



111122019000947

**SECURITIES AND EXCHANGE COMMISSION**

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Company Information

SEC Registration No. 0000030939
Company Name PHIL. NATL. CONS. CORP.
Industry Classification
Company Type Stock Corporation

Document Information

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COVER SHEET

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S.E.C. Registration Number

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(Company's Full Name)

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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)

MARIANO JESUS S. AVERIA

Contact Person

846-2906

Company Telephone Number

09 30
Month Day

Fiscal Year

	1	7	-	Q
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FORM TYPE

0	3
Month	Day

Annual Meeting

Secondary License Type, If Applicable

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Dept. Requiring this Doc.

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Amended Articles Number/Section

Source: Author's calculations.

Total No. of Stockholders

Domestic

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Foreign

Top be accomplished by SEC Personnel concerned

[illegible][illegible]

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SECURITIES AND EXCHANGE COMMISSION

SEC FORM 17-Q

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

1. For the quarterly period ended September 30, 2019
2. SEC Identification No. 30939
3. BIR Tax Identification No. 000-058-330-000
4. Exact name of issuer as specified in its charter: Philippine National Construction Corporation
5. Province, country or other jurisdiction of incorporation or organization: Metro Manila, Philippines
6. Industry Classification Code: (SEC Use Only)
7. PNCC Complex, KM. 15, East Service Road, Bicutan, Parañaque City 1700
Address of issuer's principal office Postal Code
8. (02) 846-3045 / Fax: (02) 846-1395
Issuer's telephone number, including area code
9. Not applicable
Former name, former address and former fiscal year, if changed since last report
10. Securities registered pursuant to Sections 8 and 12 of the Code, or 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	10,000,000
	<u>95,000,000</u>

Note:

Philippine National Construction Corporation (PNCC) has 141,519,380 shares (99,444,759 common shares and 42,074,621 preferred shares) issued to different Government Financial Institutions in 1983. For purposes of registration of said shares, PNCC with Feria Law Offices as consultant filed its Amended Registration Statement on August 15, 2001. On December 19, 2001, the Securities and Exchange Commission (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 the securities listed on a Stock Exchange?

Yes ☒ No ☐

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

The Common shares of the Company are listed on the 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 Sections 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 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 ninety (90) days.

Yes ☒ No ☐

PART I – FINANCIAL INFORMATION

Item 1. Financial Statements

Interim financial statements are attached as Exhibits 1 to 5 hereof and incorporated herein by reference:

- | | |
|-----------|--|
| Exhibit 1 | Statements of Financial Position as at September 30, 2019 and December 31, 2018 |
| Exhibit 2 | Statements of Comprehensive Income for the nine months ended September 30, 2019 and September 30, 2018 |
| Exhibit 3 | Statements of Changes in Equity for the nine months ended September 30, 2019 and September 30, 2018 |
| Exhibit 4 | Statements of Cash Flows for the nine months ended September 30, 2019 and September 30, 2018 |
| Exhibit 5 | Notes to Interim Financial Statements |

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

Please refer to Exhibits 6 & 7.

PART II – OTHER INFORMATION

The Company is not in possession of information which has not been previously reported in a report on SEC Form 17-C and with respect to which a report on SEC Form 17-C is required to be filed.

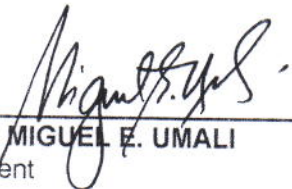
SIGNATURES

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.

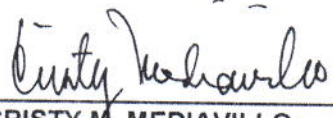
PHILIPPINE NATIONAL CONSTRUCTION CORPORATION

Issuer

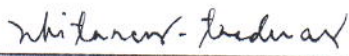
By:



ATTY. MIGUEL E. UMALI
President



CRISTY M. MEDIAVILLO
Head - Treasury



VERONICA B. TACDERAS, CPA
Head - Controllership

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
Statements of Financial Position
As at September 30, 2019 and December 31, 2018
(In Philippine Peso)

EXHIBIT 1

	September 30, 2019 (Unaudited)	December 31, 2018 (Audited)
ASSETS		
Current Assets		
Cash	205,334,102	205,158,385
Short-term investments	1,042,327,089	730,179,490
Receivables, net	464,634,974	466,782,133
Inventories	3,814,897	3,709,987
Other current assets	31,132,630	23,119,740
Total Current Assets	1,747,243,692	1,428,949,735
Non-Current Assets		
Investments	926,990,952	926,990,952
Investment property	14,738,325,500	14,738,325,500
Property and equipment, net	654,325,762	658,570,260
Deferred tax assets	28,798,001	40,978,113
Other non-current assets, net	87,837,728	174,478,572
Total Non-Current Assets	16,436,277,943	16,539,343,397
TOTAL ASSETS	18,183,521,635	17,968,293,132
LIABILITIES		
Current Liabilities		
Financial liabilities	19,079,873	14,680,110
Other financial liabilities (Due to NG an	9,740,978,116	9,548,006,516
Inter-agency payables	11,366,051	8,399,828
Trust liabilities	135,553,334	39,363,786
Deferred credits/unearned income	25,084,270	25,501,119
Total Current Liabilities	9,932,061,644	9,635,951,359
Non-Current Liabilities		
Deferred tax liabilities	4,595,207,954	4,595,207,954
Trust liabilities	3,789,629	3,789,629
Total Non-Current Liabilities	4,598,997,583	4,598,997,583
TOTAL LIABILITIES	14,531,059,227	14,234,948,942
EQUITY		
Revaluation surplus	454,864,651	454,864,651
Deficit	(4,611,165,364)	(4,530,323,582)
Stockholders' equity	7,808,763,121	7,808,803,121
Total Equity	3,652,462,408	3,733,344,190
TOTAL LIABILITIES AND EQUITY	18,183,521,635	17,968,293,132

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION

Statements of Comprehensive Income

For the Nine Months Ended September 30

(In Philippine Peso)

EXHIBIT 2

	2019	2018
Income		
Service and business income	198,773,408	242,004,177
Gains	529,869	222,907
Other non-operating income	1,568,349	49,334
Total Income	200,871,626	242,276,418
Expenses		
Personnel services	(31,699,876)	(32,931,471)
Maintenance and other operating expenses	(26,620,630)	(28,534,513)
Financial expenses		
Penalty charges on unpaid concession fee	(192,971,600)	(192,971,600)
Bank charges	(7,360)	(850)
Direct costs	(27,945,030)	(25,878,418)
Non-cash expenses	(4,809,772)	(5,618,555)
Total Expenses	(284,054,268)	(285,935,407)
Profit Before Tax	(83,182,642)	(43,658,989)
Income tax expense	0	0
Net Income	(83,182,642)	(43,658,989)
Other Comprehensive income/(loss)	0	-
Comprehensive Income	(83,182,642)	(43,658,989)

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
Statements of Changes in Equity
As of September 30, 2019 (Unaudited) and September 30, 2018 (Unaudited)
(In Philippine Peso)

EXHIBIT 3

Particulars	Share Capital	Share Premium	Subscriptions Receivable	Treasury Stock	Revaluation Surplus	Equity Adjustment - Loans Transf. to Nat'l Gov't.	Retained Earnings (Deficit)	Other Comprehensive Income	TOTAL EQUITY
Balances, December 31, 2018	2,283,758,120	46,137,443	(56,158,831)	(16,699,918)	454,864,651	5,551,726,307	(4,530,323,582)	40,000	3,733,344,190
Correction of Prior Years' Error	-	-	-	-	-	-	2,300,860	-	2,300,860
Net income/(loss)	2,283,758,120	46,137,443	(56,158,831)	(16,699,918)	454,864,651	5,551,726,307	(4,528,022,722)	40,000	3,735,645,050
As at September 30, 2019	2,283,758,120	46,137,443	(56,158,831)	(16,699,918)	454,864,651	5,551,726,307	(4,611,205,364)	40,000	3,652,462,408
Balances, December 31, 2017	2,283,758,120	46,137,443	(56,158,831)	(16,699,918)	454,864,653	5,551,726,307	(4,439,268,275)	-	3,824,359,499
Correction of Prior Years' Error	-	-	-	-	-	-	422,630	-	422,630
Net loss	2,283,758,120	46,137,443	(56,158,831)	(16,699,918)	454,864,653	5,551,726,307	(4,438,845,644)	-	3,824,782,130
As at September 30, 2018	2,283,758,120	46,137,443	(56,158,831)	(16,699,918)	454,864,653	5,551,726,307	(4,482,504,633)	-	3,781,123,142

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
Statements of Cash Flows
(In Philippine Peso)

EXHIBIT 4

	Nine Months Ended September 30	
	2019	2018
	(Unaudited)	(Unaudited)
CASH FLOWS FROM OPERATING ACTIVITIES		
Revenue share	107,349,810	97,763,319
Rental	28,712,017	76,026,509
Service Income	35,844,305	30,701,249
Others	116,149,736	327,873
	288,055,868	204,818,950
Payments to:		
Suppliers	(58,180,206)	(43,403,217)
Employees	(55,036,663)	(52,970,147)
Directors	(6,155,683)	(6,778,468)
Consultants/Retainers	(2,251,958)	(1,688,805)
Cash Provided by Operations	166,431,358	99,978,313
Deficiency Tax paid		(893,414)
Taxes and Licenses	(2,339,494)	(2,618,418)
Net Cash Provided by Operating Activities	164,091,863	96,466,481
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Property, Plant & Equipment	(346,286)	(421,938)
Proceeds from Sale of Fixed Assets/Scrap materials	1,196,015	24,220
Interests	12,225,375	7,388,671
Dividends	35,097,402	55,570,010
Others-collection of money claims against MIAA	100,058,945	
Placement in money market	(312,147,598)	
Net Cash Provided by Investing Activities	(163,916,147)	62,560,963
NET INCREASE IN CASH	175,717	159,027,444
CASH, BEGINNING, JANUARY 1	205,158,385	789,027,864
CASH, ENDING, SEPTEMBER 30	205,334,102	948,055,308

EXHIBIT 5

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION

1.5. Notes to Interim Financial Statements

1.5.1. Earnings (loss) Per Share

The Company's earnings (loss) per share is presented on the face of the Statement of Comprehensive Income (Exhibit 2). Said earnings (loss) per share is computed by dividing the net income (loss) by the number of outstanding common shares.

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

The interim financial statements of the Company are prepared using the historical cost basis. The interim financial statements are presented in Philippine Peso, which is the Company's functional currency. All amounts rounded off to the nearest peso except otherwise indicated.

The interim financial statements of the Company have been prepared in accordance with Philippine Financial Reporting Standards (PFRSs). PFRSs are adopted by the Financial Reporting Standards Council (FRSC) from the pronouncements issued by the International Standards Board (IASB), and approved by the Philippine Board of Accountancy.

1.5.3. Notes to Financial Statements

1.5.3.a. Accounting Policies and Methods

- 1.5.3.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.

The most recent annual financial statements were reclassified/converted to adopt the Revised Chart of Accounts pursuant to COA Circular No. 2015-010 dated December 1, 2015.

1.5.3.a.2. Revenue Recognition

Revenue and Dividend Share from Joint Venture Companies (JVCs)

Pursuant to the Supreme Court En Banc Decision, as discussed in Note 1 to the 2017 Audited Financial Statements, 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 percent of its share from the JVCs gross toll revenues, in accordance with the interim rules and guidelines issued by TRB.

Dividend income is recognized when the Company's right to receive the payment is established.

Rental Income

Rental income from operating leases, wherein substantially all the risks and rewards of ownership are retained by the Company as a lessor, is recognized on a straight-line basis over the term of the relevant lease. The rent income is derived from the Company's properties not used in business and being leased out to third parties for a certain period, renewable under such terms and conditions as may be agreed upon by both parties.

Service Income and Cost

Service income and costs are recognized on the basis of percentage of completion method.

Other Income

Other income is recognized when earned.

1.5.3.a.3 Allowance for Impairment Losses on Loans and Receivables

The Company maintains an allowance for impairment losses at a level considered adequate to provide for potential uncollectible receivables. The level of this allowance is evaluated by Management on the basis of factors that affect the collectability of the accounts. These factors include, but are not limited to, the customer's and lessee's payment behavior and known market factors. The Company reviews the age and status of receivables, and identifies accounts that are to be provided with allowances on a continuous basis.

The amount and timing of recorded expenses for any period would differ if the Company made different judgments or utilized different estimates. An increase in the allowance for impairment losses on receivables would increase recorded operating expenses and decrease current assets.

1.5.3.a.4 Prepayments

Prepayments are expenses paid in advance and recorded as assets before these are utilized. These are comprised of insurance premiums, other prepaid items, and creditable withholding taxes. Prepayments that are expected to be realized for no more than 12

months after the reporting date are classified as current assets; otherwise, these are classified as other non-current assets.

Prepayments also include inventories consisting principally of construction materials, spare parts, and supplies which are stated at cost, generally determined by the average cost method for a significant portion of domestic inventories and by the first-in, first-out method for other inventories. Allowance for inventory writedown is provided for all non-moving/obsolete items.

1.5.3.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 subsidiaries are no longer operating, except for DISC Contractors, Builders and General Services, Inc. (DCBGSI) which has been incurring losses, resulting in accumulated deficit. In addition, in 2015, the Company has initiated the process of closing its subsidiaries that are no longer operating and those that are losing. On October 1, 2015, as part of the reorganization and streamlining of Company operations, PNCC assumed the operations of DCBGSI which now operates as a separate division of the Company.

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 to the National Government (NG) the shares of stock in tollway Joint Venture Companies (JVCs) which PNCC is holding in trust for the NG.

Available for sale equity securities (club shares) are recorded/measured/presented at fair market value as provided for under Philippine Interpretations Committee (PIC) Q&A 6-02.

1.5.3.a.6 Investment Property

Investment property is comprised of 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 profit or loss.

1.5.3.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 (in years)
Land improvements	10
Buildings and improvements	10 to 33
Construction equipment	2 to 10
Transportation equipment	3 to 5
Office equipment, furniture and fixtures	5
Others	2 to 7

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation is 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 their disposal is recognized in profit or loss.

1.5.3.a.8 Revaluation Increment in Property

The increase in the property and equipment's carrying amount 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 revaluation increment 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 every two (2) years.

1.5.3.a.9 Borrowing Costs

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

1.5.3.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 reporting 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 statements of comprehensive 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 tax assets can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting 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 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 reporting date.

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

- Not applicable -

1.5.3.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

- Not applicable -

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

- Not applicable -

1.5.3.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 the nine months ended and as of September 30, 2019. The last payment was made on December 2016. Penalty charges of 2% accruing from the TRB loan are continuously recognized in the books.

The Company intends to pay recognized debts using the proceeds from the sale of its investment properties. The Board approved the offer to apply part of FCA

to pay liabilities to the National Government (NG). The Company sent a letter dated July 21, 2015 to the OP recognizing its liability to the NG in the amount of P7.9 billion and proposing to "pay off the recognized obligations, particularly given that the obligation to the TRB for unpaid concession fees carries with it a penalty of two percent per month." The Company is awaiting the decision of the OP.

1.5.3.f Payment of dividend

There were no dividends paid during the nine months ended September 30, 2019.

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

- None -

1.5.3.h 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.

- None -

1.5.3.i Changes in contingent liabilities or contingent assets since the last annual balance sheet date

- None -

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

1.5.3.j.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, separation pay, and unpaid benefits. Most of these cases have been ruled by the Labor Arbiter in favor of the complainant. However, these cases are on appeal by the Company before the National Labor Relations Commission, Court of Appeals and Supreme Court.

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 various Regional Trial Courts. On the other hand, those filed by the Company against other individuals or companies

consist of suits involving sums of money, damages, and breaches of contract which involve undeterminable amount of money.

1.5.3.j.2 Tax Matters

As stated in Note 31 of the 2018 Audited Financial Statements, the Company was assessed by the Bureau of Internal Revenue (BIR) for deficiencies in various taxes. However, no provision for any liability has been made yet in the Company's financial statements.

- Deficiency internal revenue taxes for taxable year 1980 (income tax, contractor's tax, and documentary stamp tax) totaling P212.52 million.
- Deficiency business tax of P64 million due the Belgian Consortium, the Company's partner in its LRT Project.
- Deficiency internal revenue taxes for taxable year 1992 (income tax, value-added tax, and expanded withholding tax) of P1.04 billion which was reduced to P709 million after the Company's written protest.
- Deficiency internal revenue taxes for the taxable year 2002 totaling P72.92 million.
- Deficiency taxes for taxable year 2006 amounting to P116.141 million (inclusive of interest of P48.76 million).
- Deficiency internal revenue taxes for the taxable year 2009 in the amount of P87.414 million (basic tax of P51.957 million and interest/penalty charges of P9.763 million).

EXHIBIT 6

Item 2. Management's Discussion and Analysis 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, 2019, the Company's resources totaled P18.184 billion, higher by P215.228 million or 1.20% compared to the December 31, 2018 figure of P17.968 billion.

The increase in resources was attributable to the increase in cash and short-term investments provided by the Company's operating and investing activities, as offset by the decrease in receivables due to cash collections.

Please refer to Item 2.2.e for further analysis of material changes in the financial statements.

Results of Operations:

The Company's net loss of P83.183 million for the nine months ended September 30, 2019 increased by P39.523 million or 90.53% compared to the reported net loss of P43.659 million for the same period of 2018. This is due to the 17.09% decrease in total revenue, brought about by the 69.76% net decrease in rental income from its leased FCA property in Pasay City, 165.29% increase in revenue from DISC service operations, 37.0% decrease in dividend share from JVC, and as offset by 11.22% increase in revenue share from Joint Venture Corporations (JVC).

Key Performance Indicators:

Please refer to Exhibit 7 for the analysis of the Company's key performance indicators.

- 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, back wages, 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 1.5.3.j.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. 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 transactions and arrangements 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 turnover of the North Luzon Tollway operations to the MNTC on February 10, 2005;
- The turnover of its South Luzon Tollway operations to SLTC/MATES on May 2, 2010; and
- DPWH's takeover of the Daang Hari Project (pursuant to its PPP mandate).

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

- Not applicable -

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

Balance Sheet	AS AT		INCREASE/(DECREASE)		Remarks
	September 30, 2019	December 31, 2018	Amount	%	
Short-term investments	1,042,327,089	730,179,490	312,147,599	42.75%	Attributable to cash flow provided by operating and investing activities
Other current assets	31,132,630	23,119,740	8,012,890	34.66%	Attributable to the increase in prepaid income tax and various annual insurance policies regularly paid for at the beginning of the year.
Deferred tax assets	28,798,001	40,978,113	(12,180,112)	-29.72%	Attributable to the decrease in carryforward benefits of unused tax credits -Minimum Corporate Income Tax (MCIT) and unused tax losses -Net Operating Loss Carry Over (NOLCO).
Other non-current assets, net	87,837,728	174,478,572	(86,640,844)	-49.66%	Attributable to accrual of various tax payables
Financial Liabilities	19,079,873	14,680,110	4,399,763	29.97%	Attributable to accrual of various operating expenses
Inter-agency payables	11,366,051	8,399,828	2,966,223	35.31%	Attributable to accrual of various tax payables
Trust Liabilities	135,553,334	39,363,786	96,189,548	244.36%	Attributable to increase in customers deposit

Income Statement	FOR THE NINE MONTHS ENDED		INCREASE/(DECREASE)		Remarks
	September 30, 2019	September 30, 2018	Amount	%	
Service and business income	198,773,408	242,004,177	(43,230,769)	-17.86%	Attributable to the decrease in rental from its leased FCA property in Pasay City, increase in DISC service operations and decrease in dividend share from JVC and as offset in revenue share from Joint Venture Corporation.
Gains	529,869	222,907	306,962	137.71%	Attributable to the increase in gain on sale of property and equipment
Other non-operating income	1,568,349	49,334	1,519,015	3079.04%	Attributable to the increase in miscellaneous income
Maintenance and other operating expenses	(26,620,630)	(28,534,513)	1,913,883	-6.71%	Attributable to decrease in transportation, insurance premium, taxes and licenses, seminar & training expenses and other operating expenses
Bank Charges	(7,360)	(850)	(6,510)	765.88%	Attributable to increase in cost of re-ordered checkbooks and other charges.
Direct costs	(27,945,030)	(25,878,418)	(2,066,612)	7.99%	Attributable to increase in costs incurred for materials, labor, and overhead
Non-cash expenses	(4,809,772)	(5,618,555)	808,783	-14.39%	Attributable to depreciation of property and equipment

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

Schedule of Key Performance Indicators

EXHIBIT 7

Performance Indicators	AS OF		Explanation
	September 30, 2019	December 31, 2018	
Current/Liquidity Ratios			
Current Ratio (Current Assets divided by Current Liabilities)	0.18	0.15	<p>This ratio evaluates the ability of the company to pay its current debt promptly.</p> <p>Current ratio increased from 0.15 as of December 31, 2018 to 0.18 as of September 30, 2019. This was mainly due to the higher increase in current assets that compensated for the increase in current liabilities</p>
Solvency Ratios			
Debt to Assets (Total Liabilities divided by Total Assets)	79.91%	79.22%	<p>Shows what percentage of the business is not owned by the stockholders. Determines how much of the company is financed by debts.</p> <p>The ratio has increased from 79.22% as of December 31, 2018 to 79.91% as of September 30, 2019 due to additional non-operating revenues that were offset by the 2% penalty charges on unpaid concession fees.</p>
Debt to Equity (Total Liabilities divided by Total Equity)	397.84%	381.29%	<p>Shows the proportion of the creditors' capital to the business' total capital. Measures the degree to which the assets of the business are financed by the debts and stockholders of the business.</p> <p>The ratio has increased from 381.29% as of December 31, 2018 to 397.84% as of September 30, 2019 due to the net loss incurred for the period.</p>
Asset to Equity Ratio (Total Assets divided by Total Equity)	497.84%	481.29%	<p>Measures the total debt the company takes to acquire assets. Measures the company's capability to pay debts.</p> <p>The ratio has improved from 481.29% as of December 31, 2018 to 497.84% as of September 30, 2019 due to the increase in short-term investments and other non-current assets.</p>

Performance Indicators	AS OF		Explanation
	September 30, 2019	December 31, 2018	

Performance Indicators	NINE MONTHS ENDED		Explanation
	September 30, 2019	September 30, 2018	
Interest Rate Coverage Ratio (Income before Interest/Penalty divided by Interest/Penalty)	56.89%	77.38%	<p>Determines how easily a company can pay interest on outstanding debt.</p> <p>The ratio decreased from 77.38% for the nine months ended September 30, 2018 to 56.89% for the nine months ended September 30, 2019 due to the net decrease in the Company's income from operations before penalty by 26.47%.</p>
Profitability Ratios			
Return on Assets [Net Income (Loss) divided by Total Assets]	-0.46%	-0.24%	<p>Measures the company's earnings in relation to all the resources it had at its disposal.</p> <p>The ratio increased from -0.24% for the nine months ended September 30, 2018 to -0.46% for the nine months ended September 30, 2019 due to the 90.53% increase in the Company's net loss.</p>
Return on Equity [Net Income (Loss) divided by Total Equity]	-2.28%	-1.15%	<p>Measures the rate of return on the ownership interest of the company's stockholders. Determines the productivity of the owner's capital.</p> <p>The ratio increased from -1.15% for the nine months ended September 30, 2018 to -2.28% for the nine months ended September 30, 2019 due to the 90.53% increase in the Company's net loss.</p>