%	1
Member (NED)	Tomas C. Alvarez	01/11/2011	6	4	66.7%	4
	Nora O. Vinluan	01/11/2011	6	6	100%	4
Member (Ex-officio)	Luis F. Sison	01/11/2011	6	1	16.7%	4
	Elpidio E. Jamora, Jr.	09/30/2013	6	2	33.3%	1
Finance Committee (July 21, 2014 to present)						
Chairman	Cristino L. Panlilio	09/30/2013	4	4	100%	1
Member (NED)	Rosendo T. Capco	01/11/2011	4	4	100%	1
	Toni Angeli V. Coo	01/20/2014	4	4	100%	1
Member (Ex-officio)	Luis F. Sison	01/11/2011	4	1	25%	4
	Elpidio E. Jamora, Jr.	09/30/2013	4	2	50%	1

PROFILE OF THE AUDIT COMMITTEE MEMBERS

ROSANNA E. VELASCO

Director since September 30, 2013 and Chairman of Audit Committee since November 20, 2013, member of Finance Committee since November 20, 2013 until July 21,2014

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

TOMAS C. ALVAREZ

Director since January 2011 to present, Chairman of Audit Committee since January 2011 until November 2013 and remains as member of the Audit Committee until 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.

NORA S. VINLUAN

Director, January 2011 to present

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

PROFILE OF THE FINANCE COMMITTEE MEMBERS

CRISTINO L. PANLILIO

Director since September 30, 2013 and Chairman of Finance Committee since November 20, 2013 member of Audit Committee since November 20, 2013 until July 21,2014

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

ROSENDO T. CAPCO

Director, 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 1999-2001. He was elected twice as Mayor of the Municipality of Pateros – for terms 2001-2004 & 2004-2007. He is presently a Managing Partner of the Capco, Campanilla & Santos Law Firm. He earned his B.S. Business Administration degree in 1972 & his Bachelor of Laws degree in 1977 from the University of the East. He passed the Philippine Bar in the 1978.

TONI ANGELI V. COO

Ex-Officio Director, January 20, 2014 to present

PROFILE OF THE AUDIT & FINANCE COMMITTEE EX-OFFICIO MEMBERS

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.

ELPIDIO C. JAMORA, JR.

Chairman of the Board of Directors since September 30, 2013 to present

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

Audit Committee's responsibility relative to the external auditors

The Audit Committee shall endorse to the Board the financial statements audited by COA.

(c) Nomination Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
N/A	**N/A**					

(d) Remuneration/Compensation Committee

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Tomas C. Falguill[a]	10/08/2013				1yr
Member (NED)	Elisea G. Gozun[a]	10/14/2013				1yr
	Rosendo T. Capco[a]	01/11/2011				1 yr
Ex-officio	Toni Angeli V. Coo[a]	01/20/2014				1 yr

Legend:
[a]Appointed as member of the committee on January 20, 2014

(e) Others – **Legal Committee**

Provide the same information on all other committees constituted by the Board of Directors:

Office	Name	Date of Appointment	No. of Meetings Held	No. of Meetings Attended	%	Length of Service in the Committee
Chairman	Antonio C. Pido	01/11/2011	5	5	100%	3 yrs
Member (NED)	Rosendo T. Capco	01/11/2011	5	5	100%	3yrs
Member (Ex-Officio)	Luis F. Sison	01/11/2011	5	4	80%	3yrs
	Elpidio C. Jamora, Jr.	09/30/2013	5	4	80%	1 yr

3) Changes in Committee Members

Indicate any changes in committee membership that occurred during the year and the reason for the changes:

Name of Committee	Name	Reason
Executive	**N/A**	**N/A**
Audit	**Nora O. Vinluan**	**Replaced Dir. Cristino L. Panlilio as member**
Finance	**Rosendo T. Capco**	**Replaced Dir. Nora O. Vinluan as member**
	Toni Angeli V. Coo	**Replaced Dir. Rosanna E. Velasco as member**
Nomination	**N/A**	**N/A**
Remuneration	**Tomas C. Falgui II**	**Replaced Dir. TomasG. Aquino as Chairman**
	Elisea G. Gozun	**Replaced Dir. Elmer C. Hernandez as member**
	Rosendo T. Capco	**Replaced Dir. Jose Vicente C. Bengzon as member**
	Toni Angeli V. Coo	**Additional ex-officio member**
Others (specify)		

4) Work Done and Issues Addressed

Describe the work done by each committee and the significant issues addressed during the year.

REFERTO ANNEX "B"

5) Committee Program

Provide a list of programs that each committee planstoundertake to address relevant issues in the improvement or enforcement of effective governance for the coming year.

REFERTO ANNEX "C"

E. RISK MANAGEMENT SYSTEM

1) **The incumbent Board does not have a Risk Management Committee. However, the Audit Committee's function already includes the assessment and management of enterprise risks. As provided for in Section 16.3 of Code of Corporate Governance for the GOCC sector, it does not preclude the Governing Board of the GOCC from combining the functions of the committees into such combinations that will best serve the interest of the GOCC.**

2) Risk Policy

(a) Company

Give a general description of the company's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

The main risk arising from the Company's financial instruments is liquidity risk. The Board of Directors and management review and approve the policies for managing this risk.

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

(b) Group

Give a general description of the Group's risk management policy, setting out and assessing the risk/s covered by the system (ranked according to priority), along with the objective behind the policy for each kind of risk:

Risk Exposure	Risk Management Policy	Objective
This is not applicable since the Company has no identified Group.		

(c) Minority Shareholders

Indicate the principal risk of the exercise of controlling shareholders' voting power.

Risk to Minority Shareholders
There is nothing to report.

3) Control System Set Up

a. Company

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
Liquidity Risk	**Monitors its risk to shortage of funds through monthly evaluation of the projected and actual cash flow information**	**Coordinates with appropriate Board Committee should any matter relating to this be referred ti them by Management for policy formulation and implementation by Management.**

b. Group

Risk Exposure	Risk Assessment (Monitoring and Measurement Process)	Risk Management and Control (Structures, Procedures, Actions Taken)
There is nothing to report.		

c. Committee

Identify the committee or any other body of corporate governance in charge of laying down and supervising these control mechanism, and give details of its functions:

Committee/Unit	Control Mechanism	Details of its Functions
Audit and Finance Committee	**Assists the Board in the development and oversight of the company's risk management program**	**Generally oversees the risk management process to be an integral part of planning and operations of the Company to meet corporate goals and objectives**
	Assists the Board in fulfilling its oversight responsibilities for financial reporting process, system of internal control, audit process	**Responsible for recommending the report of external auditors to the Board; monitor the system of internal controls**

F. INTERNAL AUDIT AND CONTROL

1) Internal Control System

(a) While policies are set by the Board, Management is primarily responsible for the implementation and maintenance of the internal control system of the Company. The Board through its Audit Committee oversees the actions of Management and monitors the effectiveness of the Internal Control System put in place. Recommendations are provided by Management and/or the Board, and in some cases by the External Auditor – Commission on Audit (COA) to address certain issues and concerns of the Company.

(b) The Board established an internal audit system that can reasonably assure the Board, Management and stockholders that the company's key organizational and operational controls are faithfully complied with, effective and adequate.

(c) Period covered by the review –year 2014;

(d) The Board reviews the internal controls on a yearly basis.

2) Internal Audit

(a) Role, Scope and Internal Audit Function

Role	Scope	Indicate whether In-house or Outsource Internal Audit Function	Name of Chief Internal Auditor/Auditing Firm	Reporting process
Provides reliable and timely analysis, appraisals, recommendations and pertinent comments on the conformance / compliance of financial and business operations to established laws, norms, controls, rules and regulations to determine their integrity, effectivity and efficiency	• Compliance with established prevailing government policies, plans, procedures, rules and regulations • Corporate assets and other resources • Reliability and integrity of the financial and operating information	No Internal Auditor has been appointed to date		Submits report to the Audit Committee for their review and recommends resolution

(b) Do the appointment and/or removal of the Internal Auditor or the accounting /auditing firm or corporation to which the internal audit function is outsourced require the approval of the audit committee?
YES

(c) **The Board has established and identified the reporting line of the Internal Auditor to enable him to properly fulfill his duties and responsibilities. He shall functionally report directly to the Audit Committee. The Audit Committee shall ensure that, in the performance of the work of the Internal Auditor, he shall be free from interference by outside parties.**

(d) Resignation, Re-assignment and Reasons

Name of Audit Staff	Reason
N/A	**N/A**

(e) Progress against Plans, Issues, Findings and Examination Trends

State the internal audit's progress against plans, significant issues, significant findings and examination trends.

Progress Against Plans	**Whenever applicable, the company adopts audit recommendations on issues and findings by the Commission on Audit, since no Internal Auditor has been appointed to date.**
Issues[5]	
Findings[6]	
Examination Trends	

[5]"Issues" are compliance matters that arise from adopting different interpretations.
[6]"Findings" are those with concrete basis under the company's policies and rules.

(f) Audit Control Policies and Procedures

Disclose all internal audit controls, policies and procedures that have been established by the company and the result of an assessment as to whether the established controls, policies and procedures have been implemented under the column "Implementation."

Policies & Procedures	Implementation
Manages activities to ascertain the extent of compliance with established prevailing government policies, plans, procedures, rules and regulations	**Whenever applicable, the company adopts audit recommendations on issues and findings by the Commission on Audit, since no Internal Auditor has been appointed to date.**
Ascertains the extent to which assets and other resources of the company are properly accounted for and safeguarded from loss or abuse	
Reviews the degree of reliability and integrity of the financial and operating information developed within the company	
Appraising the economy and efficiency with which company resources are employed and develops / recommend effective controls at reasonable costs	
Reviewing the operations and programs to ascertain whether results consistent with established management objectives and whether the operations or programs are being carried out as planned	

(g) Mechanisms and Safeguards

State the mechanism established by the company to safeguard the independence of the auditors, financial analysts, investment banks and rating agencies (example, restrictions on trading in the company's shares and imposition of internal approval procedures for these transactions, limitation on the non-audit services that an external auditor may provide to the company):

Auditors (Internal and External)	Financial Analysts	Investment Banks	Rating Agencies
As a GOCC, the financial statements of PNCC is statutorily mandated to be audited by COA. PNCC does not engage the service of Financial Analysts and Investment Banks. Trading of the Company's shares in the Philipine Stock Exchange has been suspended since May 2008.			

(h) Chairman Elpidio C. Jamora, Jr. and President Luis F. Sison are the officers who will have to attest to the company's full compliance with the SEC Code of Corporate Governance.

G. ROLE OF STAKEHOLDERS

1) **Company's policy and activities relative to the following:**

	Policy	Activities
Customers' welfare	The PHILIPPINE NATIONAL CONSTRUCTION CORPORATION is committed to provide full client satisfaction through quality, safe and timely completion of infrastructure projects, delivery of products and services, and to operate its tollway system by providing safe and convenient travel for its users.	Continuously adopt an effective and efficient quality management system.
	Section 37 of Code of Corporate Governance for GOCCs – GCG Memorandum Circular 2012-07 provides: Integrity and honesty in dealings with customers is necessary for a successful and sustained business relationship. Every GOCC should operate a highly effective and efficient organization, focused on meeting customer objectives with the aim of providing services which give fair value and consistent quality, reliability and safety in return for the price paid for the same. GOCCs should operate policies of continuous improvement, of both processes and the skills of the staff, to take best advantage of advances in all aspect of society in order to ensure that it continues to add value to its customers' businesses.	Strong lines of communication with customers through email, comments/suggestions link in the company's website
Supplier/contractor selection practice	The selection/accreditation of supplier/contractors/sub-contractors is necessary to ensure the development of a pool of competent supplier/ contractors/ sub-contractors for all types of work that may be undertaken / subcontracted by the company.	Periodic revalidation of previously accredited contractors/subcontractors to ensure the maintenance of the contractors/subcontractors' pool.
	Section 38 of Code of Corporate Governance for GOCCs – GCG Memorandum Circular 2012-07 provides: As with other relationships with the Stakeholders, GOCCs should aim to develop relationships and improve networking with business partners and suppliers, the best combination of state-of-the-art technology and world class service, strong customer relations and deep industry knowledge and experience, together with the capacity to implement and deliver value-added solutions on time and within budget.	

	Policy	Activities
Environmentally friendly value-chain Community interaction	The company's efforts are focused on its assistance with other government agencies and local government unit programs	The company participates in other government agencies and local government units related projects undertaken from time to time through donations, sponsorship.
Anti-corruption programmes and procedures?	The Company does not condone any dishonest, unethical or unprofessional behavior and actions displayed by an employee, regardless of his/her level of authority. It is the responsibility of each employee to report legitimate concerns so that issues can be properly investigated or resolved and corrective measures can be instituted. These concerns may involve commission of fraud, teft or corruption, unauthorized use of Company funds and properties.	Concerns may be raised in writing to the (Human Resource) Asset Management and Administration Division while concerns involving the APMD (HRAD) head should be raised to the President and CEO while complaints concerning the President and CEO shall be raised to the Chairman of the Board of Directors. Management shall maintain the confidentiality of the all the concerns or complaints raised and the anonymity of the person makng the complaint to the fullest extent.
Safeguarding creditors' rights	The company manages its cash and investment position to meet its obligations arising from its operations and other financial liabilities.	The company's excess cash is invested in high yield savings account and special savings account. All valid claims are settled judiciously as aprt of the company's commitment to its clients.

2) **The company has no separate corporate responsibility (CR) report/section or sustainability report/section since the suspension of operations of PNCC Foundation, Inc., the corporate responsibility arm of the company.**

3) Performance-enhancing mechanisms for employee participation.

(b) Company's policy for its employees' safety, health, and welfare

PNCC commits to safeguard the safety and health of its employees, contractors and the general public and to preserve the environment in undertaking its operations and activities.

(c) Data relating to health, safety and welfare of its employees

	ACTIVITIES	INCLUSIVE DATES
1.	Yearly formation of Corporate Safety, Health and Environment Committee	January 8, 2014
2.	Periodic SHE meeting	On-going
3.	Orientation of newly hired employees	On-going
4.	Safety Awareness Orientation of DCBGSIRna Group	February 12, 2014
5	Issuance of Guidelines for Fire/Earthquake Emergency	March 10, 2014
6.	Fire/Emergency Brigade Orientation	March 13, 2014
7.	PAGASA's New Rainfall and Flood Warning System Orientation	June 10, 2014
8.	Prohibition of Pets Inside Company Premises	September 18, 2014
9.	Submission of DOLE/BWC Requirements	September 24, 2014

(d) **The company has no provision in the Corporate Operating Budget for the year 2014 for training.** Attendance in training has been on a case by case basis, and as required by relevant regulatory bodies.

(e) **The company's reward/compensation policy that accounts for the performance of the company beyond short-term financial measures has been put on hold.**

4) What are the company's procedures for handling complaints by employees concerning illegal (including corruption) and unethical behaviour? Explain how employees are protected from retaliation.

H. DISCLOSURE AND TRANSPARENCY

1) Ownership Structure

(b) Holding 5% shareholding or more

Shareholder	Number of Shares	Percent	Beneficial Owner
Republic of the Philippines thru PMO*	**126,256,145**	**55.33%**	**Record owner is also beneficial owner**
Government Service Insurance System	**47,490,383**	**20.79%**	**Record owner is also beneficial owner**
Universal Holdings Corp.	**24,780,746**	**10.85%**	**Record owner is also beneficial owner**

Name of Senior Management	Number of Direct shares	Number of Indirect shares / Through (name of record owner)	% of Capital Stock
N/A	**N/A**	**N/A**	

2) Does the Annual Report disclose the following:

Key risks	**YES**
Corporate objectives	**YES**
Financial performance indicators	**YES**
Non-financial performance indicators	**YES**
Dividend policy	**YES**
Details of whistle-blowing policy	**YES**
Biographical details (at least age, qualifications, date of first appointment, relevant experience, and any other directorships of listed companies) of directors/commissioners	**YES**
Training and/or continuing education programme attended by each director/commissioner	**YES**
Number of board of directors/commissioners meetings held during the year	**YES**
Attendance details of each director/commissioner in respect of meetings held	**YES**
Details of remuneration of the CEO and each member of the board of directors/commissioners	**YES**

3) External Auditor's fee

Name of auditor	Audit Fee	Non-audit Fee
Commission on Audit	**₱ 2,487,475.00 annually**	**N/A**

4) Medium of Communication

The company utilizes the following modes of communication for dissemination information : memoranda, email, telephone (mobile & landline), corporate website, print ad.

5) The Commission on Audit has not released yet the audited financial report for 2013.

6) Company Website

Does the company have a website disclosing up-to-date information about the following?

Business operations	**YES**
Financial statements/reports (current and prior years)	**YES**
Materials provided in briefings to analysts and media	**YES**
Shareholding structure	**YES**
Group corporate structure	**YES**
Downloadable annual report	**YES**
Notice of AGM and/or EGM	**YES**
Company's constitution (company's by-laws, memorandum and articles of association)	**YES**

7) **Disclosure of RPT entered into by the Company in the past three (3) years**

RPT	Relationship	Nature	Value
Alabang Sto. Tomas Development, Inc.	**Stockholder**	**Subscription Agreement**	
DISC Contractors, Bulders, & Gen. Services, Inc.	**Subsidiary**	**Janitorial Services**	**₱2.320M (for 2014)**
		Contract for Driver/mechanic	**₱0.935M (for 2014)**

When RPTs are involved, what processes are in place to address them in the manner that will safeguard the interest of the company and in particular of its minority shareholders and other stakeholders?

All related party transactions are fully disclosed to the Board of Directors. Contracts and agreements are done in the regular course of business and conducted on an arm's length basis, negotiated based on prevailing commercial terms and approved by the Board of Directors. None of the Company's shareholders are granted special privileges or concessions.

I. RIGHTS OF STOCKHOLDERS

1) Right to participate effectively in and vote in Annual/Special Stockholders' Meetings

(a) Quorum

Quorum Required	A majority of the outstanding capital stock, represented in person, or by proxy, shall constitute a quorum at any meeting of shareholders

(b) System Used to Approve Corporate Acts

Explain the system used to approve corporate acts.

System Used	By voting during stockholders meeting
Description	Majority rule

(c) Stockholders' Rights

List any Stockholders'Rights concerning Annual/SpecialStockholders' Meeting that differ from those laid down in the Corporation Code.

Stockholders' Rights under The Corporation Code	Stockholders' Rights not in The Corporation Code
NONE	NONE

Dividends

The company has not declared any dividend for the year 2014.

Declaration Date	Record Date	Payment Date
N/A	**N/A**	**N/A**

(d) Stockholders' Participation

1. On March 17, 2014, during a regular board meeting, the holding of Annual Stockholders' Meeting (ASM) for 2014 was postponed to a later date to be announced later, after the financial statements for the year 2013 shall have been completed. Since then, no new date was scheduled for the ASM.

Measures Adopted	Communication Procedure
Sending out of SEC Form 20 – IS	**Via courier**

2. State the company policy of asking shareholders to actively participate in corporate decisions regarding:
   a. Amendments to the company's constitution **N/A**
   b. Authorization of additional shares **N/A**
   c. Transfer of all or substantially all assets, which in effect results in the sale of the company **N/A**

3. Does the company observe a minimum of 21 business days for giving out of notices to the AGM where items to be resolved by shareholders are taken up? **Yes**

   a. Date of sending out notices: **N/A**

   b. Date of the Annual/Special Stockholders' Meeting:_**No meeting was held in 2014, as explained earlier.**

3. State, if any, questions and answers during the Annual/Special Stockholders' Meeting.

4. Result of Annual/Special Stockholders' Meeting's Resolutions

Resolution	Approving	Dissenting	Abstaining
N/A	**N/A**	**N/A**	**N/A**

5. Date of publishing of the result of the votes taken during the most recent AGM for all resolutions: **N/A**

(e) Modifications

State, if any, the modifications made in the Annual/SpecialStockholders' Meeting regulations during the most recent year and the reason for such modification:

Modifications	Reason for Modification
N/A	N/A

(f) Stockholders' Attendance

(i) Details of Attendance in the Annual/Special Stockholders' Meeting Held:

Type of Meeting	Names of Board members / Officers present	Date of Meeting	Voting Procedure (by poll, show of hands, etc.)	% of SH Attending in Person	% of SH in Proxy	Total % of SH attendance
Annual	N/A	N/A	N/A	N/A	N/A	N/A
Special	N/A	N/A	N/A	N/A	N/A	N/A

(ii) Does the company appoint an independent party (inspectors) to count and/or validate the votes at the ASM/SSMs? **N/A**

(iii) Do the company's common shares carry one vote for one share? If not, disclose and give reasons for any divergence to this standard. Where the company has more than one class of shares, describe the voting rights attached to each class of shares.**N/A**

(g) Proxy Voting Policies

State the policies followed by the company regarding proxy voting in the Annual/Special Stockholders' Meeting.

	Company's Policies
Execution and acceptance of proxies Notary Submission of Proxy Several Proxies Validity of Proxy Proxies executed abroad Invalidated Proxy Validation of Proxy Violation of Proxy	**At all meetings of the stockholders, a stockholder may vote by proxy executed in writing by the stockholder or by his duly authorized attorney-in-fact, only on forms prescribed by the Board of Directors and sealed with the Corporate seal that, at his request, shall be furnished to him by the Secretary of the Corporation, who shall keep a record of all stockholders to whom proxy forms have been issued. Such proxies should be acknowledged before the Secretary of the Corporation or a notary public, and shall be filed with the Secretary at least three (3) business days before the meeting.** **Shares standing in the name of another corporation may be voted by such officer, agent or proxy as the By-Laws of such provision, as the Board of Directors of such Corporation may, by resolution determine. A certificate of the Secretary of such corporation attesting to the vote authority of the officer, agent or proxy to vote the stock standing in its name shall be conclusive on the right to vote said shares.** **Shares held by an administrator, executor, guardian or judicial trustee may be voted by him, either in person or by proxy, without a transfer of such shares in his name, upon presentation to the Secretary of the certified true copy of the letters of administration, testamentary guardianship or trusteeship duly issued to him. Share standing in the name of the voting trust or trustee may be voted by him, either in person or by proxy, but no such trustee shall be entitled to vote shares held by him without a transfer of such shares in his name.**

(h) Sending of Notices

State the company's policies and procedureonthe sending of notices of Annual/SpecialStockholders'Meeting.

Policies / Procedure
Notice of the annual or any special meeting of the stockholders shall be sent by registered mail, and shall be considered complete upon deposit in the Post Office at least five (5) days before such meeting postage prepaid, addressed to each stockholder at his last known place of residence appearing on the books of the Corporation, in a sealed envelope containing written or printed notice stating the date, hour and place of such meeting; and is a special meeting also the purpose or purposes for which it is called. Failure of or defect in the notice shall not invalidate any annual meeting of the stockholders or any of the proceedings had thereat, if the business transacted at such meeting is within the powers of the corporation and all the stockholders of the Corporation are present or represented at the meeting; and any defect in the notice or failure to state the purpose or purposes for which a special meeting is called shall not invalidate the same except when so provided by law, and all statements of purposes shall not be deemed exclusive, but any matter may be taken up in such meetings, unless otherwise required by law.

(i) Definitive Information Statements and Management Report

Number of Stockholders entitled to receive Definitive Information Statements and Management Report and Other Materials	4,814 (As of December 31, 2014)
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by market participants/certain beneficial owners	N/A
Date of Actual Distribution of Definitive Information Statement and Management Report and Other Materials held by stockholders	N/A
State whether CD format or hard copies were distributed	N/A
If yes, indicate whether requesting stockholders were provided hard copies	N/A

(j) Does the Notice of Annual/Special Stockholders' Meeting include the following:

Each resolution to be taken up deals with only one item.	**N/A**
Profiles of directors (at least age, qualification, date of first appointment, experience, and directorships in other listed companies) nominated for election/re-election.	**N/A**
The auditors to be appointed or re-appointed.	**N/A**
An explanation of the dividend policy, if any dividend is to be declared.	**N/A**
The amount payable for final dividends.	**N/A**
Documents required for proxy vote.	**N/A**

Should any of the foregoing information be not disclosed, please indicate the reason thereto.

2) Treatment of Minority Stockholders

(a) **Company's policies with respect to the treatment of minority stockholders**

Policies	Implementation
Voting Right – Shareholders shall have the right to elect, remove and replace directors and vote on certain corporate acts in accordance with the Corporation Code.	Cumulative voting shall be used in the election of directors
Pre-emptive Right – All stockholders shall have pre-emptive rights in accordance with law, unless the same is denied in the Articles of Incorporation or an amendment thereto. They shall have the right to subscribe to the capital stock of the corporation. The Articles of Incorporation shall lay down the specific rights and powers of stockholders with respect to the particular shares they hold, all of which shall be protected by law so long as they shall not be in conflict with the Corporation Code.	

Policies	Implementation
Power of Inspection – all stockholders shall be allowed to inspect corporate books and records including minutes of the Board meetings and stock registries in accordance with the Corporation Code and shall be furnished with annual reports, including financial statements, without cost or restrictions.	
Right to information – The stockholders shall be provided, upon request, with specific reports which disclose personal and professional information about the directors and officers and certain other matters such as their holdings of the corporation's share, dealings with the corporation, relationship among directors and key officers and the aggregate compensation of directors and officers. The minority stockholder shall have access to any and all information relating to matters for which the management is accountable for. If not included, then the minority stockholders shall be allowed to propose such matters in the agenda of a stockholders' meeting, being within the definition of "legitimate purposes" and in accordance with law, jurisprudence and best practice.	
Right to Dividends – stockholders shall have the right to receive dividends subject to the discretion of the Board	• The corporation shall be compelled to declare dividends when its retained earnings shall be in excess of 100% of its paid-up capital stock, except: a) when justified by definite corporate expansion projects or programs approved by the Board or b) when the corporation is prohibited under any loan agreement with any financial institution or creditor, whether local or foreign, from declaring dividends without its consent, and such consent has not been secured: or c) when it can be clearly shown that such retention is necessary under special circumstances
Appraisal Right– Any stockholder of the Registrant shall have the right to dissent and demand payment of the fair value of his shares only in the following instances, as provided by the Corporation Code: (1) In case any amendment to the articles of incorporation has the effect of changing or restricting the rights of any stockholder or class of shares or of authorizing preferences in any respect superior to those outstanding shares of any class, or of extending or shortening the term of corporate existence; (2) In case of sale, lease, exchange, transfer, mortgage, pledge or other disposition of all or substantially all of the corporate property	The appraisal right when available, may be exercised by any stockholder who shall have voted against the proposed corporate action, by making a written demand on the corporation within thirty (30) days after the date on which the vote was taken, for payment of the fair value of his shares; Provided, That failure to make the demand within such period shall be deemed a waiver of the appraisal right. A stockholder must have voted against the proposed corporate action in order to avail himself of the appraisal right. If the proposed corporate action is implemented or effected, the corporation shall pay to such stockholder upon surrender of his certificate(s) of stock representing his shares, the fair value thereof as of the day prior to the

Policies	Implementation
and assets; (2) In case of merger or consolidation; and (3) In case of investments in another corporation, business or purpose.	date on which the vote was taken, excluding any appreciation or depreciation in anticipation of such corporate action. If within a period of sixty (60) days from the date the corporate action was approved by the stockholders, the withdrawing stockholder and the corporation cannot agree on the fair value of the shares, it shall be determined and appraised by three (3) disinterested persons, one of whom shall be named by the stockholder, another by the corporation and the third by the two thus chosen. The findings of the majority of appraisers shall be final, and their award shall be paid by the corporation within thirty (30) days after such award is made: Provided, that no payment shall be made to any dissenting stockholder unless the corporation has unrestricted retained earnings in its books to cover such payment; and Provided, Further, That upon payment by the corporation of the agreed or awarded price, the stockholder shall forthwith transfer his shares to the corporation.

(b) Do minority stockholders have a right to nominate candidates for board of directors? **YES**

J. INVESTORS RELATIONS PROGRAM

1) **The company establish a standard procedure for internal communication at various levels and functions within the organization 1) to receive, document, respond and control the relevant communication issues from and for external interested parties and 2) ensure prompt and appropriate delivery of information and attendant action. The Office of the President reviews major company announcements and disclosure and submitted for approval of the Board.**

2) Describe the company's investor relations program including its communications strategy to promote effective communication with its stockholders, other stakeholders and the public in general. Disclose the contact details (e.g. telephone, fax and email) of the officer responsible for investor relations.

	Details
(1) Objectives	• To establish a standard procedure for internal communication at various levels and functions within the organization • To provide procedure in receiving, documenting, responding and controlling of relevant communication issues from and for external interested parties • Ensure prompt and appropriate delivery of information and attendant action
(2) Principles	
(3) Modes of Communications	Email, letter, print ad, telephone
(4) Investors Relations Officer	Luis F. Sison, President & CEO Email Address : president@pncc.ph Office Address : PNCC Complex, KM 15 East Service Rd., Bicutan, Paranaque City Telephone No.: 8460209 / 8463045

3) What are the company's rules and procedures governing the acquisition of corporate control in the capital markets, and extraordinary transactions such as mergers, and sales of substantial portions of corporate assets? **N/A**

Name of the independent party the board of directors of the company appointed to evaluate the fairness of the transaction price. **N/A**

K. CORPORATE SOCIAL RESPONSIBILITY INITIATIVES

Since the suspension of operations of PNCC Foundation, Inc. which is responsible for addressing the Corporate Social Responsibility of the company, community involvement and environment-related programs have been put on hold. However, the Company has maintained corporate social responsibility initiatives, although not in the level previously undertaken. The company has sponsored some government projects, as follows:

Initiative	Beneficiary
There is nothing to report.	

L. BOARD, DIRECTOR, COMMITTEE AND CEO APPRAISAL

Process followed and criteria used in assessing the annual performance of the board and its committees, individual director, and the CEO/President

	Process	Criteria
Board of Directors	Adherence to Corporate Governance guidelines and best practices	Guidelines set by Phil. Stocks Exchange Guidelines set by Governance Commission for Government Owned and Controlled Corporation
Board Committees		
Individual Directors		
CEO/President		

INTERNAL BREACHES AND SANCTIONS

Internal policies on sanctions imposed for any violation or breach of the corporate governance manual involving directors, officers, management and employees

Violations	Sanctions
Violation of any of the provision of the Revised Manual on Corporate Governance	• First violation, subject person shall be reprimanded • Suspension from office shall be imposed in case of a second violation. The duration of the suspension shall depend on the gravity of the violation • For a third violation, the maximum penalty of removal from office shall be imposed. The commission of a third violation by any member of the Board of the Corporation or its subsidiaries and affiliates shall be sufficient cause for removal from directorship, subject to the provisions of the Corporation Code.

Pursuant to the requirement of the Securities and Exchange Commission, this Annual Corporate Governance Report is signed on behalf of the registrant by the undersigned, thereunto duly authorized, in the City of Parañaque City on January30, 2014.

SIGNATURES

ELPIDIO C. JAMORA, JR.
(Signature over Printed Name)
Chairman of the Board

LUIS F. SISON
(Signature over Printed Name)
President / Chief Executive Officer

***
(Signature over Printed Name)
Independent Director

***
(Signature over Printed Name)
Independent Director

JANICE DAY E. ALEJANDRINO
(Signature over Printed Name)
Compliance Officer

***** No stockholders' meeting was held in 2014 thus no Independent Director had been elected.**

SUBSCRIBED AND SWORN to before me this ______ day of JAN 3 0 2015 20__, affiant(s) exhibiting to me their QUEZON CITY, as follows:

NAME	GOVT ID NO	DATE OF ISSUE	PLACE OF ISSUE
ELPIDIO C. JAMORA, JR	DL#3-88-06378	01-25-2012	MANILA
LUIS F. SISON/	SC ID No. 3926	05-29-2009	MUNTINLUPA CITY
JANICE DAY E. ALEJANDRINO	SSS # 03-3911310-5	-	-

NOTARY PUBLIC

ATTY. TOMAS F. DULAY JR.
NOTARY PUBLIC
UNTIL DECEMBER 31, 2015
PTR NO. 0561161 / 01-[illegible]-2015-QUEZON CITY
IBP NO. 967495 / 01-05-2015-QUEZON CITY
ROLL NO. [illegible] / 03-13-1961
TIN: [illegible]
MCLE EXEMPTED NO. 000838

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ANNEX "A" - **Number of Members, Functions and Responsibilities**

Committee	No. of Members			Committee Charter	Functions	Key Responsibilities	Power
	Executive Director (ED)	Non-executive Director (NED)	Independent Director (ID)				
Executive	N/A	N/A	N/A	N/A	N/A		
Audit		3		RMCG	• Assist the Board in the performance of its oversight responsibility for the financial reporting process, system of internal control, audit process, and monitoring of compliance with applicable laws, rules and regulations • Provide oversight over Management's activities in managing credit, market, liquidity, operational, legal and other risks of the corporation; shall include regular receipt from Management of information on risk exposures and risk management activities • Perform oversight functions over corporation's internal and external auditors; ensures that the internal and external auditors act independently from each other, and that both auditors are given unrestricted access to all records, properties and personnel to enable them to perform their respective audit functions • Review the annual internal audit plan to ensure its conformity with the objectives of the corporation • Discuss with the external auditor the nature, scope and expenses of the audit and ensure proper coordination if more than one audit firm is involved in the activity to secure proper coverage and minimize duplication of efforts • Organize an internal audit department and consider the appointment of an independent internal auditor and the terms and condition of its engagement and removal • Monitor and evaluate the adequacy and effectiveness of the corporation's internal control system, including financial reporting control and information technology security • Review the reports submitted by the internal and external auditors • Review the quarterly, half-year and annual financial statements before their submission to the Board • Coordinate, monitor and facilitate compliance with laws, rules and regulations		Recommendatory for the approval of the Board

Committee	No. of Members			Committee Charter	Functions	Key Responsibilities	Power
	Executive Director (ED)	Non-executive Director (NED)	Independent Director (ID)				
Audit		3		RMCG	• Evaluate and determine the non-audit work, if any, of the external auditor, and review periodically the non-audit fees paid to the external auditors in relation to their significance to the total annual income of the external auditor against the corporation's overall consultancy expenses. • Establish and identify the reporting line of the internal auditor to enable him to properly fulfill his duties and responsibilities		
Nomination		3		RMCG	• Review and evaluate the qualifications of all persons nominated to the Board and other appointments that require Board approval • Assess the effectiveness of the Board's processes and procedures in the election or replacement of directors		
Remuneration		3		RMCG	• Establish a formal and transparent procedure for developing a policy on remuneration of directors and officers to ensure that their compensation is consistent with the corporation's culture, strategy and the business environment in which it operates • Designate the amount of remuneration which shall be in sufficient level to attract and retain directors and officers who are needed to run the company successfully, subject to approval of the Board • Develop a form on Full Business Interest Disclosure as part of pre-employment requirements for all incoming officers, which, among others, shall compel all officers to declare under the penalty of perjury all their existing business interests or shareholdings that may directly or indirectly conflict in their performance of the duties once hired • Disallow any director to decide his or her own remuneration • Provide in the Corporation's annual reports the information and proxy statement disclosure of all fixed and variable compensation that may be paid, directly or indirectly to its directors and top four (4) management officers during the preceding fiscal year Review of existing Human Resources Development or Personnel Handbook to strengthen provisions on conflict of interest, salaries and benefits policies, promotion and career advancement		

Committee	No. of Members			Committee Charter	Functions	Key Responsibilities	Power
	Executive Director (ED)	Non-executive Director (NED)	Independent Director (ID)				
Legal Committee		2		RMCG	• Review legal issues that affect the company • Review with Management and/or company's Legal counsel any legal matters (including status of pending litigation) that could have a material impact on the company's financials operation • Review compliance with applicable laws and regulations and any material reports or inquiries from regulatory or government agencies		

***RMCG – Revised Manual on Corporate Governance**

ANNEX "B" - **Work Done and Issues Addressed**

Name of Committee	Work Done	Issues Addressed
Audit / Finance Compensation Legal Negotiation	• Resolved to accept the 26% compromise profit from the contract engineering design relative to the Daang Hari-SLEX Link Road Project, as mandated by DPWH Department	• To address COA AOM on profit margins allowable in government projects
	• Resolved to approve the Financial Statements for 2013 prepared by Management for submission to the Commission on Audit for audit purposes	• To comply with statutory requirement of governing bodies
	• Resolved to approve the renewal of the Directors and Officers Liability Insurance coverage for 2014 with GSIS in the improved amount from ₱5M to ₱10M	• To protect the company and its directors and officers against the cost of litigation and liability in the course of performing the official acts of its governing Board and Management.
	• Resolved to affirm, confirm and approve the per diems received by each of the members of the Negotiating Committee for Stage 3 Project, in excess of the P50,000 budget fixed by the Board as per diem for each member	• To reasonably compensate for the work done by the Negotiating Committee
	• Resolved to confirm the authority of the Corporate Secretary/Legal Officer to appear at the Mediation Center – Courts of Appeals in relation to the case of Ernesto Valentin, et al. vs PNCC and other related cases pending before the NLRC and other divisions of the Court of Appeals	• To manifest that compromise settlement may not be possible in the said case in view of the amount involved
	• Resolved to authorize the President to enter into a Contract of Lease Extension with Ley Construction and Development Corporation over a 2.4 has. Portion of PNCC's property at the FCA	• Come up of the best terms that is most beneficial to the company
	• Resolved to substitute PNCC as the party complainant in the cases now pending preliminary investigation with the office of the Ombudsman against former PNCC Board members, and to authorize PNCC management to amend the relevant complaint-affidavit without leave of court to change the party-complainant from Atty. Sison to PNCC	• It is proper to amend the party complainant since PNCC is the real party in interest to prosecute the case against the respondents

Name of Committee	Work Done	Issues Addressed
Audit / Finance Compensation Legal Negotiation	• Recommended to authorize the President to dispose of the PNCC property located at Jovellar, Albay in accordance with the Decision of the Provincial Adjudicator of the Department of Agrarian Reform (DAR)	• To finally settle the legal issue in regard to the said property
	• Recommended to agree and conform to the Letter of Agreement and Acceptance of Terms entered into by PNCC with Metro Pacific Tollways Development Corporation and Manila North Tollways Corporation for the project	• Come up with a proposal that is most beneficial to the company
	• Recommended to enter into any agreement, and/or amendments, supplements or restatements, of the Supplement to the Business and Joint Venture Agreement for the implementation of the project with PT Citra Lamtoro Gung Persada, or its assignee or designated party, of the usufruct for the construction, operation and maintenance of the project	• Come up with a proposal that is most beneficial to the company
	• Recommended to confirm the authority of the President to enter into and sign the Restated Supplement to the Business and Joint Venture Agreement with the JV partner for the implementation of the project and the assignment of usufruct for the construction, operation and maintenance of the project	• Come up with a proposal that is most beneficial to the company
	• Resolved to make representation with the proper Committee in the House of Representatives to take a position to the proposed amendment of PD 1894 in House Bill No. 3951	• To study what legal remedies are available to PNCC for the proposed amendment
	• Resolved to amend the Board's previous resolutions on the matter of Director's reimbursable representation, transportation expenses and communication expenses	• To observe austerity measures being implemented by the Company
	• Resolved to approve PNCC's Revised Manual on Corporate Governance series of 2014	• To adopt Sec prescribed amendments pursuant to Sec Memo Circular No. 9, s. 2014 • To be consistent with commitments made in the 2013 Annual Corporate Governance Report.
	• Resolved to approved the Revised Signing Authorities Manual of 2014	• To update Manual of Signing Authorities

ANNEX "C" – **Committee Programs**

Name of Committee	Planned Programs	Issues to be Addressed
Executive	N/A	N/A
Audit / Finance	• Review of Corporate Operations Budget and Financial Statements • Prepare Audit Plan for 2015	• Compliance with SEC, PSE and BIR
Nomination	• Review of qualifications of Independent Directors	• Compliance with PSE & SEC
Compensation		
Legal	• Review of legal issues on matters for Board deliberation before presentation to the Board	