

# 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 Fiscal Year Day

SEC Form 17Q  
FORM TYPE

Month Day  
Annual Meeting

Secondary License Type, if Applicable

Dept. Requiring This Doc

Amended Articles Number / Section

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel Concerned

File Number

LCU

Document ID

Casher

**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 June 30, 2012
2. SEC Identification Number 30939      BIR Tax Identification No. 410-000-058-V
3. Exact name of registrant as specified in its charter  
PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
4. Metro Manila, Philippine      6. (SEC Use Only)  
Province, Country or other jurisdiction      Industry Classification Code:
7. PNCC Complex, KM. 15, East Service Road, Bicutan, Parañaque City
8. (02) 846-3045      Fax: 846-1395  
Registrant's telephone number, including area code
9. \_\_\_\_\_  
Former name, former address and former year, if changed last report
10. Securities registered pursuant to Sections 4 and 8 of the RSA



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

Note:

The Philippine National 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.

**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 July 17, 2013

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

Date July 17, 2013

## 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 June 30, 2012

With comparative figures as of December 31, 2011

(In Thousand Pesos)

|  | June 30<br>2012<br>(Interim) | December 31<br>2011 |
|--|------------------------------|---------------------|
| <b>ASSETS</b>  |                              |                     |
| <b>Current Assets</b>                                    |                              |                     |
| Cash and cash equivalents                                | P 270,744                    | P 212,642           |
| Advances and other receivables, net                      | 509,429                      | 573,036             |
| Receivables from contracts, net                          | 204,915                      | 218,005             |
| Inventories  | 8,174                        | 9,320               |
| Prepayments  | 17,473                       | 21,761              |
| <b>Total Current Assets</b>                              | <b>1,010,735</b>             | <b>1,034,764</b>    |
| <b>Noncurrent Assets</b>                                 |                              |                     |
| Investments  | 261,964                      | 261,957             |
| Investment property, net                                 | 7,848,246                    | 7,848,246           |
| Property and equipment, net                              | 563,796                      | 565,965             |
| Deferred charges and other assets, net                   | 17,683                       | 17,180              |
| <b>Total Noncurrent Assets</b>                           | <b>8,691,689</b>             | <b>8,693,348</b>    |
|  | <b>P 9,702,424</b>           | <b>P 9,728,112</b>  |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>              |                              |                     |
| <b>Current Liabilities</b>                               |                              |                     |
| Accounts payable   | P 82,031                     | P 157,235           |
| Accrued costs and other payables                         | 37,443                       | 34,278              |
| Due to the National Government and its Instrumentalities | 7,174,802                    | 7,048,554           |
| Due to Government Owned or Controlled Corporation        | 1,203,000                    | 1,203,000           |
| <b>Total Current Liabilities</b>                         | <b>8,497,276</b>             | <b>8,443,067</b>    |
| <b>Noncurrent Liabilities</b>                            |                              |                     |
| Deferred rental income/others                            | 48,281                       | 60,109              |
| <b>Total Noncurrent Liabilities</b>                      | <b>48,281</b>                | <b>60,109</b>       |
| <b>Stockholders' Equity</b>                              |                              |                     |
| Capital stock, net                                       | 2,227,599                    | 2,227,599           |
| Capital in excess of par value                           | 46,137                       | 46,137              |
| Treasury stocks  | (16,700)                     | (16,700)            |
| Revaluation increment in property                        | 525,466                      | 525,466             |
| Equity adjustments                                       | 5,551,726                    | 5,551,726           |
| Deficit  | (7,177,361)                  | (7,109,292)         |
| <b>Total Stockholders' Equity</b>                        | <b>1,156,867</b>             | <b>1,224,936</b>    |
|  | <b>P 9,702,424</b>           | <b>P 9,728,112</b>  |



## PART 1 - FINANCIAL INFORMATION

(Item 1 - Financial Statements)

(Item 1.2 - Statement of Comprehensive Income)

**PHILIPPINE NATIONAL CONSTRUCTION CORPORATION**  
**STATEMENT OF COMPREHENSIVE INCOME**

For the Second Quarter of 2012 and 2011

(In Thousand Pesos)

|   | January to June  |                  | April to June   |                 |
|---|------------------|------------------|-----------------|-----------------|
|   | 2012             | 2011             | 2012            | 2011            |
| <b>REVENUES</b>                                 |                  |                  |                 |                 |
| Construction income                             | P -              | P 47,002         | P -             | P 12,712        |
| Share in Joint Venture Companies' gross revenue | 32,202           | 265,100          | 16,050          | 161,078         |
| Rental income                                   | 20,698           | 9,688            | 10,351          | 4,844           |
|   | <u>52,900</u>    | <u>321,790</u>   | <u>26,401</u>   | <u>178,634</u>  |
| <b>COSTS AND EXPENSES</b>                       |                  |                  |                 |                 |
| Construction costs                              | -                | 57,527           | -               | 31,777          |
| <b>GROSS MARGIN</b>                             | 52,900           | 264,263          | 26,401          | 146,857         |
| <b>GENERAL AND ADMINISTRATIVE OVERHEAD</b>      | 49,823           | 178,314          | 8,695           | 86,581          |
| <b>INCOME FROM OPERATIONS</b>                   | 3,077            | 85,949           | 17,706          | 60,276          |
| <b>OTHER INCOME (CHARGES):</b>                  |                  |                  |                 |                 |
| Penalty charges                                 | (126,247)        | (126,247)        | (63,472)        | (63,462)        |
| Interest and financing charges                  | -                | (2,000)          | -               | (2,000)         |
| Interest income                                 | 300              | 4,936            | 300             | 2,708           |
| Other income                                    | 2,570            | 2,625            | 786             | 2,597           |
|   | <u>(123,377)</u> | <u>(120,686)</u> | <u>(62,386)</u> | <u>(60,157)</u> |
| <b>NET INCOME (LOSS)</b>                        | <u>(120,300)</u> | <u>(34,737)</u>  | <u>(44,680)</u> | <u>119</u>      |
| Earning (loss) per share:                       |                  |                  |                 |                 |
| (a) income (loss)                               | (0.69)           | (0.20)           | (0.26)          | 0.00            |
| (b) number of outstanding common shares         | 174,444,749      | 174,444,749      | 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  
STATEMENTS OF CHANGES IN EQUITY**

For the Second Quarter of 2012 and 2011

(In Thousand Pesos)

|  | January to June |             |
|--|-----------------|-------------|
|  | 2012            | 2011        |
| <b>CAPITAL:</b>  |                 |             |
| Capital Stock:   |                 |             |
| Issued/subscribed.   | P 2,283,758     | P 2,283,758 |
| Subscription receivable  | (56,159)        | (56,159)    |
| Balance at beginning of the year and end of the quarter            | 2,227,599       | 2,227,599   |
| Capital in Excess of Par Value:                                    |                 |             |
| Balance at beginning of the year and end of the quarter            | 46,137          | 46,137      |
| Treasury Stock   | (16,700)        | (16,700)    |
|  | 2,257,036       | 2,257,036   |
| <b>REVALUATION INCREMENT IN PROPERTY</b>                           |                 |             |
| Balance at beginning of the year and end of the quarter            | 525,466         | 898,661     |
| <b>EQUITY ADJUSTMENTS:</b>   |                 |             |
| Under rehabilitation plan-loans transferred to National Government | 5,551,726       | 5,551,726   |
| <b>RETAINED EARNINGS:</b>  |                 |             |
| Balance at beginning of the year                                   | (7,109,292)     | (7,096,380) |
| Net loss   | (120,300)       | (34,737)    |
| Correction of prior years' earnings                                | 52,231          | (76,625)    |
| Balance at end of the quarter                                      | (7,177,361)     | (7,207,742) |
| <b>STOCKHOLDERS' EQUITY</b>  | P 1,156,867     | P 1,499,681 |



**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 Second Quarter of 2012 and 2011  
(In Thousand Pesos)

|   | January to June |                  |
|---|-----------------|------------------|
|   | 2012            | 2011             |
| <b>CASH FLOW FROM OPERATING ACTIVITIES:</b>                 |                 |                  |
| Cash receipts from customers:                               |                 |                  |
| Revenue share   | P 54,723        | P 8,014          |
| Rental  | 44,455          | 4,043            |
| Others  | 4,301           | 60,881           |
|   | <u>103,479</u>  | <u>72,938</u>    |
| Cash paid to suppliers                                      | (26,447)        | (93,853)         |
| Cash paid to employees/directors/consultants                | (34,550)        | (143,436)        |
| Cash generated from operations                              | <u>42,482</u>   | <u>(164,351)</u> |
| Penalties paid  | (113)           | -                |
| Interests paid  | -               | -                |
| Income tax paid   | -               | -                |
| Net cash flows provided by (used in) operating activities   | <u>42,369</u>   | <u>(164,351)</u> |
| <b>CASH FLOW FROM INVESTING ACTIVITIES:</b>                 |                 |                  |
| Purchase of property and equipment                          | (18)            | (245)            |
| Proceeds from sale of fixed assets/scrap materials          | 3,411           | 6,885            |
| Interests received  | 232             | 4,913            |
| Dividends received  | 12,108          | 289              |
| Net cash flows provided by (used in) investing activities   | <u>15,733</u>   | <u>11,842</u>    |
| <b>CASH FLOW FROM FINANCING ACTIVITIES:</b>                 |                 |                  |
| Payment of loan:  |                 |                  |
| Principal   | -               | -                |
| Interests   | -               | -                |
| Others  | -               | (2,004)          |
| Net cash flows provided by (used in) financing activities   | <u>-</u>        | <u>(2,004)</u>   |
| <b>NET DECREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b> | <b>58,102</b>   | <b>(154,513)</b> |
| <b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>       | <b>212,642</b>  | <b>377,903</b>   |
| <b>CASH AND CASH EQUIVALENTS AT END OF SECOND QUARTER</b>   | <b>270,744</b>  | <b>223,390</b>   |

Item 1.5 Earnings (loss) Per Share

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

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

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

Item 1.7 Notes to Financial Statements

1.7.a Accounting Policies and Methods

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

1.7.a.2 Revenue Recognition

*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.*

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

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

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

1.7.a.3 Allowance for Doubtful Accounts

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

1.7.a.4 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.*

*Allowance for inventory writedown is provided for all non-moving/obsolete items of the inventory account.*

1.7.a.5 Prepayments

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

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.*

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

*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**

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

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

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

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

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

#### **1.7.a.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.*

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

1.7.a.10 Borrowing Costs

*Borrowing costs are expenses as incurred.*

1.7.a.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 the balance sheet date. They are calculated according to the tax rates and tax laws applicable to the fiscal periods to which they relate, based on the taxable profit for the year. All changes to current tax assets or liabilities are recognized as a component of tax expense in the statement of income.*

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

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

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

1.7.b Comments about the seasonality or cyclical nature of interim operations

*- Not applicable -*

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

*Cash and Cash Equivalents increased by 27.32% or P58.102 million from P212.642 million as of December 31, 2011 to P270.744 million as of June 30, 2012 due to collections of revenue/dividend share, rental, and proceeds from asset disposal.*

*Advances and Other Receivables decreased by 11.1% or P63.607 million from P573.036 million as of December 31, 2011 to P509.429 million as of June 30, 2012 due to collection of revenue/dividend share and rental.*

*Receivables from Contracts decreased by 6% or P13.090 million from P218.005 million as of December 31, 2011 to P204.915 million as of June 30, 2012 due to adjustment made on the work accomplishments for the Daang Hari SLEX Linkroad Project.*

*The Inventories account in the amount of P8.174 million as of the second quarter of 2012 decreased by 12.3 % or P1.146 million when compared to the P9.32 million as of December 31, 2011. The said decrease was due to the disposal of obsolete inventories/scrap materials.*

*Prepayments decreased by 19.7% or P4.288 million from P21.761 million as of December 31, 2011 to P17.473 million as of the second quarter of 2012 due to the amortization of the said account.*

*Accounts Payable decreased by 47.83% or P75.204 million from P157.235 million as of December 31, 2011 to P82.031 million as of June 30, 2012 due to the payment of liability to CMMTC via offsetting against revenue share.*

*The Accrued Costs and Other Payables account increased by 9.23% or P3.165 million from P34.278 million as of December 31, 2011 to P37.443 million as of June 30, 2012, due to the accrual of the mandatory benefits and leave credits of employees and other costs and expenses.*

*Advances from Clients decreased by 19.68% or P11.828 million from P60.109 million as of December 31, 2011 to P48.281 million as of the second quarter of 2012 due to the application of rental deposits against monthly rental billing.*

*Construction Income and Costs accounts both decreased by 100% or P47.002 million and P57.527 million, respectively. This was mainly due to the take over of the Daang Hari SLEX Linkroad Project by the DPWH, pursuant to its PPP mandate. The Project consists of a toll road facility connecting Daang Hari Road in Cavite to the SLEX near Susana Heights Interchange.*

*The Share in Joint Venture Companies' (JVC) Gross Toll Revenue decreased by 87.85 % or P232.898 million from P265.1 million for the quarter June 30, 2011 to P32.202 million for the quarter ended June 30, 2012. This is because, the recognition of the revenue share in 2012 was based on the interim guidelines issued by the TRB, which entitles the Company to 10% of its share from the JVC's gross toll revenue.*

*Rental Income increased by 113.65% or P11.010 million from P9.688 million for the quarter ended June 30, 2011 to P20.698 million for the quarter ended June 30, 2012 due to the set-up of receivables from new tenants in the leased FCA property.*

*General and Administrative Overhead decreased by 72.06 % or P128.491 million from P178.314 million for the quarter ended June 30, 2011 to P49.823 million for the quarter ended June 30, 2012 resulting from the*

*implementation/adoption of various cost reduction measures to match the Company's present revenue level.*

*Interest Income decreased by 93.92% or P4.636 million from P4.936 million for the quarter ended June 30, 2011 to P0.3 million for the quarter ended June 30, 2012 due the minimal interests earned on bank savings deposits and 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 second quarter of 2012. The last payment was made on July 16, 2010.*

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

*The Board earlier approved the settlement of the obligations with the TRB and the National Government by way of dacion en pago using the real estate assets of PNCC, notably the 12.9 hectare Financial Center area. In the latter months of 2012, however, 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.*

- 1.7.f Payment of dividend

*There were no dividends paid during and as of the second quarter of 2012.*

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

PNCC's sources of revenues are as follows:

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

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

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

The following tables present the revenue and income information and certain asset and liability information regarding the business segments for the quarters ended June 30, 2012 and June 30, 2011. Segment assets and liabilities exclude income tax assets and liabilities.

| For the Period Ended<br>June 30, 2012 (P000): | Revenue<br>Share | Rental<br>Income | Others    | Total     |
|---|------------------|------------------|-----------|-----------|
| <i>Revenue:</i>                               |                  |                  |           |           |
| Total revenue                                 | 32,202           | 20,698           |           | 52,900    |
| Segment results                               |                  |                  |           | 0         |
| Net income (loss)                             | 32,202           | 20,698           | (173,200) | (120,300) |
| <i>Assets and Liabilities:</i>                |                  |                  |           |           |
| Segment assets                                |                  |                  | 1,290,382 | 1,290,382 |
| Segment liabilities                           |                  |                  | 8,545,557 | 8,545,557 |
| <i>Other segment information:</i>             |                  |                  |           |           |
| Investment Property                           |                  |                  | 7,848,246 | 7,848,246 |
| Property, Plant, & Equipment (net)            |                  |                  | 563,796   | 563,796   |
| Depreciation/Amortization                     |                  |                  | 4,462     | 4,462     |

| For the Period Ended<br>June 30, 2011 (P000): | Tollways | Construction | Others*   | Total     |
|---|----------|--------------|-----------|-----------|
| <i>Revenue:</i>                               |          |              |           |           |
| Total revenue                                 |          | 47,002       | 282,349   | 329,351   |
| Segment results                               |          | (10,525)     | 282,349   | 271,824   |
| Net income (loss)                             |          | (19,703)     | (15,034)  | (34,737)  |
| <i>Assets and Liabilities:</i>                |          |              |           |           |
| Segment assets                                |          | 117,098      | 2,121,828 | 2,238,926 |
| Segment liabilities                           |          | 52,340       | 8,231,945 | 8,284,285 |
| <i>Other segment information:</i>             |          |              |           |           |
| Investment Property                           |          |              | 6,601,600 | 6,601,600 |
| Property, Plant, & Equipment (net)            |          | 4,583        | 938,857   | 943,440   |
| Depreciation/Amortization                     |          | 976          | 80,316    | 81,292    |

\* include revenue shares and rental income.



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

- None -

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

- Not applicable -

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

- None -

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

1.7.k.1 Pending Lawsuits and Litigations:

*The Company is involved in continuing litigations relating to labor and civil cases. The ultimate outcome of these litigations cannot be determined yet and no provision for any liability that may result 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 presented a more detailed analysis of the accounts. Said presentation and the Company's availment of the tax amnesty had substantially reduced the aforesaid tax deficiency.*

- 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 June 30, 2012, the Company's resources totaled P9.702 billion, lower by P25.688 million or 0.26 % compared to the December 31, 2011 figure of P9.728 billion.*

*The decrease in resources is discussed, in details, in Item 2.2.e.*

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

| Performance Indicators                               | As of 06/30/12 | As of 06/30/11 | Explanation  |
|--|----------------|----------------|--|
| Current Ratio (Current Assets / Current Liabilities) | 0.119          | 0.237          | The Company's ability to meet its current obligations as they fall due decreased from P0.237 to P1.00 as of the 1st quarter of 2011 to P0.119 to P1.00 as of the same period of 2012. This was mainly due to the 48.24% decrease in current assets vis-a-vis the 2.89% increase in current liabilities, which increase was brought about by the accrual of the 2% penalty charges on unpaid concession fee payable to the TRB. |
| Quick Ratio (Quick Assets / Current Liabilities)     | 0.116          | 0.233          | The decrease in the quick ratio or acid test ratio was also due to the reason stated above.  |
| Total Debt to Total Assets                           | 88.1%          | 84.7%          | 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 as discussed above.  |
| Total Debt to Equity                                 | 738.7%         | 552.4%         | 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 as discussed above.  |

## Results of Operation:

*For the quarter ended June 30, 2012, the Company's net loss amounted to P120.3 million, compared to the reported net loss of P34.737 million for the same period of 2011.*

*As a result of the DPWH's (pursuant to its PPP mandate) take over of the Daang Hari SLEX Linkroad Project and the turn over of the operation and maintenance of the North Luzon Tollway and South Luzon Tollway to the Manila North Tollway Corporation (MNTC) on February 10, 2005 and the South Luzon Tollway Corporation/MATES on May 02, 2010, respectively, the Company's revenue is generated by 10% of its share from Joint Venture Companies' gross toll revenue and its earnings from the leased FCA property.*

*Other factors/reasons contributory to the increase in the aforesaid loss are discussed in Item 2.2.e.*

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

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

2.2.a.1 *The Company's inability to settle its outstanding obligations with the TRB and the National Government brought about by the difficulties in collecting its receivables from various government agencies and its limited revenues.*

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.*

*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 and its earnings from the leased FCA property.*

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

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

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

*- None -*

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

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

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

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

*- Not applicable -*

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

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

| Balance Sheet (P000)             | As of    |          | Increase (Decrease) |         | Explanation of Variances   |
|----------------------------------|----------|----------|---------------------|---------|--|
|                                  | 06/30/12 | 12/31/11 | Amount              | %       |  |
| Cash and Cash Equivalents        | 270,744  | 212,642  | 58,102              | 27.32   | Collections of revenue/dividend share, rental, and proceeds from asset disposal.               |
| Advances and Other Receivables   | 509,429  | 573,036  | (63,607)            | (11.10) | Collection of revenue/dividend share and rental.   |
| Receivables from Contracts       | 204,915  | 219,005  | (13,090)            | (6.00)  | Adjustment of work accomplishments for the Daang Hari SLEX Linkroad Project.                   |
| Inventories                      | 8,174    | 9,320    | (1,146)             | (12.30) | Disposal of obsolete inventories/scrap materials.  |
| Prepayments                      | 17,473   | 21,761   | (4,288)             | (19.70) | Amortization of prepayments.   |
| Accounts Payable                 | 82,031   | 157,235  | (75,204)            | (47.83) | Payment of liability to CMMTC via offsetting against revenue share.                            |
| Accrued Costs and Other Payables | 37,443   | 34,278   | 3,165               | 9.23    | Accrual of the mandatory benefits and leave credits of employees and other costs and expenses. |
| Advances from Clients            | 48,281   | 60,109   | (11,828)            | (19.68) | Bulk represents application of rental deposits against monthly rental.                         |

| Income Statement (P000)                         | For the Second Quarter Ended |          | Increase (Decrease) |          | Explanation of Variances   |
|---|------------------------------|----------|---------------------|----------|--|
|   | 06/30/12                     | 06/30/11 | Amount              | %        |  |
| Construction Income                             | 0                            | 47,002   | (47,002)            | (100.00) | The project was taken over by DPWH for the purpose of bidding it out, pursuant to its PPP mandate.   |
| Construction Costs                              | 0                            | 57,527   | (57,527)            | (100.00) | Manpower unloading. Reduction in costs is in direct relation to the decrease in the related revenue.   |
| Share in Joint Venture Companies' Gross Revenue | 32,202                       | 265,100  | (232,898)           | (87.85)  | Recognition of the revenue share in 2012 is based on the interim guidelines issued by the TRB, which is entitlement to 10% of its share from the Joint Venture Companies gross toll revenue. |
| Rental Income                                   | 20,698                       | 9,688    | 11,010              | 113.65   | Recognition of rental income from the new tenants in the leased FCA property.  |
| General and Administrative Overhead             | 49,823                       | 178,214  | (128,391)           | (72.06)  | Due to the implementation of various cost reduction measures, more particularly in manpower unloading.   |
| Interest Income                                 | 300                          | 4,938    | (4,636)             | (93.92)  | Minimal 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 -