



**PHILIPPINE NATIONAL
CONSTRUCTION CORPORATION**

17 April 2013
CIO-RSD-016-2013L

MS. JANET ENCARNACION
Head, Disclosure Department
Philippine Stock Exchange
3rd Floor, Philippine Stock Exchange Plaza
Ayala Triangle, Ayala Ave., Makati City

Dear Ms. Encarnacion,

Please see attached the SEC Form 17Q – 2011 1st Quarter Report of Philippine National Construction Corporation filed with the Securities and Exchange Commission on April 17, 2013.

Very truly yours,


ROSALYN S. DELIVIOS
Corporate Information Officer

COVER SHEET

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

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

(Company's Full Name)

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

ATTY. JOSE A. BERNAS
Contact Person

822-57-25
Company Telephone Number

1 2 3 1
Month Day
Fiscal Year

1 7 Q
FORM TYPE

Month Day
Annual Meeting

Secondary License Type If Applicable

Dept. Requiring this Doc

Amended Article Number / Section

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel Concerned

File Number

LCU

Document ID

Cashier

STAMPS



SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-Q

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

1. For quarterly period ended March 31, 2011
2. SEC Identification Number 30939 BIR Tax Identification No. 410-000-058-V
3. Exact name of registrant as specified in its charter
PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
4. Metro Manila, Philippine Province, Country or other jurisdiction
6. (SEC Use Only)
Industry Classification Code:
7. PNCC Complex, KM. 15, East Service Road, Bicutan, Parañaque City
8. (02) 846-3045 Fax: 846-1395
Registrant's telephone number, including area code
9. _____
Former name, former address and former year, if changed last report
10. Securities registered pursuant to Sections 4 and 8 of the RSA

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

Note:

The Philippine Construction Corporation (PNCC) has 141,519,380 shares (99,444,759 common shares and 42,074,621 preferred shares) issued to different Government Financial Institution in 1983. For purposes of registration of said shares, PNCC with Feria Law offices as consultant filed its Amended Registration Statement ON 15 August 2001. On December 19, 2001, SEC, under Resolution No. 726, Series of 2001 ruled that the equity securities of PNCC are exempt from registration requirements in accordance with Section 9.1 of the Securities Regulation Code.

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

Yes

No

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

PHILIPPINE STOCK EXCHANGE (PSE)

12. Indicate by check mark whether the registrant:

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

Yes

No

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

Yes

No

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

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

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

PART II – OTHER INFORMATION

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

PART 1 - FINANCIAL INFORMATION

(Item 1 - Financial Statements)

(Item 1.1 - Statement of Financial Position)

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
STATEMENT OF FINANCIAL POSITION

As of March 31, 2011

With comparative figures as of December 31, 2010

(In Thousand Pesos)

	March 31 2011	December 31 2010
ASSETS		
Current Assets		
Cash and cash equivalents	P 345,842	P 377,909
Advances and other receivables, net	1,594,842	1,534,049
Inventories	9,396	10,397
Prepayments	19,074	16,839
Total Current Assets	1,969,154	1,938,188
Noncurrent Assets		
Investments	266,504	266,504
Investment property, net	6,616,007	6,630,415
Property and equipment, net	949,521	951,861
Deferred charges and other assets	16,822	14,572
Assets for Write off	9,615,422	9,615,422
Allowance for losses	(9,615,422)	(9,615,422)
Total Noncurrent Assets	7,848,854	7,863,352
	P 9,818,008	P 9,801,540
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	P 317,382	P 331,760
Accrued costs and other payables	316,856	322,828
Due to the National Government and its Instrumentalities	7,554,593	7,491,817
Total Current Liabilities	8,188,831	8,146,405
Noncurrent Liabilities		
Loans payable, net of current portion		-
Advances from clients	23,341	44,092
Total Noncurrent Liabilities	23,341	44,092
Stockholders' Equity		
Capital stock	2,283,758	2,283,758
Capital in excess of par value	46,329	46,329
Revaluation increment in property	898,661	898,661
Equity adjustments	5,551,726	5,551,726
Treasury Stocks	(16,892)	(16,892)
Subscription Receivable	(56,159)	(56,159)
Deficit	(7,101,587)	(7,096,380)
Total Stockholders' Equity	1,605,836	1,611,043
	P 9,818,008	P 9,801,540

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION

Aging Schedule of Receivables and Advances

As of March 31, 2011
(In Thousand Pesos)

	Amount	Current	PAST DUE				
			01-30	31-60	61-90	91-120	OVER 120
01. Unbilled contract receivable	65,262	11,866	10,888	11,537	18,996	11,975	-
02. Billed contract receivable	80,180	-	-	-	-	12,262	67,928
03. Contract retention receivable	2,755	-	-	-	-	-	2,755
04. Accounts receivable - trade	0	-	-	-	-	-	-
05. Accounts receivable/payable - subs. and aff.	136,190	629	700	795	963	896	132,217
06. Accounts receivable - officers and employees	243,735	419	95	15	2,291	119	240,796
07. Claims receivable	65,051	-	-	-	-	-	65,051
08. Other accounts receivable	839,647	73,845	36,139	36,383	40,430	36,837	616,013
09. Advances to suppliers	714	642	30	20	22	-	-
10. Advances to subcontractor	9,465	35	215	139	148	579	8,349
11. Advances to Contract Owner	0	-	-	-	-	-	-
12. Advances for SSS/ECC benefits	27	19	2	6	-	-	-
Sub-total	1,443,026	87,455	48,069	48,895	62,840	62,658	1,133,109
13. Advances to joint venture	74,022	-	-	-	-	-	-
14. Advances to cesla	30	-	-	-	-	-	-
15. Advances to Bureau of Treasury	150,000	-	-	-	-	-	-
16. Input tax	21,763	-	-	-	-	-	-
17. Output tax	(22,283)	-	-	-	-	-	-
18. Deferred input tax	3,172	-	-	-	-	-	-
19. Deferred output tax	(71,895)	-	-	-	-	-	-
20. Inter-unit accounts payable	(2,983)	-	-	-	-	-	-
Sub-total	151,816	-	-	-	-	-	-
Total	1,594,842	-	-	-	-	-	-

PART 1 - FINANCIAL INFORMATION

(Item 1 - Financial Statements)
(Item 1.2 - Statement of Income)**PHILIPPINE NATIONAL CONSTRUCTION CORPORATION**
STATEMENT OF COMPREHENSIVE INCOMEFor the First Quarter of 2011 and 2010
(In Thousand Pesos)

	January to March	
	2011	2010
REVENUES		
Construction income	P 34,290	P 50,133
Share in Joint Venture Companies' gross revenue	104,022	95,700
Tollways income	-	233,522
	138,312	379,355
COSTS AND EXPENSES		
Construction costs	25,750	36,267
Tollways costs	-	85,795
	25,750	122,062
GROSS MARGIN	112,562	257,293
GENERAL AND ADMINISTRATIVE OVERHEAD	91,733	97,201
INCOME(LOSS) FROM OPERATIONS	20,829	160,092
OTHER INCOME (CHARGES):		
Interest and financing charges	(62,785)	(77,016)
Rental income	4,844	5,148
Interest income	2,228	7,442
Other income	28	24,550
	(55,685)	(39,876)
NET INCOME (LOSS)	P (34,856)	P 120,216
Earnings (loss) per share:		
(a) income (loss)	(0.20)	0.69
(b) number of outstanding common shares	174,444,749	174,444,749

PART 1 - FINANCIAL INFORMATION

(Item 1 - Financial Statements)

(Item 1.3 - Statement of Changes in Equity)

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
STATEMENT OF CHANGES IN EQUITY

 For the First Quarter of 2011 and 2010
 (In Thousand Pesos)

	January to March	
	2011	2010
CAPITAL STOCK		
Issued/Subscribed:		
Balance at the beginning of the year	P 2,283,758	P 2,283,758
Issuance during the year	-	-
Exercise of stock option	-	-
Balance at the end of the quarter	2,283,758	2,283,758
Capital in Excess of Par Value:		
Balance at the beginning of the year	46,329	46,329
Premium on exercised stock options	-	-
Balance at the end of the quarter	46,329	46,329
Subscription Receivable		
Balance at the beginning of the year	(56,159)	(56,159)
Exercise of stock option	-	-
Collections	-	-
Balance at the end of the quarter	(56,159)	(56,159)
Treasury Stock		
	(16,892)	(16,892)
	2,257,036	2,257,036
REVALUATION INCREMENT IN PROPERTY		
Balance at the beginning of the year	898,661	13,501,602
Appraisal increase	-	6,565,819
Realization of the revaluation surplus	-	(306,278)
Adjustment (over/under take-up)	-	(10,217,899)
Balance at the end of the quarter	898,661	9,543,244
EQUITY ADJUSTMENTS:		
From translation	-	2,037,688
Under rehab plan-loans transferred to Nat'l Gov't	-	597,640
On liabilities recommended for write-off	5,551,726	5,551,727
On loss of assets	-	(9,615,422)
Balance at the end of the quarter	5,551,726	(1,428,367)
RETAINED EARNINGS:		
Balance at the beginning of the year	(7,096,381)	(1,511,639)
Net income (loss)	(34,856)	120,216
Correction of prior years' earnings	29,650	(50,710)
Balance at the end of the quarter	(7,101,587)	(1,442,133)
STOCKHOLDERS' EQUITY	P 1,605,836	P 8,929,780

PART 1 - FINANCIAL INFORMATION

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

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
STATEMENT OF CASH FLOWS

For the First Quarter of 2011 and 2010
(In Thousand Pesos)

	January to March	
	2011	2010
CASH FLOW FROM OPERATING ACTIVITIES:		
Cash receipts from customers:		
Toll collections	P -	P 233,522
Revenue share	8,014	
Rental	1,816	3,249
Others	58,909	6,152
	<u>68,739</u>	<u>242,923</u>
Cash paid to suppliers	(58,728)	(134,611)
Cash paid to employees/directors/consultants	(44,548)	(148,687)
Cash generated from operations	(34,537)	(40,375)
Penalties paid		
Interests paid		
Income tax paid		
Net cash flows provided by (used in) operating activities	(34,537)	(40,375)
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(191)	(9,928)
Proceeds from sale of fixed assets/scrap materials	-	-
Interests received	2,378	5,745
Dividends received	289	20,576
Net cash flows provided by (used in) investing activities	2,476	16,393
CASH FLOW FROM FINANCING ACTIVITIES:		
Payment of loan:		
Principal	-	(12,500)
Interests	-	(9,074)
Penalties	-	-
Others	-	(5,678)
Net cash flows provided by (used in) financing activities	-	(27,252)
NET DECREASE (DECREASE) IN CASH AND CASH EQUIVALENT	(32,061)	(51,234)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	377,903	1,097,409
CASH AND CASH EQUIVALENTS AT END OF FIRST QUARTER	345,842	1,046,175

Item 1.5 Earnings (loss) Per Share

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

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

The interim financial statements of the Philippine National Construction Corporation are prepared in conformity with the accounting principles generally accepted in the Philippines under the historical cost basis, except for expressways and property and equipment accounts which are carried at revalued amounts. The financial statements are presented in Philippine peso, which is the company's functional and presentation currency. The amounts are rounded off to the nearest thousand pesos.

Item 1.7 Notes to Financial Statements

1.7.a Accounting Policies and Methods

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

1.7.a.2 *The Company has adopted some relevant and applicable standards, but is still in the process of preparing its financial statements in full compliance with the Philippine Financial Reporting Standards.*

1.7.a.3 Revenue Recognition

Tollway income consists mainly of toll collections in connection with the franchise granted to the Company to construct, maintain, and operate toll facilities in the North and South Luzon Tollway. These revenues are no longer recorded in the books pursuant to the Supreme Court decision in the Ernesto B. Francisco vs. TRB, PNCC et.al. and in the Strategic Alliance Development Corporation vs. Radstock Securities Limited et.al. cases.

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

1.7.a.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.

1.7.a.5 Inventories

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

1.7.a.6 Investments

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

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

1.7.a.7 Investment Property

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

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

1.7.a.8 Property and Equipment

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

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

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

1.7 a.9 Revaluation Increment in Property

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

1.7 a.10 Subscription Receivables

Subscription receivables represent the unpaid amount due from the subscribers on subscriptions of shares of the company stock, the due dates of which are by agreement of valid call by the Board of Directors. As of the reporting quarter, there was no call made by the Board of Directors for the unpaid subscriptions.

1.7 a.11 Borrowing Costs

Borrowing costs are expenses as incurred.

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

- Not applicable -

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

The Prepayments account in the amount of P19.074 million as of the first quarter of 2011 increased by P3.235 million or 20.42%, when compared to the P15.839 million as of December 31, 2010. The said increase represents payment of group hospitalization insurance for the period February 23, 2011 to February 22, 2012.

The increase of P2.25 million or 15.44% in the Deferred Charges and Other Assets account was brought about by the set-up of the 2% MCIT.

The reduction of P20.571 million or 47.06% in the Advances from Clients was due to the reversal of Deferred Credits account re: completion of the National Transmission Corporation project along the South Luzon Expressway in 2010.

Tollways income decreased by 100% from P233.552 million for the quarter ended March 31, 2010 to zero revenue in the quarter ended March 31, 2011 due to the turn over of the SLEX operation to the new operator in May 2010.

Other income decreased by 99.89% from P24.55 million for the quarter ended March 31, 2010 to P0.028 million in the quarter ended March 31, 2011 due to the dividends received from Joint Venture Companies in the year 2010.

Interest income for the quarter ended March 31, 2010 in the amount of P7.442 million was higher by 70.06% or P5.214 million when compared to the March 31, 2011 figure of P2.228 million. This is attributable to the Company's minimal money market placements.

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

- Not applicable -

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

PNCC was not able to make any settlement of its concession fee obligation to the Toll Regulatory Board (TRB) during and as of the first quarter of March 31, 2011. The last payment was made on July 16, 2010.

The formulation of payment plan on the cumulative balance has yet to be finalized.

Penalty charges of 2% accruing from the TRB loan are continuously recognized in the books.

1.7.f Payment of dividend

There were no dividends paid during and as of the first quarter of 2011

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

PNCC's sources of revenues are as follows:

1. Tollways operation; and
2. Construction operation

The turn over of the NLEX and SLEX operations to the new operators in February 2005 and in May 2010, respectively, resulted to the PNCC's entitlement only to a share in the gross proceeds of the toll operations.

PNCC is involved in the Daang Hari SLEX Linkroad Project. The Company is designated as the Main Turkey Contractor responsible for the undertaking the Advance Works and for the implementation of the design and construction to the Road Project which consists of a toll road facility connecting Daang Hari Road in Cavite to the SLEX near Susana Heights Interchange.

The following tables present the revenue and income information and certain asset and liability information regarding the business segments for the quarters ended March 31, 2011 and March 31, 2010. Segment assets and liabilities exclude income tax assets and liabilities.

For the Period Ended March 31, 2011 (P000):	Tollways	Construction	Others	Total
<i>Revenue</i>				
Total revenue	-	34,290	111,122	145,412
Segment results	-	8,540	111,122	119,662
Net income	-	3,251	(38,107)	(34,856)
<i>Assets and Liabilities</i>				
Segment assets	-	105,618	2,130,040	2,235,658
Segment liabilities	-	34,809	8,177,363	8,212,172
<i>Other segment information:</i>				
Expressway (net)	-	-	-	-
Investment Property	-	-	6,616,007	6,616,007
Property, Plant, & Equipment (net)	-	5,033	944,488	949,521
Depreciation/Amortization	-	521	17,406	17,927

For the Period Ended March 31, 2010 (P000):	Tollways	Construction	Others	Total
<i>Revenue</i>				
Total revenue	233,522	50,133	132,840	416,495
Segment results	147,727	13,866	132,840	294,433
Net income	132,658	12,025	(24,487)	120,216
<i>Assets and Liabilities:</i>				
Segment assets	232,317	-	4,046,600	4,278,917
Segment liabilities	4,399,303	-	682,540	5,081,843
<i>Other segment information:</i>				
Expressway (net)	1,917	-	2,314,629	2,316,546
Investment Property	0	-	6,515,154	6,515,154
Property, Plant, & Equipment (net)	2,152	-	815,899	818,051
Depreciation/Amortization	331	-	27,021	27,352

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

- None -

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

- Not applicable -

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

1.7.j.1 *The following contingent liabilities reported in the 2010 quarterly and annual reports are no longer disclosed in the 2011 Annual Report, due to finality of decisions as discussed below:*

1.7.j.1.a Asiavest Merchant Bankers (M) Berhad vs. PNCC

The case involves the enforcement of a foreign judgment, which was rendered against CDCP-PNCC in Malaysia for guarantees issued on various construction projects. The amount involved is MR 5,200,000. As of December 31, 2010, the amount stood at MR 17,674,684 (inclusive of interest from March 1983 to September 2003) or an equivalent amount of P251.184 million based on the exchange rate of MR to P14.2115 as of said date.

On July 13, 2009, the Supreme Court (First Division) denied with finality Asiavest's Motion for Reconsideration of the April 15, 2009 decision on the following grounds: (i) insufficient or defective verification under Section 4, Rule 7, 1987 Rules of Civil Procedures, as amended; (ii) defective or insufficient certification against forum shopping in violation of Section 5, Rule 7, 1987 Rules of Civil Procedures, as amended, for submitting a photocopy of said verification/certification of non-forum shopping and for failure to attach the special resolution appointing affiants as liquidators of the petitioner.

1.7.j.1.b Radstock Securities Limited vs. PNCC

Radstock, as assignee of Marubeni Corporation, filed a complaint for a sum of money and damages with application for writ of preliminary attachments with the Regional Trial Court (RTC)-Mandaluyong City to collect on PNCC's guarantees on the unpaid loan obligations of CDCP Mining Corporation. The RTC granted the Complainant's prayer for the issuance of the Writ of Preliminary Attachment resulting to the garnishment of PNCC's bank accounts and attachments of substantial portion of its properties.

As of July 11, 2006, the current value of the judgment debt against PNCC stood at P17.041 billion.

On April 20, 2010, the Supreme Court denied with finality the Second Motion for Reconsideration filed by Radstock on the P6.196 billion Compromise Agreement with PNCC.

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

1.7.k.1 Pending Lawsuits and Litigations:

The Company is involved in continuing litigations relating to labor and civil cases. The ultimate outcome of these litigations cannot be determined yet and no provision for any liability that may result has been made in the books. The Company's management and its legal counsels believe that the final resolutions of these claims will have material effect on the financial position of the Company as this will involve undeterminable amount of money.

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

On the other hand, the civil cases filed against the Company consist of cases involving damages, collection of money, and attorney's fees which are still on litigation before the

various Regional Trial Courts (RTC). Those filed by the Company against other individual companies consist of suits involving sum of money, damages, and breach of contract which involve undeterminable amount of money.

1.7.k.2 Tax Matters:

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

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

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

The BIR, however, reiterated the demand to pay the amount of P101.46 million for deficiency income tax (P97.42 million) and deficiency documentary stamp tax (P4.044 million) plus increments that may have accrued until actual payment.

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

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

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

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

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

Management, in close coordination with the concerned BIR officers, is continuously presenting a more detailed analysis of the accounts subject of the findings.

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

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

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

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

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

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

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

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

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

Financial Condition:

As of March 31, 2011, the Company's resources totaled P9.818 billion, higher by P16.468 million or 0.17 % compared to the December 31, 2010 figure of P9.802 billion.

The increase in resources was attributable to the increase in receivables from Joint Venture Companies and in the prepayment account.

Presented hereunder is the discussion of the Company's and its majority-owned subsidiaries' key performance indicators

Performance Indicators	PNCC		Explanation
	As of 03/31/11	As of 03/31/10	
Current Ratio (Current Assets / Current Liabilities)	0.240	0.505	The Company's ability to meet its current obligations as they fall due decreased from P0.505 to P1.00 as of the 1st quarter of 2010 to P0.24 to P1.00 as of the same period of 2011. This was mainly due to the recognition of debt to the National Government.
Quick Ratio (Quick Assets / Current Liabilities)	0.237	0.497	The decrease in the quick ratio or acid test ratio was also due to the reason stated above.
Total Debt to Total Assets	83.6%	36.3%	The ratio measures the Company's ability to pay its maturing obligations. The Company's debt to assets ratio increased due to the increase in the total liabilities brought about by the recognition of debts to the National
Total Debt to Equity	511.4%	56.9%	The ratio measures the Company's ability to pay its maturing obligations. The Company's debt to equity ratio increased due to the increase in the total liabilities brought about by the recognition of debts to the National Government.
Asset Turnover (Sales or Revenue / Average Total Assets)	1.4%	1.7%	The very minimal asset turnover of the Company was attributable to the non-maximization of its resources/equipments due to the temporary veering away with the construction business.

Performance Indicators	Subsidiaries		Explanation
	As of 03/31/11	As of 03/31/10	
Current Ratio (Current Assets / Current Liabilities)	3.231	2.590	Current ratio as of March 31, 2011 increased from that of March 31, 2010 due mainly in the decrease in current liabilities.
Quick Ratio (Quick Assets / Current Liabilities)	2.802	2.111	The increase in the quick ratio or acid test ratio was due to the decrease in current liabilities.
Total Debt to Total Assets	92.9%	89.6%	The subsidiaries' inability to meet its maturing obligations was evidenced by its debt to assets ratio of 92.9% as of the reporting quarter, compared to the ratio of 89.6% as of the same period last year.
Total Debt to Equity	1313.0%	890.5%	The subsidiaries projected a debt to equity ratio of 1313% as of the 1st quarter of 2011 compared with 890.5% as of the same period of 2010.

Results of Operation:

For the quarter ended March 31, 2011, the Company's net loss amounted to P34.856 million, compared to the reported net income of P120.216 million for the same period of 2010.

As of the reporting quarter, the Company is involved in the construction of the Daang-Hari SLEX Linkroad Project, which consists of a toll road facility connecting Daang-Hari Road in Cavite to the SLEX near Susan Heights Interchange [as the operation and maintenance of the North Luzon Tollway and South Luzon Tollway had been turned-over to the Manila North Tollway Corporation (MNTC) on February 10, 2005 and the South Luzon Tollway Corporation/MATES on May 02, 2010, respectively].

As a result of the aforesaid turn over of tollway operations to the new operators, the Company is entitled only to a share in the Joint Venture Companies' gross proceeds/toll revenues.

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

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

- 2.2.a.1 *The Company's inability to settle its outstanding obligations with the TRB brought about by the difficulties in collecting receivables from various government agencies.*
- 2.2.a.2 *Pending labor cases which consist of those filed against the Company involving dismissal, backwages, and separation pay; most of which had been ruled by the Labor Arbiter in favor of the complainants, pending appeal by PNCC before the National Labor Relation Commission (NLRC).*
- 2.2.a.3 *Pending civil cases which consist of those filed against the Company involving damages, collection of money, and attorney's fees which are still on litigation before the various Regional Trial Courts (RTC).*
- 2.2.a.4 *Pending assessments on deficiency taxes. Discussion is contained under Item 1.7.k.2 including courses of actions already undertaken by the Company to address the issue.*

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

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

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

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

- None -

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

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

- The veering away from the construction business since 2002;
- The turn over of the North Luzon Tollway operations to the MNTC on February 10, 2005; and
- The turn-over of its South Luzon Tollway operations to SLTC/MATES on May 02, 2010.

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

- Not applicable -

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

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

Balance Sheet (P000)	As of		Increase (Decrease)		Explanation of Variances
	03/31/11	12/31/10	Amount	%	
Cash and Cash Equivalents	345,842	377,903	(32,061)	(8.48)	Payments of payroll-related accounts and purchases of goods and services, net of collections during the quarter.
Inventories	9,396	10,397	(1,001)	(9.63)	Disposal of obsolete inventories/scrap materials.
Prepayments	19,074	15,639	3,435	20.42	Payment of group hospitalization insurance for the period 02/23/2011 to 02/23/2012.
Deferred Charges and Other Assets	16,822	14,572	2,250	15.44	Set-up of Deferred Charges-MCT.
Advances from Clients	21,341	44,092	(20,751)	(47.06)	Bulk represents reversal of deferred credit account re. completion of NTC project along the South Luzon Tollway in 2010.

Income Statement (P000)	For the First Quarter Ended		Increase (Decrease)		Explanation of Variances
	03/31/11	03/31/10	Amount	%	
Construction Income	34,290	50,133	(15,843)	(31.60)	The project was taken over by DPWH for the purpose of bidding it out, pursuant to its PPP mandate.
Share in Joint Venture Companies' Gross Revenue	104,022	95,700	8,322	8.70	Share in CHMTC and SLTC's gross toll revenue.
Tollways Income	-	233,522	(233,522)	(100.00)	Turn over of the SLEX operation to the new operator in May 2010.
Construction Costs	25,750	36,267	(10,517)	(29.00)	Manpower unloading. Reduction in costs is in direct relation to the decrease in the related revenue.
Other Income	28	24,550	(24,522)	(99.89)	Attributable to the dividends received from the Joint Venture Companies.
Interest Income	2,228	7,442	(5,214)	(70.06)	Interests from bank savings deposits and money market placements.

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

- Not applicable -

SIGNATURES

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

Issuer **PHILIPPINE NATIONAL CONSTRUCTION CORPORATION**

Signature and Title  Chief Finance Officer

Signature and Title  Corporate Controller

Date April 15, 2013

Principal Financial/Accounting Officer/Controller MIRIAM M. PASETES / SUSAN R. VALES

Date April 15, 2013

**ODiSy - Disclosure Status**

Wednesday, April 17, 2013 7:05 AM

"no-reply@pse.com.ph" <no-reply@pse.com.ph>

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Company Name: Philippine National Construction Corporation

Disclosure Subject: Quarterly Report for period ended March 31, 2011

Status: APPROVED

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