



111132014000727



SECURITIES AND EXCHANGE COMMISSION

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

Barcode Page

The following document has been received:

Receiving Officer/Encoder : Jose Rodel Taruc

Receiving Branch : SEC Head Office

Receipt Date and Time : November 13, 2014 10:29:39 AM

Received From : Head Office

Company Representative

Doc Source

Company Information

SEC Registration No. 0000030939

Company Name PHIL. NATL. CONS. CORP.

Industry Classification

Company Type Stock Corporation

Document Information

Document ID 111132014000727

Document Type 17-Q (FORM 11-Q: QUARTERLY REPORT/FS)

Document Code 17-Q

Period Covered September 30, 2014

No. of Days Late 0

Department CFD

Remarks

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. HENRY B. SALAZAR
Contact Person

846-2906
Company Telephone Number

1 2 3 1
Month Day
Fiscal Year

17-Q
FORM TYPE

0 3 4th
Month Day
Annual Meeting

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number / Section

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel Concerned

File Number

LCU

Document ID

Cashier

STAMPS

**SECURITIES AND EXCHANGE COMMISSION
SEC FORM 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, 2014
2. SEC Identification Number 30939 BIR Tax Identification No. 000-058-330-000-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

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

Note:

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

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

Yes No

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

PHILIPPINE STOCK EXCHANGE (PSE)

12. Indicate by check mark whether the registrant:

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

Yes No

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

Yes No

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

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

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


PART II – OTHER INFORMATION

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

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  President/CEO

Duly Authorized Representative LUIS F. SISON

Date November 11, 2014

Signature and Title  Chief Finance Officer

Signature and Title  Corporate Controller

Date November 11, 2014

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

Date November 11, 2014

PART 1 - FINANCIAL INFORMATION(Item 1 -Financial Statements)
(Item 1.1 -Statements of Financial Position)**PHILIPPINE NATIONAL CONSTRUCTION CORPORATION**
STATEMENTS OF FINANCIAL POSITION

As of September 30, 2014

With comparative figures as of December 31, 2013

(In Thousand Pesos)

	September 30 2014 (Interim)	December 31 2013 (Audited)
ASSETS		
Current Assets		
Cash and cash equivalents	P 385,337	P 181,265
Advances and other receivables, net	545,864	641,308
Receivables from contracts, net	139,177	139,177
Other current assets	21,110	22,733
Total Current Assets	1,091,488	984,483
Noncurrent Assets		
Investments	261,164	261,751
Investment property	10,442,198	10,442,198
Property and equipment, net	565,047	569,204
Other assets, net	191,359	194,484
Total Noncurrent Assets	11,459,768	11,467,637
	P 12,551,256	P 12,452,120
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		
Accounts payable and accrued expenses	P 36,693	P 36,114
Due to the National Government and its Instrumentalities	7,814,267	7,621,295
Due to Government Owned or Controlled Corporation	1,203,000	1,203,000
Total Current Liabilities	9,053,960	8,860,409
Noncurrent Liabilities		
Deferred tax liabilities	3,273,432	3,273,432
Other payables	186,821	187,883
Total Noncurrent Liabilities	3,460,253	3,461,315
Stockholders' Equity	37,043	130,396
	P 12,551,256	P 12,452,120

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION

Aging Schedule of Receivables and Advances

As of September 30, 2014

(In Thousand Pesos)

	Amount	Allowance for Doubtful Account	Net Amount	PAST DUE						
				Current	01-30 days	31-60 days	61-90 days	91 days but not over 1 year	Over 1 year but not over 5 years	Over 5 years
01. Unbilled contract receivable	234	234	-							
02. Billed contract receivable	161,893	90,523	71,370						18,763	52,607
03. Contract retention receivable	5,135	2,380	2,755							2,755
04. Accounts receivable - trade	60,150	60,150	-							
05. Accounts receivable/payable - subs. and aff.	248,367	240,360	8,007	143				1,884	5,980	
06. Accounts receivable - officers and employees	454	10	444	111	25	12		205	91	
07. Claims receivable	89,458	24,406	65,052							65,052
08. Other accounts receivable	482,833	175,707	307,126	8,955	6,126	6,520	5,580	9,368	238,902	31,675
09. Advances for SSS/EC benefits	5		5					5		
10. Advances to suppliers	2,274	2,190	84	81					3	
11. Advances to subcontractor	17,169	11,027	6,142							6,142
12. Advances to Contract Owner	636	636	-							
Sub-total	1,068,608	607,623	460,985	9,290	6,151	6,532	5,580	11,462	263,739	158,231
13. Advances to Bureau of Treasury			150,000							
14. Advances to Joint Venture, net			74,022							
15. Advances to Cesla			34							
Sub-total			224,056							
Total			685,041							

PART 1 - FINANCIAL INFORMATION

(Item 1 -Financial Statements)

(Item 1.2 -Statements of Profit or Loss)

**PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
STATEMENTS OF PROFIT OR LOSS**

For the Third Quarter of 2014 and 2013

(In Thousand Pesos)

	January to September		July to September	
	2014	2013	2014	2013
REVENUES				
Share in Joint Venture Companies' gross revenue	P 92,667	P 64,991	P 39,132	P 20,875
Rental income	64,151	43,774	21,464	15,205
	156,818	108,765	60,596	36,080
GENERAL AND ADMINISTRATIVE OVERHEAD	52,669	54,634	17,864	16,291
PROFIT FROM OPERATIONS	104,149	54,131	42,732	19,789
OTHER INCOME (CHARGES):				
Penalty charges	(192,972)	(192,972)	(65,031)	(65,031)
Interest income	2,265	1,514	1,292	726
Other income	2,580	5,763	621	1,323
	(188,127)	(185,695)	(63,118)	(62,982)
NET LOSS	(83,978)	(131,564)	(20,386)	(43,193)
Earning (loss) per share:				
(a) income (loss)	(0.48)	(0.75)	(0.12)	(0.25)
(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 -Statements of Changes in Equity)

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION**STATEMENTS OF CHANGES IN EQUITY**

For the Third Quarter of 2014 and 2013

(In Thousand Pesos)

	January to September	
	2014	2013
CAPITAL STOCK		
Issued/subscribed:	P 2,283,758	P 2,283,758
Subscription receivable	(56,159)	(56,159)
	<u>2,227,599</u>	<u>2,227,599</u>
Capital in Excess of Par Value:	46,137	46,137
Treasury Stock	(16,700)	(16,700)
	<u>2,257,036</u>	<u>2,257,036</u>
REVALUATION INCREMENT IN PROPERTY	<u>378,011</u>	<u>366,214</u>
EQUITY ADJUSTMENTS		
Under rehabilitation plan-loans transferred to National Government	<u>5,551,726</u>	<u>5,551,726</u>
DEFICIT		
Balance at beginning of the year	(8,056,378)	(9,700,053)
Correction of prior years' earnings	(9,374)	(1,588)
Balance at beginning of the year, as adjusted	<u>(8,065,752)</u>	<u>(9,701,641)</u>
Net loss	(83,978)	(131,564)
Balance at end of the quarter	<u>(8,149,730)</u>	<u>(9,833,205)</u>
EQUITY (DEFICIENCY)	<u>P 37,043</u>	<u>P (1,658,229)</u>

PART 1 - FINANCIAL INFORMATION(Item 1 -Financial Statements)
(Item 1.4 -Statements of Cash Flows)**PHILIPPINE NATIONAL CONSTRUCTION CORPORATION**
STATEMENTS OF CASH FLOWSFor the Third Quarter of 2014 and 2013
(In Thousand Pesos)

	January to September	
	2014	2013
CASH FLOW FROM OPERATING ACTIVITIES:		
Cash receipts from customers:		
Work accomplishments	P -	P 84,881
Revenue share	64,647	66,475
Rental	79,989	44,484
Others	2,261	10,447
	<u>146,897</u>	<u>206,287</u>
Payments to:		
Suppliers	(45,377)	(42,557)
Employees	(24,413)	(36,472)
Directors	(1,736)	(3,424)
Consultants/retainers	(446)	(599)
Cash provided by operations	74,925	123,235
Penalties	(150)	(225)
Taxes and licenses	(1,537)	-
Deficiency taxes	(4,819)	-
Net cash flows provided by operating activities	<u>68,419</u>	<u>123,010</u>
CASH FLOW FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(5)	(2,220)
Proceeds from sale of fixed assets/scrap materials	2,930	7,032
Interests	1,710	1,193
Dividends	39,282	9,251
Others	91,736	-
Net cash flows provided by investing activities	<u>135,653</u>	<u>15,256</u>
CASH FLOW FROM FINANCING ACTIVITIES:		
Payment of loan:	-	-
Net cash flows provided by (used in) financing activities	<u>-</u>	<u>-</u>
NET DECREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	204,072	138,266
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	181,265	27,726
CASH AND CASH EQUIVALENTS AT END OF THIRD QUARTER	385,337	165,992

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

Pursuant to the Supreme Court Decision, the Company no longer recorded the tollways income from the North and South Luzon Tollways (NLT and SLT).

Pending issuance of the implementing rules and guidelines for the determination of the amounts due to the Company for its administrative expenses, the Company recognized 10% 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 write down 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 Company accounts for its investments in wholly-owned/controlled subsidiaries at cost. Allowance for impairment is provided.

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

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

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

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>
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 expensed 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.a.12 Adoption of New and Revised Standards

The Company adopted the following PFRS effective January 1, 2012, as summarized below:

- PFRS 7 Financial Instruments: Disclosures - Enhanced Derecognition and Transfer of Financial Assets Disclosure Requirements – The amended standard requires additional disclosure on financial assets that have been transferred but not derecognized and an entity's continuing involvement in the derecognized assets. This disclosure is required to enable the user of the financial statements to evaluate any remaining risk on the transferred assets.
- PAS 12 Income Taxes - Deferred Taxes: Recovery of Underlying Assets (Amended) – The amendment clarifies that the deferred tax on investment property measured using

the fair value model in PAS 40, Investment Property, should be determined considering that the carrying value of the investment property will be recovered through a sale transaction. Deferred tax on non-depreciable assets that are measured using the revaluation model in PAS 16, Property and Equipment, should also be measured by determining the recoverability of the non-depreciable assets in a sale transaction.

The Company had also adopted the standard effective on or before July 01, 2012:

- PAS 1, Financial Statement Presentation, Presentation of Items of Other Comprehensive Income – The amendment changed the presentation of items in Other Comprehensive Income (OCI). Items that could be reclassified to profit or loss at a future point in time should be presented separately from items that cannot be reclassified.

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

1.7.a.13 New and Revised PFRS Not Yet Adopted

A number of new and revised standards, amendments to standards and interpretations are effective for annual periods beginning after January 01, 2013 and have not been applied in preparing the financial statements.

Under prevailing circumstances, the adoption of the following new and revised PFRSs is not expected to have any material effect in the financial statements.

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

- PAS 19, Employee Benefits (Amendment) – There were numerous changes ranging from the fundamental such as removing the corridor mechanism in the recognition of actuarial gains or losses and the concept of expected returns on plan assets to simple clarifications and re-wording.
- PAS 27, Separate Financial Statements (as Revised in 2011) As a consequence of the new PFRS 10 and PFRS 12, PAS 27 is now limited to accounting for subsidiaries, jointly controlled entities, and associates in separate financial statements.
- PAS 28, Investments in Associates and Joint Ventures (as Revised in 2011) – This standard prescribes the application

of the equity method to investments in joint ventures and associates.

- PFRS 7, Financial Instruments Disclosures - Offsetting Financial Assets and Financial Liabilities (Amendments) – The amendment requires entities to disclose information that will enable users to evaluate the effect or potential effect of netting arrangements on an entity's financial position. The new disclosure is required for all recognized financial instruments that are subject to an enforceable master netting arrangement or similar agreement.
- PFRS 10, Consolidated Financial Statements – The standard replaces the portion of PAS 27, Consolidated and Separate Financial Statements that addresses the accounting for consolidated financial statements and SIC-12, Consolidation - Special Purpose Entities. It establishes a single control model that applies to all entities including special purpose entities. Management will have to exercise significant judgment to determine which entities are controlled, and are required to be consolidated by a parent company.
- PFRS 11, Joint Arrangements - PFRS 11 replaces PAS 31, Interests in Joint Ventures and SIC-13, Jointly-controlled Entities - Non-monetary Contributions by Venturers – The standard removes the option to account for jointly controlled entities (JCEs) using proportionate consolidation. Instead, joint venture entities that meet the definition of a joint venture must be accounted for using the equity method.
- PFRS 12, Disclosure of Interests with Other Entities – The standard includes all of the disclosures that were previously in PAS 27 related to consolidated financial statements, as well as all of the disclosure requirements that were previously included in PAS 31 and PAS 28. These disclosures relate to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. A number of new disclosures are also required.
- Amendments to PFRS 10, PFRS 11 and PFRS 12: Transition Guidance – The amendments provide additional transition relief in PFRS 10, PFRS 11 Joint Arrangements and PFRS 12, Disclosure of Interests in Other Entities, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. Furthermore, for disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before PFRS 12 is first applied.

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

- Improvements to PFRS

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

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

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

- Amendments to PFRS 10, PFRS 12 and PAS 27: Investment Entities – The amendments provide an exception from the requirements of consolidation to investment entities and instead require these entities to present their investments in subsidiaries as a net investment that is measured at fair value. Investment entity refers to an entity whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both.
- Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities – The amendments address inconsistencies in current practice when applying the offsetting criteria in PAS 32, Financial Instruments: Presentation. The amendments clarify (1) the meaning of 'currently has a legally enforceable right of set-off'; and (2) that some gross settlement systems may be considered equivalent to net settlement.

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

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

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 P204.072 million or 112.58% from P181.265 million as of December 31, 2013 to P385.337 million as of the third quarter of 2014 due to the collections of revenue/dividend shares from the Joint Venture Companies; receivables from tenants in the leased FCA property; and receivables from a wholly-owned subsidiary.

Advances and other receivable decreased by P95.444 million or 14.88 % from P641.308 million as of December 31, 2013 to P545.864 million as of September 30, 2014 attributable to the collection of the receivable from a wholly-owned subsidiary.

The Prepayments account in the amount of P14.549 million as of the third quarter of 2014 decreased by P1.807 million or 11.05%, when compared to the P16.356 million as of December 31, 2013. The said decrease is mainly due to the amortization of the prepaid expenses.

Revenue share from Joint Venture Companies increased by P27.676 million or 42.58% from P64.991 million for the quarter ended September 30, 2013 to P92.667 million for the quarter ended September 30, 2014 due to the recognized dividend and revenue share which is in direct relationship to the Joint Venture Companies' reported gross toll revenue.

Rental income increased by P20.377 million or 46.55% from P43.774 million for the quarter ended September 30, 2013 to P64.151 million for the quarter ended September 30, 2014 resulting from the renewal of the existing Contracts of Lease with corresponding increase in rental rates.

Interest income increased by P0.751 million or 49.60% from P1.514 million for the quarter ended September 30, 2013 to P2.265 million for the quarter ended September 30, 2014 due to the interests earned from bank savings deposits and from money market placements.

Other income decreased by P3.183 million or 55.23% from P5.763 million for the quarter ended September 30, 2013 to P2.580 million for the quarter ended September 30, 2014 due to the realized gain on asset disposal in the third quarter of 2013.

- 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

- None -

- 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 quarter ended September 30, 2014. 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 third quarter of 2014.

- 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 to 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, 2014 and September 30, 2013. Segment assets and liabilities exclude income tax assets and liabilities.

For the Period Ended September 30, 2014 (P000):	Revenue Share	Rental Income	Others	Total
Revenues:				
Total revenue	92,667	64,151		156,818
Segment results				0
Net income (loss)	92,667	64,151	(240,796)	(83,978)
Assets and Liabilities:				
Segment assets			1,532,536	1,532,536
Segment liabilities			9,240,781	9,240,781
Other segment information:				
Investment Property			10,442,198	10,442,198
Property, Plant, & Equipment (net)			565,047	565,047
Depreciation/Amortization			4,272	4,272

For the Period Ended September 30, 2013 (P000):	Revenue Share	Rental Income	Others	Total
Revenues:				
Total revenue	64,991	43,774		108,765
Segment results				0
Net income (loss)	64,991	43,774	(240,329)	(131,564)
Assets and Liabilities:				
Segment assets			1,403,472	1,403,472
Segment liabilities			8,973,646	8,973,646
Other segment information:				
Investment Property			7,848,246	7,848,246
Property, Plant, & Equipment (net)			553,887	553,887
Depreciation/Amortization			5,501	5,501

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 can be made in the financial statements.

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 the Company before the National Labor Relation Commission (NLRC).

The civil cases filed against the Company consist of cases involving damages, collection of money, and attorney's fees which are still in litigation before the various Regional Trial Courts (RTC). On the other hand, 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 Company's 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.

The Company sought reinvestigation of the case on November 08, 1995, and as a consequence, the BIR issued a final decision on September 09, 2004 ordering the Company 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 the Company's contention meritorious.

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

The Company, 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 the Company 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 2006 Proposed deficiency taxes 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.

- 1.7.k.2.f 2009 Proposed deficiency taxes in the amount of P51.957 million (exclusive of interest and penalty charges of P35.457 million).

An informal conference between the BIR examiners and the PNCC representatives was held on November 15, 2012.

The Company's requests for extension of time within which to submit the required schedules and other supporting documents were favorably granted by the BIR.

As a result thereof, the proposed deficiency taxes of P87.414 million are substantially reduced to P25.013 million, which amount is covered by the BIR's Formal Assessment Notice (FAN) dated October 07, 2013.

Actions taken by the Company on the FAN:

Particulars	Amount (P000)
BIR – FAN	25,013
Payments of the undisputed deficiency taxes:	
11/28/13 - Expanded Withholding Tax (EWT)	1,092
11/28/13 - W/Tax on Compensation (WC)	4,286
11/28/13 - Fringe Benefit Tax (FBT)	1,186
01/10/14 - Final Withholding Vat (FWV)	4,819
Sub-total	11,383
Further documentation made on the following:	
Matching-SLS vs. SLP vs. Alphalist (EWT)	2,156
Matching-SLS vs. SLP vs. Alphalist (FWV)	1,711
Sub-total	3,867
Total	15,250
Balance (Attendant Charges)	9,763

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

As of reporting quarter, the Company has not received any formal communication from the BIR with regard to the aforesaid request.

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 Position:

As of September 30, 2014, the Company's resources totaled P12.551 billion, higher by P99.136 million or 0.8% compared to the December 31, 2013 figure of P12.452 billion.

The increase in resources was mainly attributable to the increase in cash and cash equivalents resulting from the collections of receivables from: Joint Venture Companies (revenue share and dividend) and FCA Property tenants (rental).

Results of Operation:

The Company's net loss of P83.978 million for the quarter ended September 30, 2014 decreased by P47.586 million or 36.17 % compared to the reported net loss of P131.564 million for the same period of 2013. This is mainly attributable to the increase in dividend/revenue share and rental income by 42.58% and 46.55%, respectively (as discussed under Item 2.2.e).

As a result of the DPWH's take over of the Daang Hari SLEX Linkroad Project for purposes of bidding it out (pursuant to its PPP mandate) 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 its 10% share from Joint Venture Companies' gross toll revenue and its earnings from the leased FCA property.

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

Performance Indicators	As of 09/30/14	As of 09/30/13	Explanation
Current Ratio (Current Assets / Current Liabilities)	0.121	0.108	The Company's ability to meet its current obligations as they fall due increased from P0.108 to P1.00 as of the 3rd quarter of 2013 to P0.121 to P1.00 as of the same period of 2014. This was mainly due to the 15.16% decrease in current assets vis-a-vis the 3.21% 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)	0.118	0.106	The increase in the quick ratio or acid test ratio was also due to the reason stated above.
Total Debt to Total Assets	99.7%	116.9%	The ratio measures the Company's ability to pay its maturing obligations. The Company's debt to assets ratio improved due to the 28% increase in total assets brought about by the appraisal of its real estate properties vis-a-vis the 9.16% increase in total liabilities due to the accrual of the 2% penalty charges on unpaid concession fee and the recognition of deferred tax liabilities (deemed tax on the increase in the value of the investment property and property and equipment).
Total Debt to Equity	33782.9%	-691.3%	The ratio measures the Company's ability to pay its maturing obligations. The Company's improved debt to equity ratio is due to the reversal of its capital deficiency to equity.

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 receivables from various government agencies.

2.2.a.2 Pending labor cases which consist of those filed against the Company involving dismissal, backwages, and separation pay; most of which had been ruled by the Labor Arbiter in favor of the

complainants, pending appeal by PNCC before the National Labor Relation Commission (NLRC).

- 2.2.a.3 Pending civil cases which consist of those filed against the Company involving damages, collection of money, and attorney's fees which are still on litigation before the various Regional Trial Courts (RTC).
- 2.2.a.4 Pending assessments on deficiency taxes. Discussion is contained under Item 1.7.k.2 including courses of actions already undertaken by the Company to address the issue.

To address the Company's liquidity concern, the Company implemented a program of manpower rightsizing in 2001 and has been pursued gradually during the quarter. The program will be considered in the succeeding quarters/years until the Company attains manpower complement to match its present revenue level which is generated 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 or are expected to have material impact in 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;
- The turn over of the shares of stock in the tollway Joint Venture Companies to the National Government;

- DPWH's take over of the Daang Hari Project (pursuant to its PPP mandate); and
- The Writ of Preliminary Injunction issued by the RTC of Makati Branch 132 on May 09, 2014 (re: Rodolfo M. Cuenca vs. Toll Regulatory Board, et.al., Civil Case No. 13-919), enjoining and restraining the TRB and PNCC from implementing the Interim Rules and Guidelines dated March 22, 2012; wherein the respondents corporations namely: MNTC, CMMTC, SLTC, and MTESI were directed to forward the entire amounts to be remitted by them under their respective Supplemental Toll Operations Agreement to the PNCC.

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
	09/30/14	12/31/13	Amount	%	
Cash and Cash Equivalents	385,337	181,265	204,072	112.58	Collections: revenue/dividend share from Joint Venture Companies; rental from FCA property tenants; and receivable from a wholly-owned subsidiary.
Advances and Other Receivables	545,864	641,308	(95,444)	(14.88)	Mainly due to the collection of receivables from a wholly-owned subsidiary.
Prepayments	14,549	16,356	(1,807)	(11.05)	Amortization of prepaid expenses.

Income Statement (P000)	For the Third Quarter Ended		Increase (Decrease)		Explanation of Variances
	09/30/14	09/30/13	Amount	%	
Share in Joint Venture Companies' Gross Revenue	92,667	64,991	27,676	42.58	Recognized dividend and revenue share which is in direct relationship to the Joint Venture Companies' reported gross toll revenue.
Rental Income	64,151	43,774	20,377	46.55	Renewal of existing Contracts of Lease with corresponding increase in rental rates.
Interest Income	2,265	1,514	751	49.60	Interests from bank savings deposits and money market placements.
Other Income	2,580	5,763	(3,183)	(55.23)	Mainly attributable to the realized gain on asset disposal in the 3rd quarter of 2013.

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

- Not applicable -

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
FINANCIAL SOUNDNESS INDICATORS
For the Third Quarter of 2014 and 2013

	January to September	
	2014	2013
1 Current/Liquidity Ratios:		
Current Ratio	0.121	0.108
Quick Asset Ratio	0.118	0.106
2 Solvency Ratios:		
Debt to Assets	99.70%	116.91%
Debt to Equity Ratio	33782.94%	-691.33%
3 Asset to Equity Ratio	33882.94%	-591.33%
4 Interest Rate Coverage Ratio	0.540	0.281
5 Profitability Ratios:		
Gross Profit Ratio	66.41%	49.77%
Return on Assets	-0.67%	-1.34%
Return on Equity	-226.70%	-7.93%