COVER SHEET

| | | 3 0 9 3 9 S.E.C. Registration Number | <u> </u> | | | | | |
|---|-------------------------------------|---|----------------|--|--|--|--|--|
| | A T I O N A | | | | | | | |
| CONSTRUCTION | CORPO | RATION | | | | | | |
| | | | | | | | | |
| | 's Full Name) | | i | | | | | |
| — (Сотрыту | | | | | | | | |
| PNCC COMPLEX | K M 1 5 | | RVIC | | | | | |
| E ROAD BICUT | N P A R A | N A Q U E C | T Y | | | | | |
| (Business Address; No. Street City (Town) Province) ATTY IOSE A RERNAS 822-57-25 | | | | | | | | |
| ATTY, JOSE A. BERNAS Contact Person | | Company Telephone Num | | | | | | |
| Fiscal Year | SEC Form 17Q FORM TYPE | J.Ato | Annual Meeting | | | | | |
| 11304 100 | Secondary License Type, If Applica | bla | | | | | | |
| Uent Requiring this Doc | | Amended Articles Number / St | pchor. | | | | | |
| Total No. of Stockholpers | | Domestic | Fолжурп | | | | | |
| To be ecco | mplished by SEC Personnel Concerned | | | | | | | |
| File Number | LCU , | | | | | | | |
| Document 3 | Casher | <u></u> | | | | | | |

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 September 30, 2012

SEC Identification Number 30939 BIR Tax Identification No. 410-000-058-V

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

Metro Manila, Philippine 6.

Province, Country or other jurisdiction

 (SEC Use Only) Industry Classification Code:

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

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

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 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 [x] No [] |
| If yes, state the name of such Stock Exchange and the class/es of secutivies 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 [x] |
| (b) has been subject to such filing requirements for the past 90 days. |
| Yes [x] No [] |
| PART I - FINANCIAL INFORMATION |
| Item 1. Financial Statements |
| Financial Statements and, if applicable, Pro Forma Financial Statements meeting the |

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

specified therein. (Refer to attached)

(Refer to attached)

requirements of RSA Rule 68, Form and Content of Financial Statements shall be furnished as

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 | PHILIPPIN | NE NATIONAL CONSTRUCTION CORPORATION |
|-----------|----------------------|---|
| Signature | e and Title | Chief Finance Officer |
| Signature | e and Title | |
| Date | July 17, 2013 | |
| Principal | Financial/Accounting | g Officer/Controller MIRIAM M. PASETES / SUSAN R. VALES |
| Date | July 17, 2013 | |

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION STATEMENT OF FINANCIAL POSITION

As of September 30, 2012 With comparative figures as of December 31, 2011 (In Thousand Pesos)

| | S | eptember 30 2012 | | December 31 2011 |
|--|-----------|--|---|--|
| | | (Interim) | | |
| ASSETS | | | | |
| Current Assets | | | _ | |
| Cash and cash equivalents | ₽ | 61,349 | ₽ | 212,642 |
| Advances and other receivables, net | | 718,219 | | 573,036 |
| Receivables from contracts, net | | 229,717 | | 218,005 |
| Inventories | | 8,110 | | 9,320 |
| Prepayments | | 16,88 <u>6</u> | | 21,761 |
| Total Current Assets | _ | 1,034,281 | | 1,034,764 |
| Noncurrent Assets | | | | |
| Investments | | 261,964 | | 261,957 |
| Investment property,net | | 7,848,246 | | 7,848,246 |
| Property and equipment, net | | 561,201 | | 565,965 |
| Deferred charges and other assets , net | | 18,547 | | 17,180 |
| Total Noncurrent Assets | | 8,689,958 | | 8,693,348 |
| Total Assets | ₽ | 9,724,239 | ₽ | 9,728,112 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | | |
| | | | | |
| | | | | |
| LIABILITIES AND STOCKHOLDERS' EQUITY Current Liabilities Accounts payable | Þ | 24,784 | | - |
| LIABILITIES AND STOCKHOLDERS' EQUITY Current Liabilities Accounts payable Accrued costs and other payables | ₽ | 37,753 | | 34,278 |
| LIABILITIES AND STOCKHOLDERS' EQUITY Current Liabilities Accounts payable Accrued costs and other payables Due to the National Government and its Instrumentalities | Þ | 37,753 7,238,872 | | 157,235 34,278 7,048,554 |
| LIABILITIES AND STOCKHOLDERS' EQUITY Current Liabilities Accounts payable Accrued costs and other payables | ₽ | 37,753 7,238,872 1,203,000 | | 34,278 7,048,554 1,203,000 |
| LIABILITIES AND STOCKHOLDERS' EQUITY Current Liabilities Accounts payable Accrued costs and other payables Due to the National Government and its Instrumentalities | ₽ | 37,753 7,238,872 | | 34,278 7,048,554 1,203,000 |
| Current Liabilities Accounts payable Accrued costs and other payables Due to the National Government and its Instrumentalities Due to Government Owned or Controlled Corporation | P | 37,753 7,238,872 1,203,000 8,504,409 | | 34,278 7,048,554 1,203,000 6,443,067 |
| Current Liabilities Accounts payable Accrued costs and other payables Due to the National Government and its Instrumentalities Due to Government Owned or Controlled Corporation Total Current Liabilities Noncurrent Liabilities Deferred rental income/others | ₽ | 37,753 7,238,872 1,203,000 8,504,409 42,228 | | 34,278 7,048,554 1,203,000 6,443,067 60,109 |
| Current Liabilities Accounts payable Accrued costs and other payables Due to the National Government and its Instrumentalities Due to Government Owned or Controlled Corporation Total Current Liabilities Noncurrent Liabilities | Þ | 37,753 7,238,872 1,203,000 8,504,409 | | 34,278 7,048,554 1,203,000 6,443,067 60,109 |
| Current Liabilities Accounts payable Accrued costs and other payables Due to the National Government and its Instrumentalities Due to Government Owned or Controlled Corporation Total Current Liabilities Noncurrent Liabilities Deferred rental income/others Total Noncurrent Liabilities Stockholders' Equity | Þ | 37,753 7,238,872 1,203,000 8,504,409 42,228 42,228 | | 34,278 7,048,554 1,203,000 8,443,067 60,109 60,109 |
| Current Liabilities Accounts payable Accrued costs and other payables Due to the National Government and its Instrumentalities Due to Government Owned or Controlled Corporation Total Current Liabilities Noncurrent Liabilities Deferred rental income/others Total Noncurrent Liabilities Stockholders' Equity Capital stock, net | Þ | 37,753 7,238,872 1,203,000 8,504,409 42,228 42,228 2,227,599 | | 34,278 7,048,554 1,203,000 8,443,067 60,109 60,109 |
| Current Liabilities Accounts payable Accrued costs and other payables Due to the National Government and its Instrumentalities Due to Government Owned or Controlled Corporation Total Current Liabilities Noncurrent Liabilities Deferred rental income/others Total Noncurrent Liabilities Stockholders* Equity Capital stock, net Capital in excess of par value | Þ | 37,753 7,238,872 1,203,000 8,504,409 42,228 42,228 2,227,599 46,137 | | 34,278 7,048,554 1,203,000 6,443,067 60,109 60,109 2,227,599 46,137 |
| Current Liabilities Accounts payable Accrued costs and other payables Due to the National Government and its Instrumentalities Due to Government Owned or Controlled Corporation Total Current Liabilities Noncurrent Liabilities Deferred rental income/others Total Noncurrent Liabilities Stockholders* Equity Capital stock, net Capital in excess of par value Treasury stocks | P | 37,753 7,238,872 1,203,000 8,504,409 42,228 42,228 2,227,599 46,137 (16,700) | | 34,278 7,048,554 1,203,000 6,443,067 60,109 60,109 2,227,599 46,137 (16,700 |
| Current Liabilities Accounts payable Accrued costs and other payables Due to the National Government and its Instrumentalities Due to Government Owned or Controlled Corporation Total Current Liabilities Noncurrent Liabilities Deferred rental income/others Total Noncurrent Liabilities Stockholders' Equity Capital stock, net Capital in excess of par value Treasury stocks Revaluation increment in property | \$ | 37,753 7,238,872 1,203,000 8,504,409 42,228 42,228 2,227,599 46,137 (16,700) 525,466 | | 34,278 7,048,554 1,203,000 8,443,067 60,109 60,109 2,227,599 46,137 (16,700 525,466 |
| Current Liabilities Accounts payable Accrued costs and other payables Due to the National Government and its Instrumentalities Due to Government Owned or Controlled Corporation Total Current Liabilities Noncurrent Liabilities Deferred rental income/others Total Noncurrent Liabilities Stockholders' Equity Capital stock, net Capital in excess of par value Treasury stocks Revaluation increment in property Equity adjustments | ₽ | 37,753 7,238,872 1,203,000 8,504,409 42,228 42,228 42,228 2,227,599 46,137 (16,700) 525,466 5,551,726 | | 34,278 7,048,554 1,203,000 8,443,067 60,109 60,109 2,227,599 46,137 (16,700 525,466 5,551,726 |
| Current Liabilities Accounts payable Accrued costs and other payables Due to the National Government and its Instrumentalities Due to Government Owned or Controlled Corporation Total Current Liabilities Noncurrent Liabilities Deferred rental income/others Total Noncurrent Liabilities Stockholders' Equity Capital stock, net Capital in excess of par value Treasury stocks Revaluation increment in property Equity adjustments Deficit | ₽ | 37,753 7,238,872 1,203,000 8,504,409 42,228 42,228 42,228 2,227,599 46,137 (16,700) 525,466 5,551,726 (7,156,626) | | 34,278 7,048,554 1,203,000 8,443,067 60,109 60,109 2,227,599 46,137 (16,700 525,466 5,551,726 (7,109,292 |
| Current Liabilities Accounts payable Accrued costs and other payables Due to the National Government and its Instrumentalities Due to Government Owned or Controlled Corporation Total Current Liabilities Noncurrent Liabilities Deferred rental income/others Total Noncurrent Liabilities Stockholders' Equity Capital stock, net Capital in excess of par value Treasury stocks Revaluation increment in property Equity adjustments | P | 37,753 7,238,872 1,203,000 8,504,409 42,228 42,228 42,228 2,227,599 46,137 (16,700) 525,466 5,551,726 | P | 34,278 7,048,554 1,203,000 8,443,067 60,109 60,109 2,227,599 46,137 (16,700 525,466 |

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION

Aging Schedule of Receivables and Advances

As of September 30, 2012

(in Thousand Pesos)

| | | | Allowance | i | | | İ | | | |
|----------|----------------------------------|-----------|--------------|----------|---------|---------|---------|----------|--------|----------|
| | | | for Doubtful | Net | | | | PAST DUE | | |
| | | Amount | Account | Amount | Current | 01-30 | 31-80 | 61.90 | 91-120 | Over 120 |
| | | | | | | | | | | |
| ៩ | Unbilled contract receivable | 234 | 234 | | | | | | | . : |
| 8 | Billed contract receivable | 254,172 | \$2,262 | 161.910 | | 109,303 | | | | 52,607 |
| 8 | Contract retention receivable | 5,135 | 2,380 | 2,755 | | | | | | 2,755 |
| Š | | 57,016 | 57,016 | | | | | | | |
| 8 | | 392,818 | 243,324 | 149,494 | 396 | 15,394 | 130,401 | 1,776 | 1,532 | 9 |
| 8 | | 52,100 | 174 | 51,926 | 26 | 66 | - | 276 | | 51,462 |
| õ | | 105,411 | 40,359 | 65,062 | | | | | | 65,052 |
| 贯 | | 490,770 | 175,545 | 315,225 | 6,180 | 80,776 | 4,071 | 6,708 | 6,061 | 209,409 |
| 8 | | 2,260 | 2,190 | 70 | 4 | 17 | | 4 | Ф | , |
| ₽. | | 6,685 | 543 | 6,142 | | | | | | 6,142 |
| Ξ | Advances to Contract Owner | 836 | 636 | • | | | | | | |
| 12 | | 27 | | 27 | 27 | | | : | | |
| | Sub-total | 1,367,284 | 614,663 | 752,601 | 6,743 | 205,680 | 134,473 | 8,764 | 9,621 | 347,420 |
| 5 | Artenmon in Gurnali of Tradelity | | • | 150.000 | | | | | | |
| 4 | | | | 74,022 | | | | | | |
| <u>r</u> | | | | 623 | | | | | | |
| ģ | | | | 2,630 | | | | | | |
| 17 | Output tax | | | (4,648) | | | | | | |
| € | Deterned input tax | | | 25 | | | | | | |
| 50 | Deferred output tax | • | | (26,803) | | | | | | |
| | 177 | | | 404 226 | | | | | | |
| | Sub-caal | | | 000'001 | | | | | | |
| | Total | | | 947,936 | | | | | | |

(Item 1 -Financial Statements)

(Item 1.2 -Statement of Comprehensive Income)

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION STATEMENT OF COMPREHENSIVE INCOME

For the Third Quarter of 2012 and 2011 (In Thousand Pesos)

| · · · · · · · · · · · · · · · · · · · | January t | o September | July to Se | ptember |
|---|-------------|---------------|---------------|-------------|
| | 2012 | 2011 | 2,012 | 2,011 |
| REVENUES | | | | |
| Construction income | ρ. | P 47,002 | • | 2 - |
| Share in Joint Venture Companies' gross revenue | 50,357 | 405,404 | 18,155 | 140,304 |
| Rental income | 31,050 | 15,924 | 10,352 | 6,236 |
| | 81,407 | 468,330 | 28,507 | 146,540 |
| COSTS AND EXPENSES | | | | ••• |
| Construction costs | | 57,910 | _ | 383 |
| GROSS MARGIN | 81,407 | 410,420 | 28,507 | 146,157 |
| GENERAL AND ADMINISTRATIVE OVERHEAD | 70,524 | 244,731 | 20,701 | 66,417 |
| INCOME FROM OPERATIONS | 10,883 | 165,689 | 7,806_ | 79,740 |
| OTHER INCOME (CHARGES): | | | | |
| Penalty charges | (190,417) | (190,417) | (64,170) | (64,170) |
| Interest and financing charges | - | (4,632) | - | (2,632 |
| Interest income | 960 | 6,514 | 660 | 1,578 |
| Other income | 17,243 | 2,7 <u>06</u> | 14,673 | 81 |
| | (172,214) | (185,829) | (48,837) | (65,143 |
| NET INCOME (LOSS) | (161,331) | (20,140) | (41,031) | 14,597 |
| | | | | |
| Earning (loss) per share: | | | | |
| (a) income (loss) | (0.92) |) (0.12) | (0) | 0 |
| (b) number of outstanding common shares | 174,444,749 | 174,444,749 | 174,444,749 | 174,444,749 |

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION STATEMENTS OF CHANGES IN EQUITY

For the Third Quarter of 2012 and 2011 (In Thousand Pesos)

| | | January to September | | |
|--|---|----------------------|------------------|-------------------|
| | | 2012 | ··· · | 2011 |
| CAPITAL: | | | | |
| Capital Stock: | | | | |
| Issued/Subscribed: | ₽ | 2,283,758 | ₽ | 2,283,758 |
| Subscription receivable | | (56,159) | | (56,1 59) |
| 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 |
| | | | | |
| REVALUATION INCREMENT IN PROPERTY Balance at beginning of the year and end of the quarter | | 525,466 | | 898,661 |
| EQUITY ADJUSTMENTS: | | | | |
| Under rehab plan-loans transferred to National Government | | 5,551,726 | | 5,551,726 |
| RETAINED EARNINGS: | | | | |
| Balance at beginning of the year | | (7,109,292) | | (7,096,380) |
| Net loss | | (161,331) | | (20,140) |
| Correction of prior years'earnings | | 113,997 | | (70,970) |
| Balance at the end of the quarter | | (7,156,626) | | (7,187,490) |
| STOCKHOLDERS' EQUITY | ₽ | 1,177,602 | Д | 1,519,933 |

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION STATEMENT OF CASH FLOWS

For the Third Quarter of 2012 and 2011 (In Thousand Pesos)

| | January to Septe | ember |
|---|---|---|
| | 2012 | 2011 |
| CASH FLOW FROM OPERATING ACTIVITIES: | | |
| Cash receipts from customers: | | |
| Revenue share | 58,744 P | 8,014 |
| Rental | 48,962 | 8,433 |
| Others | 7,406 | 64,632 |
| | 115,112 | 81,079 |
| Cash paid to suppliers | (116,426) | (113,153) |
| Cash paid to employees/directors/consultants | (38,373) | (186,118) |
| Cash generated from operations | (39,687) | (218,192) |
| Penalties paid | (113) | - |
| nterests paid | - | - |
| ncome tax paid | <u> </u> | • |
| Net cash flows provided by (used in) operating activities | (39,800) | (218,192 |
| Purchase of property and equiptment Proceeds from sale of fixed assets/scrap materials Interests received Dividends received Others | (19) 13,372 827 24,327 (150,000) (111,493) | (245 10,491 6,489 289 - 17,024 |
| Net cash flows provided by (used in) investing activities CASH FLOW FROM FINANCING ACTIVITIES: | (111,400) | 17,02 |
| CASH / LOW / Holl / HARDAN ACTION | | |
| Payment of loan. | | |
| | - | - |
| Payment of loan. | - - | - |
| Payment of loan. Principal | - - - | |
| Payment of loan. Principal Interests | - - - - | |
| Payment of loan. Principal Interests Others | - - - - (161,293) | (4,635 |
| Payment of loan. Principal Interests Others Net cash flows provided by (used in) financing activities | - - - - (151,293) 212,642 | (4,635 (4,635 (205,803 377,903 |

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 Emesto 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 whollyowned/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:

| 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 |

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 cyclicality 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 decreased by 71.15% or P151.293 million from P212.642 million as of December 31, 2011 to P61.349 million as of September 30, 2012 due to the fund transfer/accommodation extended to a wholly-owned subsidiary.

Advances and Other Receivables increased by 25.34% or P145.183 million from P573.036 million as of December 31, 2011 to P718.219 million as of September 30, 2012 due to set-up of receivables from Joint Venture Companies (revenue share) and from tenants (rental).

Receivables from Contracts increased by 5.37% or P11.712 million from P218.005 million as of December 31, 2011 to P229.717 million as of September 30, 2012 due to adjustment made on the work accomplishments for the Daang Han SLEX Linkroad Project.

The Inventories account in the amount of P8.11 million as of the third quarter of 2012 decreased by 12.98% or P1.21 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 22.4% or P4.875 million from P21.761 million as of December 31, 2011 to P16.886 million as of the third quarter of 2012 due to the amortization of the said account.

Deferred Charges and Other Assets increased by 7.96% or P1.367 million from P17.18 million as of December 31, 2011 to P18.547 million as of September 30, 2012 due to the set-up of the 2% Minimum Corporate Income Tex.

Accounts Payable decreased by 84.24% or P132.451 million from P157.235 million as of December 31, 2011 to P24.784 million as of September 30, 2012 due to the payment of liability to CMMTC via offsetting against revenue share.

The Accrued Costs and Other Payables account increased by 10.14% or P3.475 million from P34.278 million as of December 31, 2011 to P37.753 million as of September 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 29.75% or P17.881 million from P60.109 million as of December 31,2011 to P42.228 million as of the third 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 P57.91 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 87.58% or P355.047 million from P405.404 million for the quarter September 30, 2011 to P50.357 million for the quarter ended September 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 94.99% or P15.126 million from P15.924 million for the quarter ended September 30, 2011 to P31.050 million for

the quarter ended September 30, 2012 due to the set-up of receivables from new tenants in the leased FCA property.

General and Administrative Overhead decreased by 71.18 % or P174.207 million from P244.731 million for the quarter ended September 30, 2011 to P70.524 million for the quarter ended September 30, 2012 resulting from the implementation/adoption of various cost reduction measures to match the Company's present revenue level.

Interest Income decreased by 85.26% or P5.554 million from P6.514 million for the quarter ended September 30, 2011 to P0.96 million for the quarter ended September 30, 2012 due the minimal interests earned on bank savings deposits and money market placements.

Other Income increased by 537.21% or P14.537 million from P2.706 million for the quarter ended September 30, 2011 to P17.243 million for the quarter ended September 30, 2012, attributable to the dividends received and the realized gain on asset disposal.

- 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 third 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 page 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 third 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:

- Revenue share from Joint Venture Companies; and
- 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 toil 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 of 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 September 30, 2012 and September 30, 2011. Segment assets and liabilities exclude income tax assets and liabilities.

| For the Period Ended September 30, 2012 (P000): | Revenue Share | Rental Income | Others | Total |
|--|------------------|------------------|-----------|--------------------|
| Revenue: | | | | 55.407 |
| Total revenue | 50,357 | 31,050 | | 81,407 |
| Segment results | | | | <u>U</u> |
| Net income (loss) | 50,357 | 31,050 | (242,738) | (16 <u>1,331</u>) |
| Assets and Liabilities: | | | | |
| Segment assets | | | 1,314,792 | 1,314,792 |
| Segment liabilities | | | 8,546,637 | 8,546,637 |
| Other segment information: | | | | |
| Investment Property | | | 7,848,246 | 7,848,246 |
| Property, Plant, & Equipment (net) | | | 561,201 | 561,201 |
| Depreciation/Amortization | | | 6,743 | 6,743 |

| For the Period Ended September 30, 2011 (P000): | Tollways | Construction | Others* | Total |
|--|----------|--------------|-----------|----------|
| Revenue: | | | | |
| Total revenue | | 47,002 | 430,548 | 477,551 |
| Segment results | | (10,908) | 430,548 | 419,64 |
| Net income (loss) | | (23,010) | 2,870 | (20,14 |
| Assets and Liabilities: | | | | |
| Segment assets | | 115,567 | 2,151,850 | 2,267,41 |
| Segment liabilities | | 14,256 | 8,274,095 | 8,288,35 |
| Other segment information: | | | | |
| Investment Property | | ļ. <u> </u> | 6,587,192 | 6,587,19 |
| Property, Plant, & Equipment (net) | | 4,284 | 949,391 | 953,67 |
| Depreciation/Amortization | | 1,258 | 120,553 | 121,81 |

^{*} Includes revenue share 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 September 30, 2012, the Company's resources totaled P9.724 billion, lower by P3.873 million or 0.03 % compared with 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 09/30/12 | As of 09/30/11 | Explanation |
|---|----------------|----------------|--|
| Current Ratio (Current Assets / Current Liabilities) | 0.122 | 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 3rd quarter of 2011 to P0.122 to P1.00 as of the same period of 2012. This was mainly due to the 47.13% decrease in current assets vis-a-vis the 2.93% 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) | 0.119 | 0.233 | The decrease in the quick ratio or acid test ratio was also due to the reasons stated above. |
| Total Debt to Total Assets | 87.9% | 84.5% | 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 | 725.8% | 545.3% | 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 period ended September 30, 2012, the Company's net loss amounted to P161.331 million, compared to the reported net loss of P20.14 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

ttem 2.2.e - Meterial 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) | | |
|---|----------|----------|---------------------|---------|--|
| | 09/30/12 | 12/31/11 | Amount | % | Explanation of Variances |
| Cash and Cash Equivalents | B1,349 | 212,642 | (151,293) | (71.15) | Accommodation/fund transfer to a wholly-gwned subsidiary. |
| Advances and Other Receivables | 718,219 | 573,036 | 145,153 | 25.34 | Sel-up of receivebles from Joint Venture Companies (revenue share) and from lenants (rental). |
| Receivables from Contracts | 229,717 | 218,005 | 11,712 | 5.37 | Adjustment: work accomplishement of the Dasng Harl SLEX Linkroad Project. |
| Inventories | 8,110 | 9,320 | (1,210) | (12.98) | Oisposal of obsolete/non-moving inventories/scrap materials. |
| | 16,886 | 21,761 | (4,875) | (22.40) | Amortization of prepaid expenses. |
| Prepayments Deferred Charges and Other Assets | 18,547 | 17,180 | 1,367 | 7.96 | Set-up of Deferred Charges -MCIT. |
| Accounts Payable | 24.784 | 157,235 | (132,451) | (84.24) | Payment of Hability to CMMTC visioning against revenue share. |
| Accrued Costs and Expenses | 37,753 | 34,278 | 3,475 | 10.14 | Accrual of the mandatory benefits and leave credits of employees and other costs and expenses. |
| Advances from Cliente | 42,228 | 50,109 | (17,881) | (29.75) | Bulk represents application of rents deposits against monthly rental. |

| | | | | | |
|---|-----------------------------|-------------|---------------------|----------|--|
| Income Statement (P000) | For the Third Quarter Ended | | Increase (Decrease) | | _] |
| | 09/30/12 | 09/30/11 | Amount | ч. | Explanation of Variances |
| Construction Income | 0 | 47,002 | (47,002) | (100.00) | The project was taken over by DPWH for the purpose of bloding it out, pursuant to its PPP mandate. |
| Cost of Construction | 0 | 57,910 | (67,910) | (100.00) | Manpower unloading. Reduction in costs is in direct relation to the decrease in the related revenue. |
| Share in Joint Venture Companies' Gross Toll Revenue | 50,357 | 405,404 | (355,047) | (87.58) | 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 | 31,050 | 15,924 | 15,126 | 94,99 | Recognition of rental income from the new tenants in the leased FCA property. |
| Genoral and Administrative Overhead | 70,524 | 244,731 | (174,207) | (71.18) | Due to the implementation of various cost reduction measures, more particulary in manpower unleading. |
| Interest Income | 950 | 6,514 | (5,554) | (85.26) | Minimal interests earned from bank savings deposits and money market placements. |
| Other Income | 17,243 | 2,706 | 14,537 | 637.21 | Attributable to the dividends received from the Joint Venture Companies and realized gain on sesset disposal. |

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

Not applicable -