



111162015001964

**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 : Jojit Licudine

Receiving Branch : SEC Head Office

Receipt Date and Time : November 16, 2015 04:46:03 PM

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 111162015001964

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

Document Code 17-Q

Period Covered September 30, 2015

No. of Days Late 0

Department CFD

Remarks

COVER SHEET

30939

S.E.C. Registration Number

PHILIPPINE NATIONAL
CONSTRUCTION CORPORATION

(Company's Full Name)

PNCC COMPLEX KM 15 EAST SERVIC
E ROAD BICUTAN PARANAQUE CITY

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

FRANCES LYNETTE V. SAYSON

Contact Person

846-2906

Company Telephone Number

12 31
Month Fiscal Year Day

17-Q
FORM TYPE

03 4th Tuesday
Month Day Annual Meeting

Secondary License Type, if Applicable

Dept. Requiring this Doc.

Amended Articles Number / Section

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel Concerned

File Number

LCU

Document ID

Cashier

STAMPS

**SECURITIES AND EXCHANGE COMMISSION
SEC FORM 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, 2015
2. SEC Identification Number 30939 BIR Tax Identification No. 410-000-058-V
3. Exact name of registrant as specified in its charter
PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
4. Metro-Manila, Philippine 6. (SEC Use Only)
Province, Country or other jurisdiction Industry Classification Code:
7. PNCC Complex, KM. 15, East Service Road, Bicutan, Parañaque City
8. (02) 846-3045 Fax: 846-1395
Registrant's telephone number, including area code
9. _____
Former name, former address and former year, if changed last report
10. Securities registered pursuant to Sections 4 and 8 of the RSA

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

Note:

The Philippine 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

Date November 13, 2015

Duly Authorized Representative LUIS F. SISON

Signature and Title



..... Chief Finance Officer

Signature and Title



..... Corporate Controller

Date November 13, 2015

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

PART 1 – FINANCIAL INFORMATION

(Item 1 –Financial Statements)

(Item 1.1 -Statements of Financial Position)

PHILIPPINE NATINAL CONSTRUCTION CORPORATION**STATEMENTS OF FINANCIAL POSITION**

As of September 30, 2015

With comparative figures as of December 31, 2014

(In Thousand Pesos)

		September 30 2015 (Interim)		December 31 2014 (Audited)
ASSETS				
Current Assets				
Cash and cash equivalents	P	540,076	P	398,342
Accounts Receivables		407,654		419,140
Receivables from officers and employees		44,224		42,900
Prepayments		11,213		10,067
Total Current Assets		1,003,167		870,449
Noncurrent Assets				
Investments		260,834		260,980
Investment Property		10,442,198		10,442,198
Property and equipment, net		559,061		563,071
Other Assets net		326,523		327,626
Total Noncurrent Assets		11,588,616		11,593,879
TOTAL ASSETS	P	12,591,333	P	16,646,328
LIABILITIES AND STOCKHOLDERS EQUITY				
Current Liabilities				
Accounts payable and accrued expenses	P	45,927	P	44,576
Due to the National Government and its Instrumentalities		8,072,269		7,879,297
Due to Government Owned or Controlled Corporation		1,203,000		1,203,000
Total Current Liabilities		9,321,196		9,126,873
Noncurrent Liabilities				
Deferred tax liabilities		3,273,142		3,273,142
Other payables		174,862		174,862
Total Noncurrent Liabilities		3,448,004		3,448,004
Stockholders' Equity (Capital Deficiency)		(177,867)		(110,549)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	P	12,591,333	P	12,646,325

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION

AGING OF RECEIVABLES & ADVANCES

As of September 30, 2015

(In Thousand Pesos)

	Amount	Allowance for Doubtful Accounts	Net Amount	Current	Past Due				
					1-30 Days	31-60 Days	61-90 Days	91 Days but not over 1 Yr.	Over 1 Yr. but not over 5 Yrs. Over 5 Years
Current Assets:									
Billed Contract Receivables	52,607		52,607						52,607
Contract Retention Receivables	2,755		2,755						2,755
Claims Receivable	65,052		65,052						65,052
Accounts Receivable - Trade	55,328		55,328	9,897	7,348	5,862	6,241	6,344	19,536
Accounts receivable - Subs. and Aff. (net)	12,858		12,858	137	123	176	258	935	11,229
Other Accounts Receivable	70,122	1,117	69,005					23	68,978
Advances for SSS/ECC Benefits	-		-						4
Advances to Suppliers	43		43	39					4
Advances to CESLA	6		6	6					
Advances to Bureau of Treasury	150,000		150,000						150,000
Total Accounts Receivable	408,771	1,117	407,654	10,079	7,471	6,138	6,499	7,302	99,747
Receivables from Officers and Employees	44,223		44,223	115		1,528			39,420
Sub-total (Current Assets)	452,994	1,117	451,877	10,194	7,471	7,666	6,499	7,302	139,167
Non-Current Assets:									
Accounts Receivable - Trade	50,879		50,879						22,868
Receivables from Officers and Employees	12,582		12,582						12,082
Sub-total (Non-Current Assets)	63,461	-	63,461	-	-	-	-	-	34,950
Total	516,455	1,117	515,338	10,194	7,471	7,666	6,499	7,302	174,117
									302,089

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
STATEMENTS OF PROFIT OR LOSSFor the Third Quarter of 2015 and 2014
(In Thousand Pesos)

	January to September		July to	September
	2015	2014	2015	2014
REVENUES				
Revenue share from Joint Venture Companies P	102,090	92,667	40,634	39,132
Rental Income	72,179	64,151	23,970	21,464
	174,269	156,818	64,604	60,596
GENERAL AND AMINISTRATIVE OVERHEAD	41,754	52,669	10,581	17,864
PROFIT FROM OPERATIONS	132,515	104,149	54,023	42,732
OTHER INCOME (CHARGES):				
Penalty charges	(192,972)	(192,972)	(65,031)	(65,031)
Interest Income	3,937	2,265	1,416	1,292
Other Income(charges)	(4,034)	2,580	(3,523)	621
	(193,061)	(188,127)	(67,138)	(63,118)
NET LOSS	(60,554)	(83,978)	(13,115)	(20,386)
Earning (loss) per share:				
(a) Income (loss)	(0.35)	(0.48)	(0.08)	(0.12)
(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 2015 and 2014

(Nearest Peso)

	Capital Stock P10 Par Value	Capital in Excess of Par Value	Subscription Receivable	Treasury Stock	Revaluation Increment in Property	Adjustment- Loans Transf. to Nat'l Gov't	Retained Earnings (deficit)	Total Equity
Balances, December 31, 2014	2,283,758	46,137	(56,159)	(16,699)	377,332	5,551,726	(8,296,644)	(110,549)
Correction of prior years' income and expenses	2,283,758	46,137	(56,159)	(16,699)	377,332	5,551,726	(8,303,651)	(117,556)
							(47,349)	(47,349)
							243	243
Net loss							(60,554)	(60,554)
Other Comprehensive Income							8,363,962	177,866
As of Sept 30, 2015	2,283,758	46,137	(56,159)	(16,699)	377,332	5,551,726	8,363,962	177,866
Balances, December 31, 2013							(8,056,378)	(130,396)
Correction of prior years' income and expenses	2,283,758	46,137	(56,159)	(16,699)	378,011	5,551,726	(9,374)	(9,374)
							(8,065,752)	(121,022)
							(83,978)	(83,978)
Net loss							(83,978)	(83,978)
Other comprehensive income							8,149,730	37,043
As of Sept 30, 2015								

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
STATEMENTS OF PROFIT OR LOSSFor the Third Quarter of 2015 and 2014
(In Thousand Pesos)

		January to September	
	2015	2014	
CASH FLOW FROM OPERATING ACTIVITIES:			
Cash receipts from customers:			
Revenue Share	P 75,890	64,647	
Rental	80,349	79,989	
Others	758	2,261	
	156,997	146,897	
Payments to:			
Suppliers	(31,474)	(45,377)	
Employees	(21,496)	(24,413)	
Directors	(2,165)	(1,736)	
Consultants/retainers	(312)	(446)	
Cash provided by operations	101,550	74,925	
Penalties	(150)	(150)	
Taxes and licenses	(1,658)	(1,537)	
Deficiency taxes	-	(4,819)	
Net cash flows provided by operating activities	99,742	68,419	
CASH FLOW FROM INVESTING ACTIVITIES:			
Purchase of property and equipment	(35)	(5)	
Proceeds from sale of fixed assets/scrap materials	906	2,930	
Interests	3,975	1,710	
Dividends	36,546	39,282	
Others	600	91,736	
Net cash flows provided by investing activities	41,992	135,653	
NET DECREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	141,734	204,072	
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	398,342	181,265	
CASH AND CASH EQUIVALENTS AT END OF SECOND QUARTER	540,076	385,337	

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 En Banc 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.

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 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.

This account also includes 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 Investments

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

The Company believes that the effects of not consolidating the subsidiaries are not material to the financial statements because these are no longer operating, except for DISC Contractors, Builders, and General Services, Inc. (DCBGSI) which has been incurring losses, resulting to accumulated deficit.

In a regular board meeting held on November 14, 2011, the PNCC Board resolved to comply with the mandate of the Supreme Court to transfer and turn over 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.6 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.7 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.8 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.9 Borrowing Costs

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

1.7.a.10 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 profit or loss.

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.11 Adoption of New and Revised PFRS

The Company adopted the following PFRS effective January 01, 2012, summarized as follows:

- PFRS 7, Financial Instruments: Disclosures – Enhanced Derecognition and Transfer of Financial Assets Disclosure Requirements – The amended standard requires additional disclosure on financial assets that have been transferred but not 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

using the revaluation model in PAS 16, Property and Equipment, should also be measured by determining the recoverability of the non-depreciable assets in a sale transaction.

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

1.7.a.12 New and Revised PFRS Not Yet Adopted

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

Effective for annual periods beginning on or after January 01, 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 01, 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 01, 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 and applies to classification and measurement of financial assets as defined in PAS 39.

1.7. b Comments about the seasonality or cyclical 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 P141, 7341 million or 35.6% from P398.342 million as of December 31, 2014 to P540.076 million as of the third quarter of 2015 due mainly to the cash flow provided by the Company's operating and investing activities.

Accounts receivable decreased by P11.45 million or 2.73% from P419.14 as of December 31, 2014 to P407.65 million as of September 30, 2015 attributable to the collection of accounts from the Joint Venture Companies and the tenants in the leased FCA property in Pasay.

Revenue and dividend shares from Joint Venture Companies increased by P9.42 million or 10.1 from P92.67 million for the quarter ended September 30, 2014 to P102.09 million for the quarter ended September 30, 2015 due to the recognition of revenue share from the Joint Venture Companies' reported gross toll revenue during the quarter.

Rental income increased by P8.03 million or 12.5% from P64.5 million for the quarter ended September 30, 2014 to P72.18 million for the quarter ended September 30, 2015.

General and administrative overhead decreased by P12.88 by million or 23.5% from P54.63 million for the quarter ended September 30, 2014 to P41.75 million for the quarter ended September 30, 2015 due mainly to the implementation of cost reduction measures to match the Company's present revenue level.

Interest income increased by P1.67 million or 73.82% from P2, 265 million for the quarter ended September 30, 2014 to P3.397 million as of September 30, 2015 resulting from the interest earned from bank deposits and money market placements.

Other income decreased by P6.614 million or 256.4% from P2.580 million for the quarter ended September 30, 2014 to a negative P4.034 for the quarter ended September 30, 2015 mainly due to depreciation and losses in disposal of inventory/equipment.

- 1.7.d Nature and amount of changes in estimates of amounts reported in prior interim periods of the current financial year of 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 third quarter of September 30, 2015. The last payment was made on July 15, 2010. Penalty charges of 2% accruing from the TRB loan are continuously recognized in the books.

The PNCC Board earlier approved the settlement of the obligation to the National Government by way of dacion en pago, using the real estate assets of PNCC notably the 12.9 hectare Financial Center Area. The property was valued at P9.714 billion by independent firms of appraisers conducted in 2013. During the year Board reconsidered the option to bid out the property proposed for dacion to attain a higher dacion value and forestall all legal problems that may arise from the option of direct dacion. A letter touching on major issues on PNCC, including this matter among others, was sent to the office of the President in July, 2015.

1.7.f Payment of dividend

There were no dividends paid during and as of the first quarter of 2015.

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 and dividend shares 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 operations 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, 2015 and September 30, 2014. Segment assets and liabilities exclude income tax assets and liabilities.

For the Period Ended September 30, 2015 (P000)	Revenue/ Dividend Share	Rental Income	Others	Total
<i>Revenues:</i>				
Total Revenue	102,090	72,179		109,755
Segment results				
Net income (loss)	102,090	72,179	(234,823)	60,554
<i>Assets and Liabilities:</i>				
Segment Assets			1,444,710	1,444,710
Segment liabilities			9,428,945	9,428,945
<i>Other segment information:</i>				
Investment Property			10,442,198	10,442,198
Property, Plant, & Equipment (net)			559,061	560,183
Depreciation/Amortization			3,549	2,398

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

- 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 comprised mostly of claims for 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 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 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 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 Company's contention meritorious.

The Company, in its letter of February 15, 2005, informed the BIR that it had filed a Petition with the Department of Justice (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 deficiency taxes.

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 pursuant to Section 203 of the NIRC of 1997 (Prescription of limitation upon assessment and collection) and Revenue Regulations (RR) No. 12-99

(which requires discussion between the Company and the BIR Examiner/s before submission of the report to the BIR Chief concerned).

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

To date, the Company has not received any formal communication from the BIR after its letter 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).

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

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

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

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, 2015, the Company's resources totaled P12.591 billion, higher by P127.005 million or 1.02% compared to the December 31, 2014 figure of P12.464 billion.

The increase in resources was mainly attributable to the increase in cash and cash equivalents provided by the Company's operating and investing activities.

Results of Operation:

The Company's net loss of P60.554 million for the quarter ended September 30, 2015 decreased by P23.424 million or 27.9% compared to the reported net loss of P83.978 million for the same period of 2014. This is mainly due to the 10.8% increase in profit from operations, brought about by the 9.7% increase in revenue and dividend share from Joint Venture Companies and 12.5% increase in rental income from its leased FCA property in Pasay City coupled with the 23.6% decrease in general and administrative overhead resulting from the Company's Cost Reduction Program.

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

Performance indicators	As of		Explanation
	Sept 30, 2015	Sept 30, 2014	
Current Ratio (Current Assets / Current Liabilities)	0.115	0.121	The Company's ability to meet its current obligations , as they fall due decreased from P0.121 to P0.115 of the 3 rd quarter of 2014 as of the same period of 2015. This was mainly due to the 9.2% decreased in current assets vis-à-vis the 2.13% 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)	0.106	0.118	The decrease in the quick ratio or acid test ratio was due to 2.13% increase in current liabilities, despite the increase of 15% in quick assets.
Total Debt to Total Assets	101.41%	99.70%	The ratio measures the Company's ability to pay its maturing obligations. The Company's debt to assets ratio or solvency ratio increased from 99.70% as Sept 30, 2014 to 101.41% as of the same period of 2015. This is due to the 2.55% increase in total assets vis-à-vis the 2.05% increase in total liabilities resulting from the aforesaid accrual of 2% penalty charges payable to TRB
Total Debt to Equity	-7173.60%	33782.9%	The ratio measures the Company's ability to pay its maturing obligations. The Company's debt to equity ratio from a positive 33782.9% as of Sept 30, 2014 to a negative 7173.6% as of Sept 30, 2015 is due to the 2.05% increase in total liabilities and the reversal of the Company's equity to capital deficiency.

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

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

The Company 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
- DPWH's take over of the Daang Hari Project (pursuant to its PPP mandate).

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

- Not applicable -

2.2.e The causes of 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
	Sept 30, 2015	Dec 30, 2015	Amount	%	
Cash and cash equivalents	540,076	398,342	141,734	35.58	Attributable to the cash flows provided by the Company's operating and investing activities.
Accounts receivables	394,924	419,140	(24,216)	(5.78)	Collection of receivables from the Joint Venture Companies and tenants in the leased FCA property in Pasay.

Income Statement (P000)	For the Third Quarter Ended		Increase (Decrease)		Explanation of Variances
	Sept 30, 2015	Sept 30, 2014	Amount	%	
Revenue/dividend share from Joint Venture Companies	102,090	92,667	9,423	10.17	Recognized revenue share from the Joint Venture Companies' reported gross toll revenue during the quarter.
Rental Income	72,179	64,151	8,026	12.51	Renewal of existing Contracts of Lease with corresponding increase in rental rates.
General and administrative overhead	41,754	54,634	(12,880)	(23.58)	Due to the implementation of various cost reduction measures, more particularly in manpower unloading.
Interest Income	3,937	2,265	1,672	73.82	Interests from bank savings deposits and money market placements.
Other Income	(4,039)	2,580	(6,619)	(256.55)	Attributable to depreciation loss on asset disposal for the period.

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 2015 and 2014

		January to September	
		2015	2014
1	Current/Liquidity Ratios:		
	Current Ratio	0.115	.121
	Quick Asset Ratio	0.106	.118
2	Solvency Ratios:		
	Debt to Assets	101.85%	99.70%
	Debt to Equity Ratio	-7173.59%	33782.94%
3	Asset to Equity Ratio	-7043.26%	33882.94%
4	Interest Rate Coverage Ratio	0.614	0.540
5	Profitability Ratios:		
	Gross Profit Ratio	76.06%	66.41%
	Return on Assets	-0.49%	-0.67%
	Return on Equity	-34.02%	-226.70%