



**PHILIPPINE NATIONAL
CONSTRUCTION CORPORATION**

26 April 2012

MS. JANET A. ENCARNACION

Head, Disclosure Department

Philippine Stocks Exchange

3rd Floor, Philippine Stock Exchange Plaza

Ayala Triangle, Ayala Ave., Makati City

Dear Ms. Encarnacion,

In compliance with the requirement on corporate disclosure, please see attached the Amended 2008 Annual Report of PNCC which was submitted yesterday. The Company amended pages 106 and 107 of the said report to correct some typographical errors.

We trust that this meets the requirements of the PSE.

Thank you.

Very truly yours,

ROSALYN S. DELIVIOS

Corporate Information Officer

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. VERNETTE U. PACO

Contact Person

822-57-25

Company Telephone Number

Month

Day

Fiscal Year

1 7 A

FORM TYPE

Month

Day

Annual Meeting

Secondary License Type: If Applicable

Dept. Requiring this Doc.

Amended Articles Number / Section

Total No. of Stockholders

Domestic

Foreign

To be accomplished by SEC Personnel Concerned

File Number

LCU

Document ID

Cashier

STAMPS

REPUBLIC OF THE PHILIPPINES)
City of Parañaque)

SECRETARY'S CERTIFICATE

I, VERNETTE U. PACO, the duly designated Acting Corporate Secretary of Philippine National Construction Corporation ("the Corporation"), a corporation duly organized and existing under the laws of the Philippines, with business address at PNCC Compound, Km. 15 East Service Road, Bicutan, Parañaque City, after having been sworn to in accordance with law, do hereby certify that the information contained in the submitted hardcopy and softcopy of the 2008 Annual Report pursuant to Section 11 of the Revised Securities Act and Section 141 of Corporation Code of the Philippines are one and the same.

IN WITNESS WHEREOF, I have hereunto set my hands this 2nd day of April 2012 in Parañaque City.



VERNETTE U. PACO
Acting Corporate Secretary

SUBSCRIBED AND SWORN to before me this **APR 02 2012** day of April 2012, City of **MAKATI CITY**, alicant exhibiting to me her SSS ID No. 03-2375676-9.

Doc. No. 170 ;
Page No. 34 ;
Book No. 2 ;
Series of 2012.



ATTY. CHARITO F. RODRIGUEZ
NOTARY PUBLIC
UNTIL DECEMBER 31, 2013
PTR No. MKT13176596/ 01-02-2012 Makati City,
IBP Lifetime # 07885/ 01-07-2009 PPLM
ROLL No. 53647

**SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-A**

**ANNUAL REPORT PURSUANT TO SECTION 17
OF THE REVISED SECURITIES ACT SECTION 141
OF CORPORATION CODE OF THE PHILIPPINES**

1. For the fiscal year ended December 31, 2008
2. SEC Identification Number 30939
3. BIR Tax Identification No. 410-000-058-V
4. Exact name of registrant as specified in its charter
PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
5. Metro Manila, Philippine Province, Country or other jurisdiction
6. (SEC Use Only)
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 without prior registration. The PNCC, however, had already filed an application for registration of the said shares on August 2000 to the Commission and had engaged the services of Feria, Feria, Lao Noche Law Offices for the purpose.

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

Yes ☒ [x]

No ☐ []

12. Check whether the registrant:

(a) has filed all reports required to be filed by section 11 of the Revised Securities Act (RSA) and RSA Rule 11 (a) thereunder and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding 12 months (or for such shorter period that the registrant was required to file such report(s);

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

Yes ☒ [x]

No ☐ []

13. Aggregate market value of the stock held by non-affiliates:

PNB (Preferred D)	25,500,000
Republic of the Philippines thru PMO	79,271,024
GSIS	47,490,383
Land Bank of the Philippines	657,836
RM Cuenca & Family	2,811,787
Universal Holding Corporation	24,780,746
Independent Realty Corporation	39,605
Others	19,393,378
Total	199,944,759
Par Value	x 10.00
	<u>₱ 1,999,447,590</u>

PART I BUSINESS

(A) Description of Business

1. Business Development

The company was originally incorporated under the name of Construction Development Corporation of the Philippines (CDCP) in 1966 for a term of fifty (50) years. The primary purpose of the company is to carry on the conduct of a general contracting business with a private or government agency or instrumentality as related to construction, and to engage in any and all activities and business undertakings as may be necessary or incidental to accomplish its primary purpose and objective. On March 31, 1977, PD 1113 granted the CDCP franchise to operate, construct and maintain toll facilities in the North and South Luzon Tollways.

On February 23, 1983 by virtue of the debt-to-equity conversion pursuant to and under the directives of LOI 1295 (which resulted in ownership of the Government of the majority of the shares of the Company), the corporate name of CDCP was changed to the PNCC (Philippine National Construction Corporation) in order to reflect the Government's majority equity interest in the Company.

On April 25, 1983, the former CDCP amended its Articles of Incorporation by, inter alia, changing its corporate name to Philippine National Construction Corporation (PNCC), under SEC Reg. No. 30939.

On December 8, 1986, proclamation No. 50 was issued promoting the privatization *"for the prompt disposition of the large number of non-performing assets of the government financial institutions, and certain government-owned and controlled corporations which have been found unnecessary or inappropriate for the government sector to maintain."* Proclamation No. 50 likewise provides for the creation of the COP and the APT.

By virtue of LOI 1136 and LOI 1295, 77.48% of the PNCC's voting equity has been held by various GFIs. Most of which is now held by the APT by virtue of Administrative Orders No. 14 and 64 series of 1987 and 1988 respectively. Furthermore, the PCGG has been holding/representing some 13.82% of the company's equity by virtue of a writ of sequestration, and as a result of the voluntary surrender of certain shares thereto. In fine, only 9.7% of the Company's voting equity is strictly under private ownership.

During the last 4 years, by virtue of the privatization mandate for PNCC, the company has veered away from active involvement for its construction operations, but rather focused more on the operation and maintenance of its tollways.

On February 10, 2005, PNCC has turned-over the operations and maintenance of the North Luzon Tollways to the Manila North Luzon Tollways Corporation (MNTC), the joint venture company of the PNCC and the First Philippine Infrastructure Development Corporation (FPIDC) together with Leighton Contractor Asia Ltd. and Egis Project Systems.

PNCC entered into a joint partnership for the South Luzon Tollway with Indonesia's P.T. Citra Lamtoro Gung Persada to build the elevated toll road or Skyway System from Nichols to Bicutan. The at-grade portion from Nichols to Alabang has likewise been upgraded under this JV agreement. The Citra Metro Manila Tollways Corp. (CMMTC) is the joint venture company which is currently running these segments (since 1999). In the year 2007, CMMTC had finalized its program for Stage 2 of the Skyway System, i.e., extending it to Sucat and Alabang. The execution of said project led to the replacement of PNCC Skyway Corporation as Skyway operator in the latter part of 2007. Subsequently, construction for Stage 2 of the Skyway System commenced.

PNCC currently has a joint venture agreement with the Malaysian Company, MTD Capital, for the Alabang to Calamba stretch, to undertake the following SLEX Projects: the rehabilitation and upgrading of the Alabang Viaduct, the expansion and rehabilitation of the Alabang to Calamba segment and the construction of a 7.8 km extension toll road from Calamba to Sto. Tomas. Substantial completion of the herein works have been attained as of 2007. These would comprise PNCC's construction activities besides the usual road repair and maintenance works.

As PNCC braced its workforce to meet the challenges of its newly inked joint venture partners, Executive Order No. 605 was issued directing all government agencies to install a Government-wide quality management program. PNCC has endeavored to be compliant with the said directive, and sought to acquire and maintain an ISO 9001 certification to initially cover its expressway operations under the joint ventures.

On August 10, 2007, the PNCC ISO Committee was created. Being committed to provide full client satisfaction through quality, safe and timely completion of infrastructure projects, delivery of products and services, and to operate its tollways system by providing safe and convenient travel for its users, selected employees underwent ISO trainings starting August of 2007. Subsequently, the company with the full support of its Board, adopted and implemented the Quality Management System manual for this purpose.

In 2007, PNCC launched its corporate social responsibility program through the creation of PNCC Foundation, Inc., with its mission of "*Building Dreams, Building Lives.*" The foundation's activities are focused on promoting education, arts and health. Modest humanitarian donations have been made to needy cases and victims of disasters and calamities. Workshop for kids on English enhancement, mathematics, music and acting are undertaken during the summer break. The Foundation started its successful free clinic program for the underprivileged by treating Diabetic Gangrene patients by boosting their immune systems. The Foundation further plans to hold free clinics for hard-to-treat diseases like dementia, stroke, alzheimer's disease, autism, leukemia, cancer, asthma and similar hard-to-treat diseases.

The Foundation, with the full support of the PNCC Board of Directors, was able to achieve these significant milestones which contributed to the improvement of PNCC's corporate image and at the same time boost the morale and productivity of its employees.

2. Business of Issuer

PNCC offers the following services, in the order of priority and focus of its operations:

1. Tollway operation / maintenance
2. General construction services
3. Property leasing – lease of the portion of PNCC's property in the Reclamation area, Pasay City
4. Subsidiaries:
 - a. Dasmariñas Industrial Steelworks Corporation (DISC)
 - steel fabrication
 - b. Traffic Control Products Corporation (TCPC)
 - manufactures thermoplastic paints and other traffic signs, traffic lights, post lanes and parking meters
 - c. PNCC Skyway Corporation
 - operation and maintenance of the Skyway. The turn-over of the operation and maintenance activities of Skyway to another firm inevitably led to the wind-up of the company's business.
 - d. Tierra Factors Corporation (TFC)
 - Marketing of heavy equipment and machinery on exclusive dealership agreement with foreign principals
 - e. CDCP Farms Corporation
 - agricultural operations like cattle livestock, fish culture and development, fruit and vegetable industries, canning and processing, etc.

The last 3 subsidiaries (i.e. PNCC Skyway Corporation, Tierra Factors and CDCP Farms) are currently on an inactive status.

(a) Description of Registrant:

PNCC is credited for building and managing the two (2) most important thoroughfares of Metro-Manila and the vital links to neighboring provinces which is the North Luzon Tollway (84 km. from Balintawak to Sta. Ines, Pampanga) and the South Luzon Tollway (44 km. from Makati to Calamba, Laguna).

Consistent in its effort of providing safe and convenient tollway travel, PNCC is aggressively pursuing via joint venture arrangements the upgrading of its tollways and service facilities to international standards to improve its services to the monitoring and commuting public.

The PNCC has been a reliable local and international partner in the development and construction of roadway and industrial infrastructure projects. It specializes in a

wide range of construction and engineering activities and phases. Among the services it offers include construction and project management, concrete pre-casting, steel fabrication, materials processing and equipment rebuilding. It has successfully undertaken the construction and development of roads and highways, bridges and viaducts, industrial plants and facilities, dams and water treatment works, offices and commercial buildings, port and harbors, reclamation projects, airport and mass housing.

The company was also actively engaged in construction related and other commercial activities through its various subsidiaries. Though entirely independent from the PNCC, the individual accomplishments of these affiliate companies are reflections of the vision and mission that PNCC is striving and working to attain.

The bulk of the Company's revenues for the last 3 years is derived primarily from the collection of its tollway fees. Other income are sourced from its past construction projects and proceeds from its equipment rental operations and property leasing.

Tollway Operations

As the sole operator and franchise holder of the North and South Luzon Tollways (including any future extension/linkages thereof), the PNCC has entered into joint venture agreements with foreign and local partners for the upgrading and expansion of the existing expressways.

The North and South Luzon Tollways are the government's first visionary undertaking and marked the beginning of the Build-Operate-Transfer (BOT) scheme of government. The Manila North Expressway and the Manila South Expressway (now called North and South Luzon Tollways) were opened in the 1960's as tollway facilities, with the PNCC managing their operation and maintenance. In 1977, PD No. 1113, as amended by PD 1894 was issued, granting the company the franchise to manage, operate, construct and maintain for a period of thirty (30) years, the North and South Luzon Expressways. The franchise for the North and South Tollways commenced on May 1, 1977 and expired on April 30, 2007. The PNCC franchise for Metro Manila Skyway and Metro Manila Expressway (C-6) still subsists and will commence for 30 year period after opening of the same.

The Company has also entered into a joint venture partnership with internationally notable companies and other reputable local corporations, in order that it may continue to deliver quality tollway services to the public.

A product of this partnership is the Metro Manila Skyway Project, the first elevated tollway in the country, built in a joint venture partnership with Indonesian Firm PT Citra. Another project is the undertaking with First Philippine Infrastructure Development Corporation (FPIDC) in rehabilitating, refurbishing and expanding

the North Luzon Tollway, extending the same to Subic and Clark Special Economic Zones and constructing the Northern portion of the Circumferential Road 5 (C-5) from U.P. to Letre.

Another product of partnership is the Project Toll Roads, a joint venture partnership with Hopewell Holdings Limited (HHL) to undertake the financing, rehabilitation, upgrading, construction, completion of South Luzon Expressway. In 1998, HHL together with Crown Equities, Inc., incorporated and registered with PSE, Hopewell Crown Infrastructure, Inc. (HCII) to undertake the project. However in 2004, MTD Equity Sdn. Bhd., a Malaysian company, expressed its interest and commitment to provide requisite financial and technical resources and expertise for the Project, by participating as an equity partner in the HCII, and has since taken over HCII as the principal investor for the Project. The project started in the latter part of 2006 and nearing completion in 2008 which includes the rehabilitation and extension of the South Luzon Tollway, the expansion and rehabilitation of the Alabang - Calamba stretch and construction of the Calamba – Sto. Tomas segment.

On November 14, 2008, PNCC bought shares into Alabang-Sto. Tomas Development, Inc. (ASDI) as a minority partner of NDC. ASDI is a special project company incorporated by National Development Corporation (NDC) in 2005 to develop, package, structure, invest in and/or manage investments in infrastructure projects and commercial ventures related to the development of infrastructure projects such as proposed roadway. As such, it is used as the corporate vehicle to implement the tollway concession for the Daang Hari – SLEX Link Road Project.

PNCC's construction contracts are usually secured via participation in public biddings either singly or in joint venture with other partners, upon invitation by any government or private owner.

Equipment Rental Operations

The closing of the books of the Equipment Management Division was completed in the first quarter of 2008 after said division stopped operations in 2007. Hence, equipment support to in-house construction projects and the rental of equipment to outside clients were no longer pursued in 2008.

Competition

• Tollways – Related:

PNCC is the sole operator and franchise holder of the North and South Luzon Tollways. In relation thereto, the company is not subject to any competition in its tollway operations both direct or indirect. However, with the joint venture agreements which PNCC entered into with foreign and local partners for the upgrading and expansion of its existing tollways, company revenues from its tollways operations have been subsequently reduced.

For use of the tollways, the motoring public is considered a “*captive market*” for PNCC.

For the establishment of service facilities along the tollways, the 3 major oil firms (Shell, Caltex, Petron) comprises PNCC’s present market to already include other oil companies willing to put up their own service facilities.

- Construction Related:

- Present Markets:

- a. National Government Infrastructure Projects
(Ex. DPWH Projects)
- b. Government Agencies Infrastructure Projects
(Ex. CIAC, NAIA Projects)
- c. Private Agencies Infrastructure Projects
(Ex. SM)
- d. Overseas Infrastructure Projects
(Ex. Siem Reap Airport, Cambodia)
- e. In-House Projects
(Ex. Tollways Rehabilitation)

- List of Major Competitors

1. Major local contractors with Triple A license, engaging in general engineering and construction
(Ex. EEI, DMCI, FF Cruz, etc.)
2. Major foreign contractors with Triple A license engaging in general engineering and construction
(Ex. Toyo, Hanjin, Sumitomo, etc.)

- Equipment – Related business no longer pursued

Effects of Government Regulations:

Tollway Operations:

By virtue of PD 1113 (as amended by PD 1894), PNCC was granted the franchise to construct, and maintain toll facilities in the North and South Luzon Expressways and for other purposes.

Coverage:

NLT – Balintawak to Carmen Rosales, Pangasinan

SLT – Nichols to Lucena, Quezon

Metro Manila Expressway (MME) - Bicutan, Parañaque to Meycauayan, Bulacan

Any and all such extension, linkages or stretches

Divert original route, change original end points of NLT and SLT

Term:

a. For NLT and SLT

- Thirty (30) years from May 1, 1977 to April 30, 2007. On April 27, 2007 PNCC was issued a Toll Operations Certificate (TOC) for the operation and maintenance of the SLEX.

b. For MME and all Extensions, Linkages, Stretches and Diversion

- Thirty (30) years from date of completion of the project

The validity period of the said franchise is a significant factor considered in negotiations with prospective joint venture partners to either improve, expand or extend the tollways.

Construction Operations:

PNCC is basically governed by R.A. No. 9184 (The Government Procurement Reform Act), as it is classified as a government-acquired asset corporation.

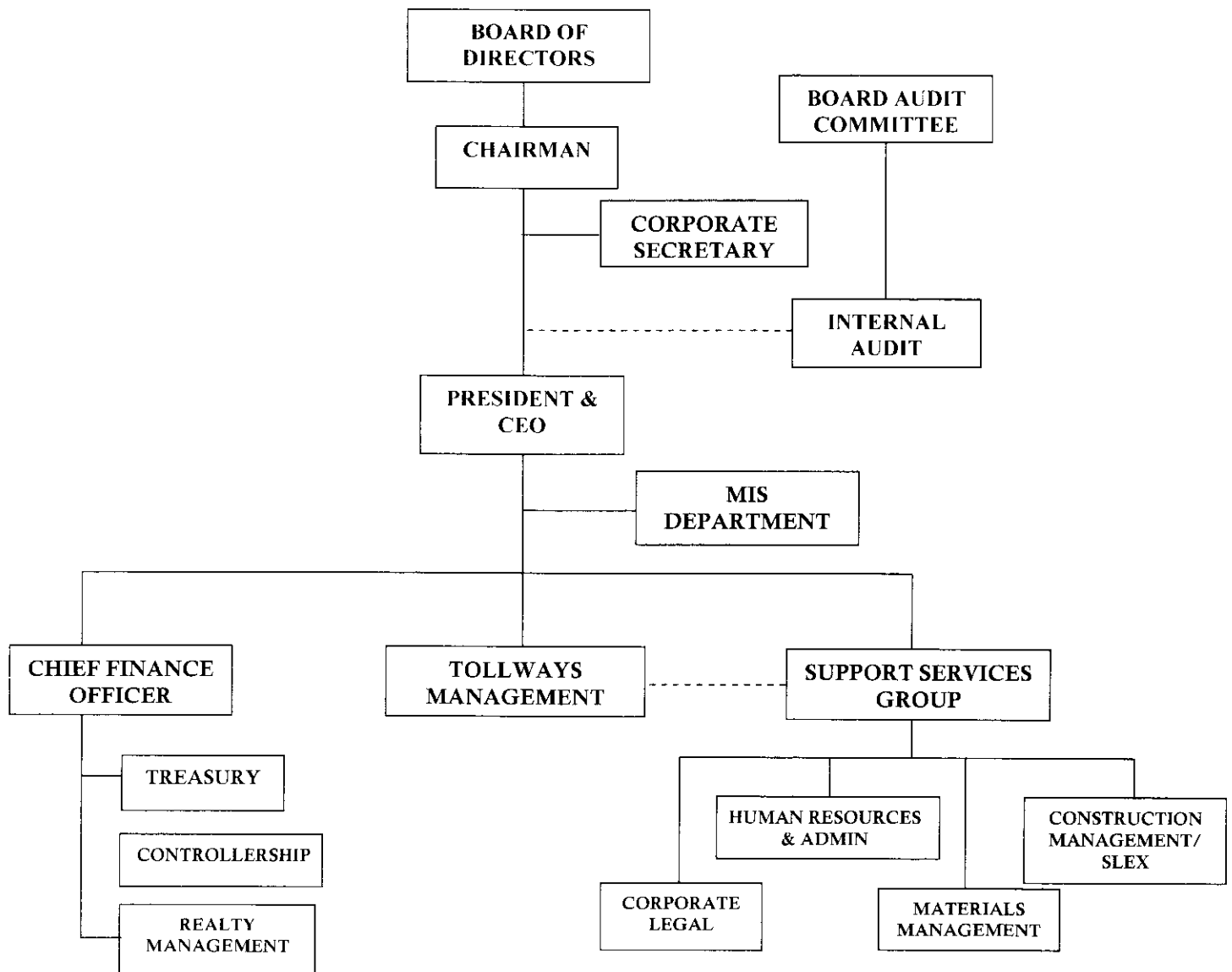
Although it participates in the prequalification and bidding processes for government-related projects, it however may engage in negotiated procurement in accordance with R.A. 9184, subject to the pertinent provisions of Executive Order No. 109-A with respect to the rules and procedures on the approval of government contracts.

As to private construction projects, it can participate either through the bidding or negotiated process in accordance with the project owner's requirements.

As to compliance with environmental laws, PNCC abides by all laws and processes of the Environmental Compliance Law, both for its government or private construction undertakings.

ORGANIZATIONAL SET-UP:

TABLE OF ORGANIZATION 2008



ORGANIZATIONAL SET-UP:

Total Number of PNCC Employees Per Sector
As of December 31, 2008

Division/Group	Rank & File	Supervisory	Manager	Executive	Total
Central Office	47	20	27	8	102
Tollways Management Division (TMD)	552	91	10	1	654
TOTAL	599	111	37	9	756

		COVERING PERIOD	
CBAs	Number	From	To
1. PNCC-Toll Operations Employees And Workers Union (TOEWU)	91	Feb. 01, 2005	Jan. 31, 2010
2. PNCC Tollway Company Guard Union (PTCGU)	60	June 01, 2003	May 30, 2008
3. PNCC Central Office Rank & File Union (PCORFU)	16	Jan. 01, 2004	Dec. 31, 2008
SUPERVISORY			
1. PNCC-Tollways Supervisors Association (PTSA)	59	Jan 16, 2006	Jan. 15, 2011
2. Philippine Central Office Supervisors Association (PCOSA)	5	Jan. 01, 2004	Dec. 31, 2008
TOTAL	231		

Business of Subsidiaries

DASMARIÑAS INDUSTRIAL & STEELWORKS CORPORATION

Background

The Dasmariñas Industrial and Steelworks Corporation (DISC) is the principal steel fabrication arm of the PNCC. Established in 1973 under the Systems Construction Group (SCG) of the company, its main industry was to manufacture prefabricated steel structures for the various construction projects of PNCC.

SCG marketed its products under the label "Systemas" and remarkably succeeded in helping PNCC reduce construction costs, accelerate completion dates and improve over-all product quality. In 1979, to further promote and enhance its merchandise, the PNCC Management decided to separate SCG from the mother company to become a totally independent enterprise and named it Dasmariñas Steelworks Corporation (DSC). The name was supposedly derived from the name of the place where the new company was primarily intended to be located -- in Dasmariñas, Cavite.

Meanwhile, in that same year, another subsidiary was established by PNCC, the Dasmariñas Industrial Corporation (DIC), which was a spin-off from the Special Operations Group of the PNCC. This new firm handled the manufacturing, assembly and repowering of heavy construction equipment.

In 1981, in response to the country's efforts to upgrade the local steel fabrication industry, DIS and DIC were merged and recognized to become what was known as the Dasmariñas Industrial and Steelworks Corporation or DISC. It holds office at the PNCC complex in Mandaluyong City and has a manufacturing and fabrication plant in Iligan City.

Since then, DISC continued to support the country's industrial program by supplying the structural steel requirements of the nation. It offers services that cover fabrication and erection of necessary structural steels. It also undertakes design and detailed engineering works; sandblasting and painting; and rebar works as well as dismantling and demolition of existing facilities.

In the first quarter of 2006, the Securities and Exchange Commission has issued a certificate approving the quasi-reorganization of the company, with corporate acts involving the increase of capitalization where PNCC converted its receivables into equity, and changed the name of the corporation to DISC Contractor's, Builders and General Services, Incorporated (DCBGSI).

Services Offered:

General Engineering

- Civil and Architectural
- Road and Bridges
- Site Development

Infrastructure Works
Water Supply and Drainage
Pile Driving

Steel Fabrication and Erection Works

Structural Steel Frames & Structural Components
Ducts, Penstocks & Piping Works
Sheet Metal Fabrication and Finishes
Demolition and Dismantling
Sandblasting and Painting
Heat Exchanges, Atmospheric and Pressure Vessels
Tower, Tanks and Silos

Materials Testing & Quality Control

Soils and Soil Aggregate
California Bearing Ratio
Grading
Liquid / Plastic Limit
Field Density
Coarse and Fine Aggregates
Grading
Specific Gravity
Unit Weight
Abrasion
Field Density
Asphalt
Extraction/Grading
Marshall Stability & Flow
Specific Gravity
Field Density Determination
Concrete
Compressive/flexure strength
Reinforcing Steel Bars (all sizes)
Tensile strength
Bending

General Services

Janitorial
Towing
Greening and Grass Cutting
Landscaping Services
Patrol Services
Job Contracting

Client Roster

1. Philippine National Construction Corporation

2. Skyway Operations and Maintenance Corp. (SOMCO)
3. Philippine Phosphate Fertilizers, Inc.
4. Global Steelworks (NSC)
5. Grand Technologies Inc.
6. AJJ Enterprises
7. AC Technical Services
8. OVR Enterprises

Competitors:

- TAISEI Philippines
- Roblette Corporation
- TACOPHILE Engineering
- Metaphil
- Meiscor
- Grand Span
- Stonerich Builders
- Potential labor cases which may further add to financial problems

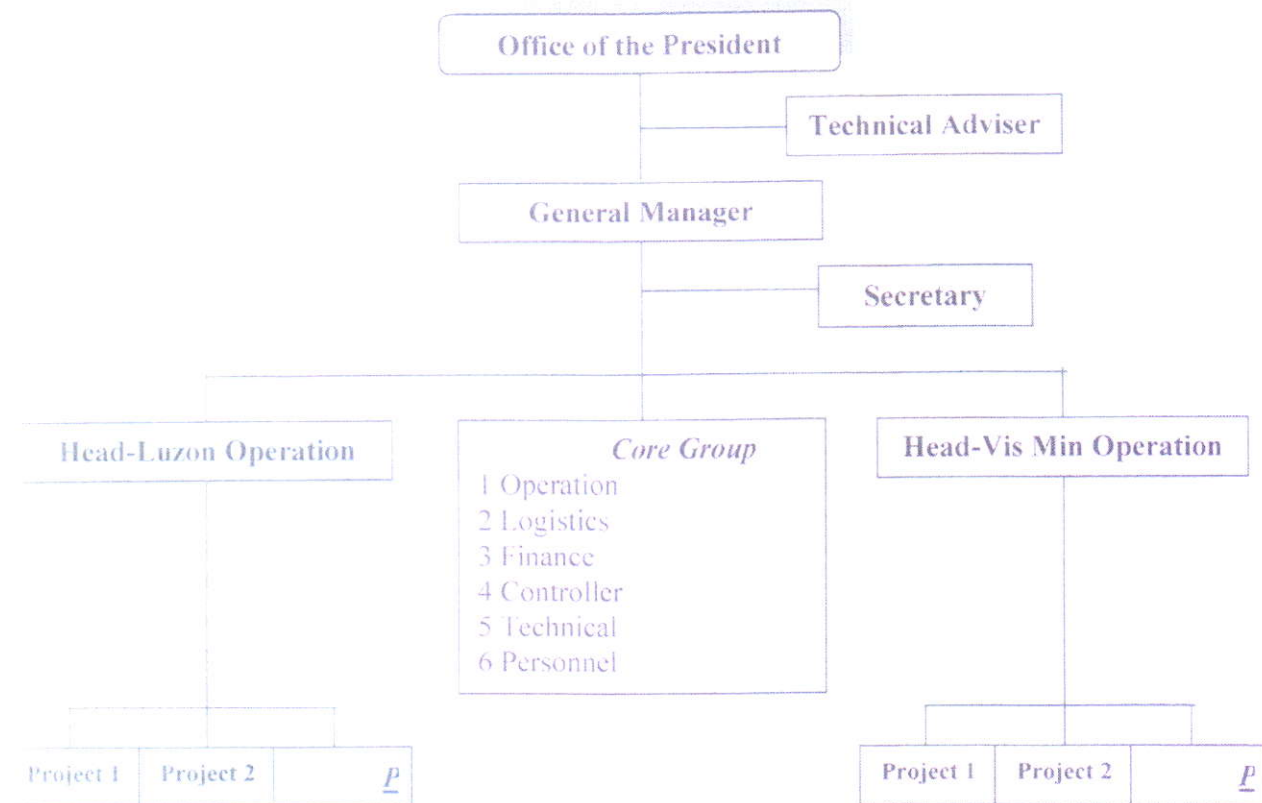
Steel Materials Supplier

1. Remington Industrial
2. Topmark Steel Corporation
3. P.I. Hardware & Milling Supply
4. Rapid Forming Corporation
5. Jowood Industries
6. Regan Industrial Supply

Marketing Mix Strategy

<u>Product/Service</u>	<u>Target Client</u>	<u>Pricing Strategy</u>	<u>Responsible Unit</u>	<u>Product Strategy</u>	<u>Promotional Techniques</u>
1. Fabrication / Erection of Structural Steel	Phil. Phosphate Fertilizers Cagayan de Oro project	Keep prices as low as possible by: - Source for the lowest material / equipment price thru bidding - Keep mark-up reasonable - Maintain and retool equipment - Maximize productivity Keep prices as low as possible by: - Source for the lowest material / equipment price thru bidding - Keep mark-up reasonable - Maintain and retool equipment - Maximize productivity	Vis-Min Operations	Direct Mails / Negotiations Bidding participation Representations Bidding participation Direct mails / Negotiations News paper scanning Representation	Maintenance of website Brochures Billboard Advertise-ment Advertise-ment (e.g. yellow pages)
2. Tollway Maintenance	PNCC Skyway	- Negotiate prices	Luzon Operations	Direct Mails / Negotiations Sustained exemplary performance	
3. Civil Works	PNCC, MTD	Keep prices as low as possible by: - Source for the lowest material / equipment price thru bidding - Keep mark-up reasonable - Maintain and retool equipment - Maximize productivity	Luzon Operations	Direct Mails / Negotiations	
4. Materials Testing	Various Projects	- Keep testing fees at par with competitors if not lowest	Luzon Operations	Bidding participation Direct mails / Negotiations News paper scanning Representation	
5. Janitorial Services	PNCC SOMCO	- Negotiate prices	Luzon Operations	Sustained exemplary performance	
6. Others	Various Project owners / contractors	Keep prices as low as possible by: - Source for the lowest material / equipment price thru bidding - Keep mark-up reasonable - Maintain and retool equipment - Maximize productivity	Luzon & Vis-Min Operations	Bidding participation Direct mails / Negotiations News paper scanning Representation	

DASMARIÑAS INDUSTRIAL & STEEL CORPORATION
TABLE OF ORGANIZATION



	2008
Executive	1
Managerial	4
Supervisory	14
Rank and File	286
Total	305

TRAFFIC CONTROL PRODUCTS CORPORATION (TCPC)

Background

Traffic Control Products Corporation (TCPC) was organized on June 15, 1977 as a joint venture of the Construction and Development Corporation of the Philippines (CDCP) now known as Philippine National Construction Corporation (PNCC) and Japanese firm Kikusui Lines, Inc. to manufacture thermoplastic paints and other traffic safety devices such as traffic signs (information, regulatory, warning and in-plant signs), traffic light, parking meters, etc. At that time, the main purpose was to provide CDCP with its traffic paint, signages, and traffic safety devices during construction and at the onset of operating the tollways.

Since 1981, TCPC had become a fully- owned subsidiary of PNCC while Kikusui Inc. served and continued as a consultant and main raw material supplier to the company.

TCPC specializes in the reflectorized thermoplastic paint pavement marking. This type of paint, which TCPC manufactures, is also classified as traffic paint, it is intruded on the pavement in a molten state. Except for Phil-Chemsteel Corp., the other player in the pavement marking industry, import their products in the ready-mix stage, mostly from Taiwan or Saudi Arabia. TCPC imports its raw materials direct from Kikusui, Inc. of Japan, and manufactures its own mixture in its own plant in Bicutan, Parañaque City.

Product Lines:

- *Reflectorized thermoplastic traffic paint*
- *Solvent & waterbourne paint*
- *Traffic signages*
- *Traffic cones, barriers and delineators*
- *Road studs*
- *Traffic vest*
- *Rope lights and other traffic safety devices*

Principal Products and Services:

1. Supply and application of thermoplastic and solvent paint markings
2. Fabrication and installation of signages
3. Supply of traffic safety devices
4. Janitorial and greening services

List of Clients

Government:

- Philippine National Construction Corporation
- Various Local and Provincial Government Units

Private:

- Regoron Project Support Services (SCTEX)
- SAG-1 Training & Construction

- Rend Enterprises and General Contractor
- Manila North Tollway Corporation
- Kabukiran Garden (SCTEX)
- Gosset Builders, Inc.
- Hanjin Heavy Industrial & Construction Co. Ltd.
- Star Tollway Corporation
- Cage Construction Co.
- BSP & Co.
-

Thermoplastic Paint Suppliers

1. Aspara Resources SDN BHD
Subang Jaya, Selangor Darul Ehsan, Malaysia
2. Dau Long Road – Mark Materials Co., Ltd.
No. 6 Zihciang 3rd Road, Nankang Industrial Park Nanton City 54065, Taiwan

Competitors

Active Competitors:

1. Gampik Construction
2. Traffic Supplies and Construction Corporation
3. Philechem Steel
4. Bine Construction
5. Nature's Care Construction
6. ISS Trading
7. Joy-Ace Construction
8. L.R. Tique Construction

MARKETING PLAN

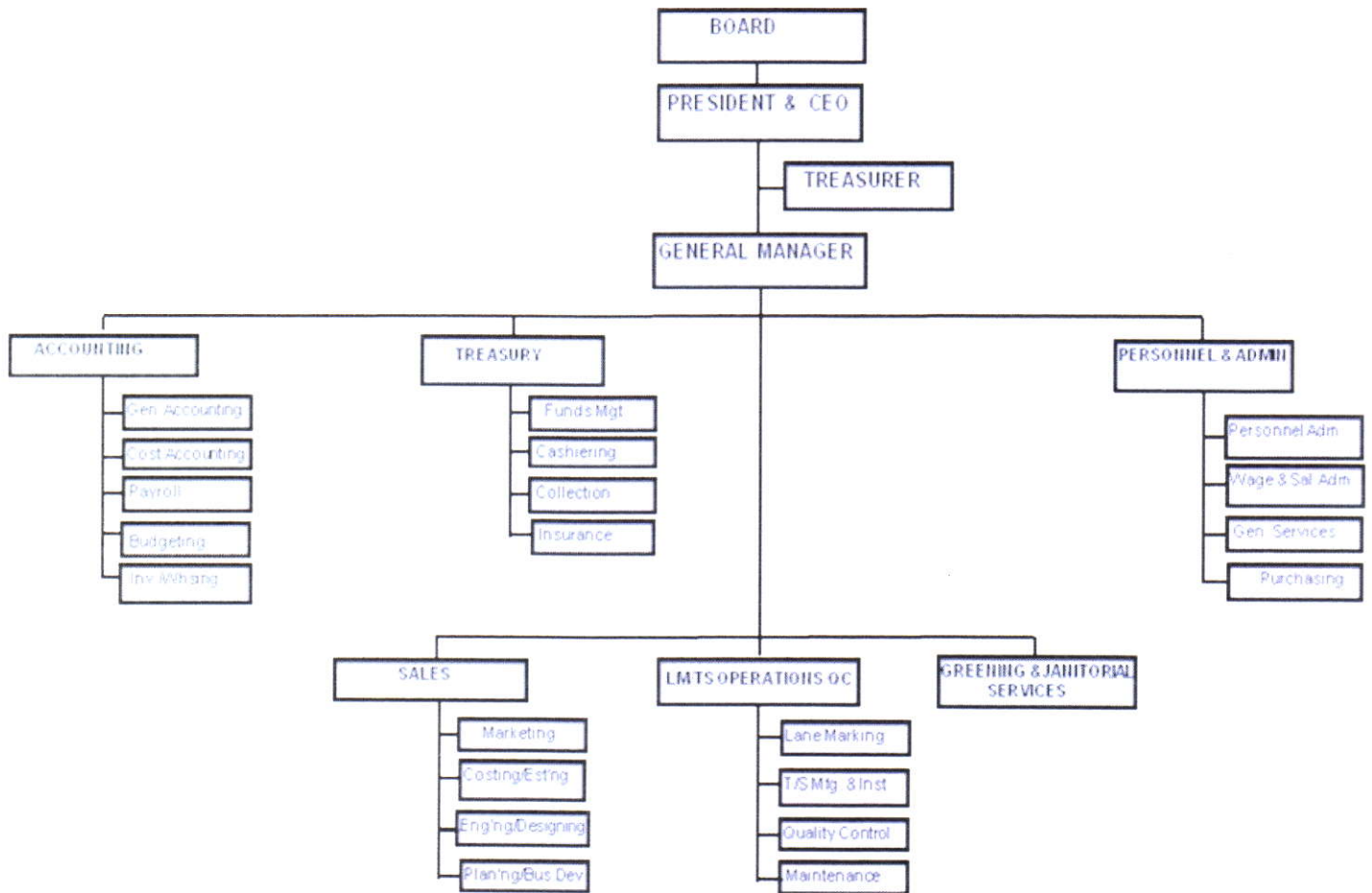
Strategies

- To revive the manufacturing plant for thermoplastic paint thru sourcing raw materials from China, Taiwan and other parts of Asia except Japan which would lower the cost of production.
- To upgrade the methodology of sign fabrication by acquiring modern equipment in order to be at par with other sign fabricators.

Marketing / Communication & Sales

- Print advertising and publicity info-commercials via selected local trade magazines and association newsletter
- Put up billboard ads along or within PNCC properties
- Establish presence over the World Wide Web by developing company website and an active email address to handle inquiries and direct correspondence associated with prospected and contracted projects
- Provide marketing and sales kit
- Conduct product demonstrations
- Arrange sales calls / meeting
- Develop & enhance customer service relations
- Undertake a sustainable after-service customer satisfaction program

TRAFFIC CONTROL PRODUCTS CORPORATION
FUNCTIONAL TABLE OF ORGANIZATION
CY 2008



Manpower:

Regular Employee	-	25
Non-regular Emp.	-	1
Vacant	-	1
Contractual	-	3
Greening & Janitorial	-	<u>153</u>
Total	-	<u>183</u>

(B) Description of Properties

The list of Real Property as of December 31, 2008 are presented below:

ITEM NO.	LOCATION	TCT No.	AREA (sq .m.)	REGISTERED OWNER
A.	BOOKED PROPERTIES:			
1.	TAGOLOAN PROPERTY Bo. Casinglot, Tagoloan, Misamis Oriental	T-6198	20,687	CDCP
		T-6199	13,785	CDCP
		T-6200	16,380	CDCP
		T-7904	1,065	CDCP
		T-7905	5,316	CDCP
		TD No. 08-14-0003-02663	3,387	CDCP
			60,620	
2.	BICUTAN PROPERTY Paranaque City	T-29715	107	CDCP
			54	
		T-29716	27,762	CDCP
		T-452587	5,123	CDCP
			33,046	
3.	ALBAY PROPERTY (Legaspi Lot) Bo. Estrella, Jovellar, Albay	T-78161	1,038,821	PNCC
4.	MABALACAT LOT Bo. Maisac, Mabalacat, Pampanga	T-134297-R	10,000	CDCP
		T-134298-R	15,000	CDCP
		T-134299-R	2,905	CDCP
			27,905	
5.	TAGAYTAY PROPERTY Bo. Tolentino, Tagaytay City	P-169	49,107	CDCP
		P-170	49,100	CDCP
			98,207	
6.	ANTIPOLO PROPERTY • Victoria Valley Subdivision	T-7424	840	CDCP
		T-7425	850	CDCP
		T-7426	958	CDCP
		T-485276	741	CDCP
		T-485277	680	CDCP
		T-485278	701	CDCP
	• Town & Country Estate Subd.	N-3320	10,000	CDCP
			14,770	
7.	MORONG LOT Morong, Rizal	M-18602	240	CDCP
		M-18603	240	CDCP
		M-18604	240	CDCP
		M-18605	240	CDCP
		M-18606	240	CDCP
		M-18607	240	CDCP
		M-18608	240	CDCP
		M-18609	240	CDCP
		M-18610	240	CDCP
		M-18611	382	CDCP
			2,542	
8.	FINANCIAL CENTER AREA (FCA) Pasay City	T-34997	129,548	R. P.

ITEM NO.	LOCATION	TCT No.	AREA (sq .m.)	REGISTERED OWNER
9.	DASMARINAS LOT Bo. Langkaan, Dasmaringas, Cavite	T-98739	75,000	
10.	PORAC LOT Porac, Pampanga	T-7052	116,591	PNCC
11.	STA. RITA PROPERTY (NLT Office) Sta. Rita, Guiguinto, Bulacan	T-260678	20,000	Remedios Bengzon
12.	BOCAUE REST AREA NLEX, Bocaue, Bulacan	T-29.308M	733	CDCP
		T-26.154M	2,801	CDCP
		T-26.560M	4,404	CDCP
		T-29.309M	1,141	CDCP
		TD-6807	847	CDCP
			9,926	
B.	UNBOOKED PROPERTIES			
B.1	PNCC LISTED PROPERTIES			
1.	PILILLA PROPERTY Pililla, Rizal	M-13027	500	M. de Jesus & P. Castalone
		M-13028	500	M. de Jesus & P. Castalone
		M-13031	500	M. de Jesus & P. Castalone
		M-13032	500	M. de Jesus & P. Castalone
		M-13033	500	M. de Jesus & P. Castalone
		M-13034	500	M. de Jesus & P. Castalone
		M-13038	459	M. de Jesus & P. Castalone
		M-13039	702	M. de Jesus & P. Castalone
		M-13040	607	M. de Jesus & P. Castalone
		M-13041	500	M. de Jesus & P. Castalone
		M-13042	500	M. de Jesus & P. Castalone
		M-13043	500	M. de Jesus & P. Castalone
		M-13044	500	M. de Jesus & P. Castalone
		M-13045	500	M. de Jesus & P. Castalone
		M-13046	500	M. de Jesus & P. Castalone
			7,768	
2.	GULOD RESORT CONDOMINIUM Nasugbu, Batangas			
	• Apartment 5-102	C-321	34.65	Land Bank
	• Apartment 5-302	C-335	34.65	Land Bank
			69.30	
B.2	CDCP FARMS CORP. PROPERTIES			
1.	TABANG PROPERTY Tabang, Guiguinto, Bulacan	T-131500	4,945	CDCP Farms Corporation
		T-131501	678	CDCP Farms Corporation
			5,623	
2.	BUKIDNON PROPERTY Bukidnon, Mindanao	OCT P-11636	31,600	Eduardo Martin
		OCT P-3357	52,900	Leona Sumael
		OCT P-5817	64,600	Candelario Tutanes
		TCT T-14452	129,900	Romeo Mata
		OCT P-13741	66,100	Romeo Mata
		OCT P-13740	56,000	Romeo Mata
			401,100	

RIGHT OF WAY LOTS NOT RECORDED IN THE BOOKS

DAU-MABALACAT EXPRESSWAY	T-311209-R	3,022	PNCC	Original TCT with Treasury Vault
	T-318876-R	17,279	PNCC	Original TCT with Treasury Vault
	T-318413-R	65,093	PNCC	Original TCT with Treasury Vault
	T-318878-R	5,473	PNCC	Original TCT with Treasury Vault
	T-292577-R	42,154	PNCC	Original TCT with Treasury Vault
	T-292400-R	10,663	PNCC	Original TCT with Treasury Vault
	T-250431-R	4,290	PNCC	Original TCT with Treasury Vault
	T-250433-R	524	PNCC	Original TCT with Treasury Vault
	T-270509-R	15,182	PNCC	Original TCT with Treasury Vault
	T-486760-R	16,064	PNCC	Original TCT with Treasury Vault
	T-412604-R	3,728	PNCC	Original TCT with Treasury Vault
	T-486761-R	15,545	PNCC	Original TCT with Treasury Vault
	T-483506-R	6,113.50	PNCC	Original TCT with Treasury Vault
	T-396409-R	13,236	PNCC	Original TCT with Treasury Vault
	T-422175-R	5,621	PNCC	Original TCT with Treasury Vault
	T-389849-R	16,316	PNCC	Original TCT with Treasury Vault
	T-32250	1,328	PNCC	
	T-383725-R	14,093	RP/PNCC	
	T-324511	6,757	RP/PNCC	Original TCT with Treasury Vault
	T-326189	2,717	RP	
	T-326191	98,550	RP	
	T-326195	12,717	RP	
	T-170048	5,871	PNCC	Original TCT with Treasury Vault
	T-170047	8,394	PNCC	Original TCT with Treasury Vault
		390,730.50		
	T-146085	2,770	Jose Angeles, et.al.	Documents with RD, awaiting transfer to PNCC
	T-281288	1,833	Justinio Pare, et.al.	With deficient transfer documents.
	T-157403	529	Cirilio Tuazon	With deficient transfer documents.
	T-147137	6,561	Marina Gueco	With deficient transfer documents.
	T-30884	1,989	Angelo Hizon	On-going transfer process
	T-246299	4,818	Teodoro Tiglaio, Jr.	With deficient transfer documents.
	T-9330	10,298	Julian Dyaico	With deficient transfer documents.
	T-236300	122	DBP	With deficient transfer documents.
	T-236300	2,683	DBP	With deficient transfer documents.
	T-251670	18,913	NHA/Teresita Tiglaio	Double sale case. Case with Corp. Legal.
	7-251671	27,275	NHA/Teresita Tiglaio	Double sale case. Case with Corp. Legal.
	Total	838,951		
MABALACAT-BAMBAN NLT EXTENSION Bamban, Tarlac	T-310371	45,989	Horacio Mercado, et.al. & PNCC	With deficient transfer documents.
	T-17220	34,704	L. Galang & I. Gatus	Double sale case. Former owner cannot be located.
	Total	80,693		
MEXICO-SAN FERNANDO SECTION Mexico, Pampanga	T-376428-R	918	RP	
BALINTAWAK TOLL PLAZA Bagong Lote, Malabon	T-453508	93	Damaso Borgonia	No documents on the acquisition of property.

(C) Legal Proceedings

Major Cases
Status as of December 2008

- 1). Cuenca vs. Hon. Alberto P. Atas, et al.***
Supreme Court G.R. No. 146214, CA-G.R. SP No. 60366
(SEC Case No. AC 807; SEC Case No. 05-96-5357)
Date of Institution : May 1996

This is an action filed by Rodolfo M. Cuenca against the PNCC, APT, PNB, DBP, LBP, NDC, GSIS and Philguarantee essentially attacking the non-implementation of LOI 1295. In his petition, Mr. Cuenca prayed that judgment be rendered:

- a. To determine and declare whether defendants APT, PNB, DBP, NDC, Philguarantee, LBP and GSIS are registered stockholders of defendant PNCC and the number of shares held by each of them;
- b. To compel defendant PNCC to call and hold regular stockholders' meetings including elections of directors every year; and
- c. To annul and cancel the
 - i 25,500,000 shares of preferred class "D" voting stock of the PNB
 - ii 26,987,447 shares of common stock of DBP;
 - iii 37,584,577 shares of common stock of Philguarantee;
 - iv 14,699,000 shares of common stock of NDC;
 - v 657,836 shares of common stock of LBP;
 - vi 47,490,383 shares of common stock of GSIS.

The issues presented in this case were as follows:

- i. Whether there was conversion by the GFIs.
- ii. Whether the GFIs continued to charge interests and other penalties.
- iii. Whether there was double payment on the loan obligations which were supposed to have been converted, in the form of real properties.
- iv. Whether a regular stockholders' meeting has been called and held for the purpose of electing the members of the Board of Directors and whether the GFIs have validly elected all the members of the Board of Directors of the PNCC.

The SEC hearing panel rendered a decision dated July 10, 2000 in favor of the PNCC, which decision was upheld by the SEC *en banc* in its judgment rendered on August 8, 2000.

The SEC *en banc* decision was elevated by Mr. Cuenca to the Court of Appeals by way of a petition for review. The Court of Appeals dismissed said petition in its Decision

promulgated on November 29, 2000, ruling therein that the submission of a Deed of Confirmation by the respondent GFIs dissipated all doubts on whether there was full and complete implementation of LOI 1295. Mr. Cuenca filed a Petition for Review on Certiorari before the Supreme Court.

On October 5, 2007, the Supreme Court rendered a decision dismissing Mr. Cuenca's petition and affirmed *in toto* the November 29, 2000 Decision of the Court of Appeals.

On February 11, 2008, the Supreme Court denied Mr. Cuenca's motion for reconsideration dated November 01, 2007.

2.) *Radstock Securities Limited vs. PNCC*
Civil Case No. MC 01-1398; CA G.R. No. 66654; SC G.R. No. 156887
(Handled by the Office of the Government Corporate Counsel (OGCC))
Date of Institution: January 23, 2001

This is a complaint for sum of money and damages filed by Radstock Securities Limited ("Radstock") as the assignee of the credit obligations of PNCC to Marubeni Corporation, amounting to more or less P3Billion, including interest and penalties. The obligation arose from two (2) transactions which the Basay Mining Corporation ("Basay"), a former subsidiary of CDCP (now PNCC), with Marubeni Corporation ("Marubeni") to wit: (a) Advance Payment Agreement dated August 9, 1978 wherein Marubeni advanced to Basay an amount of US\$5,000,000.00 for the purchase of copper concentrates, and (b) Loan Agreement dated May 19, 1980 whereby Marubeni loaned to Basay a total of Y5,460,000,000.00 for its expansion project. It is alleged that PNCC is bound by a Letter of Guarantee dated September 29, 1980, which was executed by CDCP Executive Vice-President Alfredo V. Asuncion, binding CDCP to guarantee irrevocably in favor of Marubeni the loan and all obligations of Basay. PNCC alleges, by way of defense, that Radstock's cause of action is barred by prescription and that Alfredo V. Asuncion, who executed the Letter of Guarantee, was not duly authorized by the Board of Directors.

Recent Developments:

On January 10, 2007, Radstock and PNCC filed a Joint Motion for Judgment Based on Compromise Agreement before the Court of Appeals which approved said agreement on January 25, 2007.

On January 30, 2007, Strategic Alliance Development Corporation, Intervenor of the said case, filed a Motion for Reconsideration of the Decision dated January 25, 2007, and Motion to Defer Issuance of Entry of Judgment.

On May 11, 2007, Asiavest Merchant Bankers Berhad filed an Opposition and Motion-in-Intervention (re: Judgment Based on Compromise) before the Court of Appeals

On May 31, 2007, the Court of Appeals issued a Resolution denying the (1) Motion for Reconsideration of the Decision dated 25 January 2007 and Motion to Defer Issuance of

Entry of Judgment filed by Stradec and, (2) Rodolfo M. Cuenca's Motion for Intervention and Motion to Admit (Attached Motion for Reconsideration and New Trial).

3). ***Asiavest Merchant Berhad vs. CA and PNCC***
G.R. No. 110263, Supreme Court
Date of Institution : July 14, 1988

This case involves the enforcement of a foreign judgment. Judgment was rendered against the PNCC in Malaysia for guarantees it issued on various construction projects. The amount involved is 5,200,000 Malaysian Ringgit. The trial court and the Court of Appeals rendered a decision in favor of the PNCC.

The Supreme Court rendered a decision reversing the decision of the Court of Appeals. Inasmuch as said decision of the Supreme Court is now final and executory, counsel for Asiavest is now moving for execution of the above foreign judgment before the Regional Trial Court of Pasig City.

Last November 28, 2003, PNCC filed a Motion to Suspend Execution Proceedings in view of the information from the Registrar of Companies of Malaysia that Asiavest Merchant Bankers(M) Berhad no longer exists after it had gone into voluntary liquidation and winding up.

Recent Developments:

On February 13, 2006, PNCC filed a Motion to Quash Writ of Execution, before the RTC Branch 168 of Marikina City (formerly Pasig City).

On April 3, 2006, PNCC filed an Urgent Ex-Parte Motion to Temporary Stay the Enforcement of the Writ of Execution, which the Court has granted by virtue of its Order dated May 29, 2006.

On September 21, 2006, Asiavest filed a Manifestation and Urgent Motion to Lift Stay Order dated May 29, 2006.

On November 8, 2006, the Court denied the Urgent Motion to Lift Stay Order dated May 29, 2006.

On November 30, 2006, Asiavest filed a Motion for Reconsideration of the Order dated November 8, 2006.

On February 2, 2007 Asiavest filed three (3) motions namely: Motion for Immediate Resolution of their Motion for Reconsideration dated November 30, 2006, Motion/Application for Appointment of a Receiver of PNCC's Assets, and Motion to Inhibit.

On March 4, 2008, RTC- Branch 67, Pasig City, the Hon. Amorfin Cerrado-Cezar presiding, issued an Omnibus Order DENYING Asiavest's Motion for Reconsideration and Motion for Appointment of Receiver.

Asiavest has filed a Petition for Certiorari (Rule 65) with the Court of Appeals assailing the RTS's Omnibus Order. In a Resolution dated May 28, 2008, PNCC has been required to file its Comment on the Petition within ten (10) days from notice.

In its October 28, 2008 Decision, the Court of Appeals DENIED and DISMISSED Asiavest's Petition in that the trial court did not commit any grave abuse of discretion.

- 4). ***PNCC vs. Asiavest Merchant Bankers***
G.R. No. 172301, Supreme Court
CA-GR CV No. 50948, Court of Appeals
Civil Case No. 64367, RTC Pasig Branch 153
Date of Institution: April 12, 1994

This case arose after Asiavest- CDCP, a corporation organized by both CDCP (PNCC) and Asiavest Merchant Bankers (which acted as PNCC's subcontractor in Malaysia), failed to complete the project in Malaysia Asiavest thus sought reimbursement of the amount it paid to the State of Pahang (Malaysia) after the surety bond it issued to guarantee PNCC's project in Malaysia was called. The amount involved is 3,915,053.54 Malaysian Ringgit.

On April 12, 1994, Asiavest instituted the case before the RTC of Pasig. PNCC thru OGCC had filed four (4) motions for extension of time to file answer and/or any responsive pleading. However, PNCC was not able to file its Answer to the Complaint because the transactions were executed in Malaysia and the documents were not then immediately available. Thus a judgment by default was rendered by the trial court. Effort were made towards lifting of the default order and reconsideration of the decision, but same were denied.

PNCC appealed the case to the Court of Appeals but was dismissed in its Decision date June 10, 2005. A Motion for Reconsideration was filed but the same was denied.

A Petition for Review on Certiorati was filed before the Supreme Court which is now pending resolution.

- 5). ***Ernesto B. Francisco, Jr. et.al. vs. TRB, PNCC, et.al***
Supreme Court En Banc, G.R. No. 166910
Date of Institution : February 2005

On February 21, 2005, Atty. Ernesto B. Francisco, Jr. and Jose Ma. O. Hizon filed a Petition for Certiorari and Prohibition with Prayer for TRO and/or Writ of Preliminary Injunction against the Toll Regulatory Board (TRB), Philippine National Construction Corporation

(PNCC), Manila North Tollways Corporation (MNTC), Benpres Holdings Corporation (BHC), First Philippine Infrastructure Development Corporation (FPIDC), Tollway Management Corporation (TMC), PNCC Skyway Corporation, Citra Metro Manila Tollways Corporation (CMMTC) and Hopewell Crown Infrastructure, Inc. (HCII).

The Petition seeks to nullify the following: (a) the Supplemental Toll Operating Agreement dated April 30, 1998; (b) the Supplemental Toll Operating Agreement dated November 27, 1995; (c) Supplemental Toll Operating Agreement covering the South Luzon Tollway Project and TRB Board Resolutions issued pursuant to the said agreement; (d) declare unconstitutional Sec. 3 (a) of PD 1112, otherwise known as "Toll Operations Decree" in relation to Sec. 3 par. (d) thereof; Sec. 8, par. (b) of PD No. 1894, Sec. 3, par. (h), PD 1112 and Sec. 13 of PD 1894.

Petitioner likewise prays for the issuance of a TRO and/or Writ of Preliminary Injunction restraining respondents from implementing the initial toll rates for the North Luzon Tollway pursuant to TRB Resolution No. 2005-04 adopted on January 27, 2005 and the adjusted toll rates for South Luzon Tollway and Metro Manila Skyway pursuant to TRB Board Resolution No. 2004-53 adopted on November 26, 2004.

On June 21, 2005, PNCC and PNCC Skyway Corporation filed a Joint Comment alleging, among others: (1) that the petitioner have no '*locus standi*' to bring or institute the present suit; (2) petitioners failed to exhaust administrative remedies; (3) petitioners' direct recourse to this Honorable Supreme Court is highly improper; (4) public bidding is inapplicable in tollway projects undertaken pursuant PD Nos. 1112, 1113 and 1894; (5) the STOA between the Republic of the Philippines, PNCC and CITRA is in accordance with PD Nos. 1112, 1113, and 1894; (6) the default clauses of the STOA do not prevent the TRB from exercising its regulatory function.

In a Resolution dated November 17, 2005, a copy of which was received on December 16, 2005, the Supreme Court En Banc granted petitioners' request for extension of time to file its Consolidated Reply. A copy petitioners' Consolidated Reply was received last October 17, 2005.

To date the case is pending resolution with the Supreme Court

This case has been consolidated with G.R. No. 166917 entitled Hon. Imee Marcos, et al vs. R.P., et. al. in an Order dated March 20, 2007.

- 6). ***Hon. Imee Marcos, et.al. vs. The Republic of the Philippines represented by TRB, PNCC, et.al.***
Supreme Court En Banc, GR No. 166917
Date of Institution: October 2005

On October 19, 2005, petitioners Hon. Imee Marcos, et.al. filed a Petition for Certiorari and Prohibition against the Republic of the Philippines represented by the Toll Regulatory Board (TRB), Manila North Tollways Corporation (MNTC), Philippine National

Construction Corporation (PNCC) and First Philippine Infrastructure Development Corporation (FPIDC).

The petition for Certiorari seeks to declare as null and void the following: (1) the Memorandum of Understanding dated February 8, 1994; (2) the Assignment of PNCC's usufructuary rights as embodied in the Notice of Approval of former Pres. Fidel V. Ramos dated May 16, 1995; (3) the Joint Venture Agreement dated August 29, 1995; (4) the Joint Investment Proposal dated June 16, 1996; (5) the Supplemental Toll Operations Agreement (STOA) dated April 30, 1998; (6) the Notice of Approval of Pres. Fidel V. Ramos dated June 15, 1998 of the said STOA; and (7) the grant by TRB of the provisional toll rate increases published February 9, 2005.

Petitioner likewise prays for the issuance of a TRO and/or Writ of Preliminary Injunction restraining respondents from enforcing and implementing the Memorandum of Understanding, Joint Venture Agreement, Supplemental Toll Operating Agreement for being null and void, violative of the law and constitution and for allegedly being grossly disadvantageous to government, and for violating the rules on public bidding.

In compliance with the Resolution dated November 8, 2005, issued by the Supreme Court En Banc, the respondents filed their respective comment.

The case is pending resolution with the Supreme Court.

This case has been consolidated with G.R. No. 166910 entitled Ernesto B. Francisco, Jr. et. Al. vs. TRB. et. al in an Order dated March 20, 2007.

- 7). ***Gising Kabataan Movement, Inc., et. al. vs. The Republic of the Philippines Acting through the Toll Regulatory Board (TRB), et.al.***
Supreme Court, Second Division, GR. No. 173630
Date of Institution: August 4, 2006

On August 4, 2006, petitioners Gising kabataan et. al. filed a Petition for Certiorari and Prohibition with prayer for the issuance of a temporary Restraining Order and/or Writ of Preliminary Injunction against the Republic of the Philippines represented by the Toll Regulatory Board (TRB), and Philippine National Construction Corporation (PNCC).

The petition for Certiorari seeks to declare as null and void the Supplemental Toll Operations Agreement (STOA) entered into by TRB and PNCC.

Petitioner likewise prays for the issuance of a TRO and/or Writ of Preliminary Injunction restraining respondents from enforcing and implementing the Supplemental Toll Operating Agreement for being null and void, violative of the law and constitution.

PNCC through OGCC has already filed its comment dated October 16, 2006.

To date the case is pending resolution with the Supreme Court.

- 8). ***Strategic Alliance Development Corporation vs. Privatization Management Office et.al.***
Civil Case No. 05-882, RTC Branch 146, Makati City
Date of Institution: October 2005

This concerns a complaint filed by Strategic Alliance Development Corporation (Stradec) against Privatization and Management Office (PMO) and PNCC for Declaration of Right to a Notice of Award and/or Damages, summons of which was received on October 13, 2005.

The complaint alleges that on 30 October 2000, the Asset Privatization Trust (APT) now Privatization and Management Office (PMO) offered for sale, through public bidding, the National Government's (NG) shares of stock in Philippine National Construction Corporation (PNCC) and the receivables of the National Government in the form of advances of NG to PNCC, all the future receivables of NG from PNCC, and the securities related thereto. In the said bidding, Dong-A Consortium, to which plaintiff Strategic Alliance Development Corporation (Stradec) was a member, offered the highest bid. Said bid however, was rejected by the APT Board of Trustees and the Privatization Council for being way below the indicative price.

Stradec therefore prays that PMO and PNCC be directed to declare Dong-A Consortium as the winning bidder and that the notice of award be issued on their favor, they likewise prayed in their second, third and forth causes of action that they be reimbursed of their actual and other damages in the amount of P15,000,000.00 .

Perusal of the complaint shows that, except for being the subject of the bidding, there are no other allegations which can be considered to constitute a cause of action against PNCC. It is likewise very clear in the documents attached to the complaint that Stradec, through its consortium, had signified its acceptance of the terms and conditions of the bidding which provides, among others, that "3.1. *The indicative price for the Shares, Receivables, and the Securities shall be announced on the day of the bidding*"; and "4.3.1. *APT reserves the right to reject any or all bids, including the highest bid, or to receive any defect or required formalities therein.*"

PNCC seasonably filed its Answer to the Complaint. The issues having been joined, the Court has set the case for Pre-Trial Conference after no settlement was reached during Mediation proceedings.

- 9). ***Young Professionals and Entrepreneurs of San Pedro (YPES), Laguna vs. TRB and PNCC, SCA No. 3138.***
Date of Institution: September 14, 2007.

This is a special civil action for certiorari and mandamus with prayer for issuance of TRO and Injunction. In its Petition, YPES prays that:

- (a) TRB and PNCC be compelled to transfer the facilities of the SLEX to the government agency or local government unit concerned because of the end of the project proponent fixed term on May 1, 2007;
- (b) The Toll Operation Certificate covering the SLEX be annulled and set aside;
- (c) A preliminary injunction and/or TRO be issued against TRB & PNCC from implementing the collection of the toll fees along SLEX.

The main issues presented in this case are:

- a) whether or not a public utility franchise is required before the private sector can operate the toll facility; and
- b) whether TRB gravely abused its discretion amounting to lack or excess of jurisdiction in extending the franchise of PNCC through the TOC despite contrary provisions, statutes and the 1987 Constitution lodging the power to grant franchises exclusively in the legislature.

On 1 October 2007, PNCC filed its memorandum to YPES's application for TRO.

Meanwhile, the respondents had filed their respective Comments on the Petition.

In an Order dated March 27, 2008 petitioners' application for preliminary injunction was DENIED for lack of merit.

The parties had filed their respective Memoranda in this case after which the same shall be deemed submitted for decision.

On July 2, 2008, OGCC received a copy of the Decision dated June 23, 2008. The dispositive portion is quoted as follows:

" WHEREFORE premises considered, judgment is hereby rendered declaring that respondents TRB has committed grave abuse of discretion amounting to lack or excess of jurisdiction in granting Toll Operation Certificate to respondent PNCC which effectively extended and/or renewed the term of the franchise of the PNCC beyond the period provided under Presidential Decree No. 1113.

ACCORDINGLY, the instant Petition for Certiorari, Prohibition and Mandamus is hereby GRANTED and the questioned Toll Operation Certificate (TOC) covering the South Luzon Expressway issued by respondent TRB in April 2007, is hereby ordered ANNULED and SET ASIDE:

FURTHER, respondent PNCC is hereby immediately PROHIBITED from collecting toll fees along the SLEX facilities as it no longer has the power and authority to do so.

FINALLY, as mandated under Section 9 of PD No. 1113, respondent PNCC is hereby COMMANDED to turn over without further delay the physical assets and facilities of the SLEX including improvements thereon, together with the equipment and appurtenances directly related to their operations, without any cost, to the government through the Toll Regulatory Board in coordination with the Department of Public Works and Highways."

PNCC filed its Motion for Reconsideration on July 17, 2008 of the June 23, 2008 Decision.

On November 6, 2008, OGCC received an order dated October 24, 2008 from the RTC Pasig denying PNCC's Motion for Reconsideration for lack of merit.

PNCC filed a Notice of Appeal with the Court of Appeals on November 18, 2008.

10). *Strategic Alliance Development Corporation vs. PNCC and Radstock Securities Ltd.*

G.R. No. 178158, Supreme Court, First Division

This is an appeal by certiorari under Rule 45 of the Rules of Court from the Decision of the Court of Appeals in CA-G.R. CV No. 87971 approving the Compromise Agreement between PNCC and Radstock denying STRADEC's Motion for Intervention.

On July 2, 2007, the Supreme Court issued a STATUS QUO ANTE ORDER which will continue to be effective until further orders.

PNCC as well as Radstock have filed their Comment on the Petition. Asiavest also filed an Urgent Motion to Intervene in this case. PNCC likewise filed its Comment on Asiavest's Motion.

Petitioner STRADEC has filed a Consolidated Reply to the Comments of PNCC and Radstock.

To date, the case is pending resolution with the Supreme Court.

11). *Luis Sison vs. PNCC and Radstock*

G.R. No. 180428, Supreme Court

This is a Petition for Review on Certiorari under Rule 45 seeking to set aside and reverse the Court of Appeals Resolution dismissing the Petition for Annulment of Judgment approving the Compromise Agreement between PNCC and Radstock as well as the Motion for Reconsideration thereof filed by petitioner Sison.

PNCC and Radstock have filed their respective Comments on the Petition.

In a Resolution dated February 18, 2008, the Supreme Court ordered that this case be consolidated with G.R. No. 178158 (Stradec vs. Radstock and PNCC).

- 12). *Syarikat Binaraya vs. Government of the State of Pahang and CDCP as 3rd Party, (Civil Case No. 47985; Kuantan High Court, Malaysia)***
Date of Institution: September 30, 1985.

This is a claim for payment in the amount of RM 11,166,781.20. Hearing is now being conducted in Kuantan, Malaysia. (This case is being handled by the Malaysian counsel Balendran Chong & Bodi [Solicitors]) in coordination with the OGCC.

The case is still pending before the Kuantan High Court of Malaysia.

PART II – OPERATIONAL AND FINANCIAL INFORMATION

(A) Market for Registrant's Common Equity and Related Stockholders' Matters

(1) Market Information

By virtue of LOI 1295 (1983) 77.48% of PNCC's voting equity has been held by various government financial institutions (GFIs), namely : PNB, Philguarantee, NDC, DBP, GSIS, and Land Bank, under the mandated debt-to-equity conversion scheme.

Pursuant to Proclamation No. 50, some of the GFIs have actually transferred their equity interests in PNCC to the Privatization Management Office (PMO), while the transfer of the remaining GFI shares to PMO is currently under negotiation.

Furthermore, the Presidential Commission on Good Government (PCGG) has been holding/representing some 13.82% of PNCC's voting equity either by virtue of a writ of sequestration or as a result of the voluntary surrender of certain shares to said government body.

In fine, only 9.70% of PNCC's voting equity is strictly under private ownership, a small percentage of which is actively traded in the stock exchange.

As mentioned earlier, no special stockholders' meeting was called in 2008 as there was no issue, incident, or occasion occurring within the same year that would necessitate or require such stockholder's meeting.

High and low sales prices of stocks for each quarter for the last two (2) fiscal years:

	<u>High</u>	<u>Low</u>
2007		
1 st Qtr. (Jan. '07 – Mar. '07) -	6.50	4.50
2 nd Qtr. (Apr. '07 – Jun. '07) -	6.30	5.50
3 rd Qtr. (Jul. '07 – Aug. '07) -	<i>No trades for the quarter</i>	
4 th Qtr (Sep. '07 – Dec. '07) -		
2008		
1 st Qtr. (Jan. '08 – Mar. '08) -	6.00	3.60
2 nd Qtr. (Apr. '08 – Jun. '08) -	4.90	4.90
<p><i>Last transaction date was on February 4, 2008, high at ₱6.00 per share and February 11, 2008 low at ₱3.60 per share.</i></p> <p><i>Trading of shares was suspended on May 16, 2008.</i></p>		

(2) Shareholders

As of December 31, 2008, the PNCC had 4,826 shareholders on record. For the period, the following represent the Top Twenty (20) common shareholders of the company:

<u>Shareholder</u>	<u>No. of Shares</u>	<u>Percentage of Ownership</u>
Republic of the Philippines/Asset Privatization Trust	79,271,024	45.44
Government Service Insurance System	47,490,383	27.22
Universal Holdings Corporation	24,780,746	14.21
PCD Nominee Corporation – Filipino	10,762,375	6.16
Cuenca Investment Corporation	2,088,132	1.20
PCD Nominee Corporation – Non-Filipino	1,755,979	1.01
Cuenca, Rodolfo M.	698,116	0.40
Land Bank of the Philippines	657,836	0.38
Unigrowth Development Corporation	630,625	0.36
Gow, Jimmy N.	274,000	0.16
Cruz, F.F. & Co., Inc.	252,630	0.14
Blue Chip Asset, Inc.	244,700	0.14
Adachi, Sueo	184,025	0.11
Chung, Felix	173,900	0.10
Alpapara, Johnson	170,000	0.10
Go, Manuel	150,000	0.09
Benpres Corporation	140,000	0.08
Cruz, Felipe F.	135,993	0.08
Motelibano, A. Hijos, Inc.	120,750	0.07
Carnet Machineries & Invest. Corp.	119,842	0.07

The Privatization Management Office (PMO) holds PNCC's 25,500,000 preferred shares which are also voting shares of the company. This translates to 12.75% of all voting shares.

(B) Security Ownership of Certain Record and Beneficial Owners and Management

Owners of record of more than ten percent (10%) of the company's voting securities, as of December 31, 2008, are as follows:

<u>Title of Class</u>	<u>Name & Address of Record/Beneficial Owner</u>	<u>Amount/ Nature of Record Beneficial Ownership</u>	<u>Percent of Class</u>
Common	GOVERNMENT SERVICE INSURANCE SYSTEM Roxas Blvd., Manila	47,490,383	23.75%
Common	PRIVATIZATION MANAGEMENT OFFICE North Davao Mining Corp., 104 Gamboa St., Legaspi Village, Makati City, Metro Manila Re: Philguarantee shares	37,584,577	18.80%
Common	PRIVATIZATION MANAGEMENT OFFICE North Davao Mining Corp., 104 Gamboa St., Legaspi Village, Makati City, Metro Manila	26,987,447	13.50%
Preferred D	PRIVATIZATION MANAGEMENT OFFICE North Davao Mining Corp., 104 Gamboa St., Legaspi Village, Makati City, Metro Manila PNB shares	25,500,000	12.75%
Common	PRESIDENTIAL COMMISSION ON GOOD GOVERNMENT (PCGG) RCI Bldg., EDSA, Mandaluyong City, Metro Manila Re : shares of Universal Holdings Corporation R.M. Cuenca & Family, and Independent Realty Corp.	27,632,138	13.82%

The PNCC shares pertaining to the GSIS, PEFLGC, DBP and PNB were transferred to the APT pursuant to Administrative Order No. 14 dated February 3, 1987 and Administrative Order No. 64 dated March 24, 1988. Administrative Order Nos. 14 and 64 were issued pursuant to Proclamation No. 50 dated December 6, 1986. The shares owned by Universal Holdings Corporation have been surrendered

by Jose Y. Campos to the PCGG. The Government nominates the directors representing the shares transferred to the APT and PCGG.

Security Ownership of Management

The table sets forth as of December 31, 2008 the beneficial stock ownership of each Director of the Corporation and all Officers and Directors as a group.

<u>Title of Class</u>	<u>Name of Beneficial Owner</u>	<u>Amount and Nature of Beneficial Ownership</u>
Common	Arthur N. Aguilar	01
Common	Fermin S. Lusung, Sr.	101
Common	Ottomama Marohom Benito	01
Common	Jeremy Z. Parulan	100
Common	Roy Eduardo T. Lucero	02
Common	Enrique C. Cuejillo, Jr.	50
Common	Marvin V. Paule	01
Common	Elberto E. Emphasis	50
Common	Garth Noel P.E. Tolentino	100
Common	Antonio T. Vilar	01
Common	Ma. Theresa T. Defensor	10

Certain Relationship and Related Transactions

Considering that the Government is the majority substantial stockholder of PNCC, no director/security holder or any member of his/her immediate family is allowed to transact business with the corporation directly or indirectly since this appears to be prohibited under existing laws and regulations.

PART III – FINANCIAL INFORMATION

A. MANAGEMENT DISCUSSION AND ANALYSIS (MDA) OR PLAN OF OPERATION

1. Plan of Operations

On product research and development

N.A.

On any expected sale of plant and significant equipment

We expect to dispose of minor support equipment (welding machines, air compressors, etc. and service while in line with the corporate plan of disposing excess assets.

On any expected significant changes in the number of employees

None.

2.a Management's Discussion and Analysis For Each of the Last Three Fiscal Years

2008 vs. 2007

Results of Operation:

Revenue. For the year, PNCC's gross revenue totalled P876.354 million, lower by P146.165 million compared to the last year's total of P1.023 billion. The decrease in revenue was brought about by the reduction in toll fees effective March 2008 and the decline in traffic volume due to the rehabilitation works being undertaken by MTDME at the SLEX.

Costs and Expenses. Costs and Expenses during the year had likewise decreased by P224.521 million representing 38.74% of last year's total of P579.429 million. The decrease was in direct relationship to the decline in the Corporation's revenue from tollways operations/activities.

Gross Margin. The Corporation posted a positive margin of P521.448 million, P78.356 million higher compared to last year's figure of P443.092 million. This was likewise in direct relationship to the decreased costs and expenses during the year as mentioned above.

General and Administrative Overhead. This account amounted to P461.052 million for the year ended 2008 vis-à-vis P265.512 million for the year ended 2007. The overhead account increased by P195.541 million or 73.64%. Due to the implementation of NCR Wage Order (WO) No. 14 and the grant of bonuses to the employees.

Income (Loss) from Operation. The Corporation registered income from operation in the amount of P60.395 million or P117.585 million lower compared to last year's P117.580 million. The unfavorable variance was due to the reasons stated above.

Other Income (Charges). Other income during the year increased by P502.461 million or 1,387.36% over last year's total of P36.217 million mainly due to the following: recognition of the equity share in SLTC's capital stock (P362.5 million); revenue share and dividend from joint venture companies (P472.238 million); rental income (P20.137 million); and interest income (P25.879 million).

Net Income (Loss). The Corporation registered a net income of P546.977 million, higher by P389.296 million compared to last year's net income of P157.681 million. The increase in net income was due to the reasons mentioned above.

Financial Condition:

Current Assets. The total current assets as of December 31, 2008 amounted to P1.871 billion, higher by P164.102 million representing 9.61% of last year's total of P1.707 billion. The increase in current assets was mainly attributed to the increased/additional money market placements during the year.

Expressway, net. This account was decreased by P91.976 million representing .3.64% compared to last year's figure of P2.526 billion. This was mainly due to the amortization/depreciation of the Expressway account during the year.

Deferred Charges and Other Assets. The account increased by P32.231 million or 88.8% of last year's balance of P36.292 million. This was due to the carry forward benefit of the 2% MCIT in the amount of P46.474 million.

Current Liabilities. As of December 31, 2008, the account amounted to P4.499 billion, down by P449.789 million or 9.08% from last year's total of P4.948 billion. This was due to the settlement of various trade payables and payment of the separation pay of the employees affected by the Company's retrenchment program.

Long-term Debt. The account was decreased by P65.086 million or 14.49% compared to the 2007 balance of P449.174 million, mainly because of the payment of the principal and interest due on the restructured PNB loan.

2007 vs. 2006

Results of Operation:

Revenue. For the year ended December 31, 2007, the Corporation registered a P1.023 billion revenue, up by P79.077 million vis-à-vis the Corporation's P943.442 million for the year ended December 31, 2006. The increase in revenue was the resulting effect of the 29% toll rate increase effective August 01, 2006.

Costs and Expenses. This account decreased by P448.545 million or 43.63% compared to the last year's figure of P1.028 billion, due the full amortization of the Expressway and related accounts as of April 30, 2007 and the initial unloading of manpower resulting from the expiration of the franchise.

Gross Margin. The significant increase in this year's balance amounting to P527.623 million or 624.18% compared to last year's negative balance of P84.531 million is the resulting effect of the decrease in the costs and

expenses, as mentioned above.

General and Administrative Overhead. During the year, this account decreased by P3.04 million representing 1.3% of the P268.552 million balance for the year ended 2006.

Income (Loss) from Operation. For the year ended December 31, 2007, the Corporation posted a net income of P177.58 million representing a 50.29% turn around from last year's comparative figure of P353.083 million. This was due to the direct effect of the decreases in the costs and expenses and the general and administrative overhead accounts, as discussed above.

Other Income (Charges). This account posted a positive balance of P36.217 million representing 12.64% of last year's negative amount of P286.566 million. This was mainly due to the extension of the amortization of the appraisal increase of the remaining North Luzon Tollway assets over the 30-year life of the STOA (covering the Manila North Expressway).

Interest and Financing Charges. Interest accruing from the PNB loan totalled P56.116 million for the year ended December 31, 2007. This resulted to a decrease of P248.123 million when compared to last year's amount of P304.239 million, attributable to the waiver of interest and penalty charges arising from the compromise settlement/restructuring of loan and the reduction of the interest rate from 15% to 12% on the restructured loan.

Net Income (Loss). The Corporation posted a net income of P157.681 million compared to last year's net loss P943.888 million. The substantial increase/favorable variance in the account was due to the reasons discussed above.

Financial Condition:

Current Assets. The Corporation's current assets as of December 31, 2007 totalled P1.707 billion vis-à-vis December 31, 2006 balance of P1.62 billion, up by P86.878 million or 5.36%. The same was mainly due to the increase in cash and cash equivalents brought about by the implementation of the toll rate increase effective August 01, 2006

Investments. The increase of P429.728 million was mainly due to the Corporation's payment of P360 million or 50% of its 20% equity share in the South Luzon Tollway Corporation's (SLTC) capital stock of P3.6 billion.

Expressway, net. The decrease in the account amounting to P446.009 million or 15.01% of last year's figure of P2.971 billion was due to the amortization of the account during the year.

Property, Plant, and Equipment. The decrease of P909.576 million representing 52.54% compared to the last year's balance of P1.731 billion was due to the PNB's foreclosure of the mortgaged Mandaluyong and Silangan properties, together with the buildings and improvements, in order to satisfy PNCC's outstanding obligation on the Credit Facilities and Standby LCs.

Deferred Charges. The account was increased by P14.311 million or 65.11% of last year's balance of P21.981 million, pertaining mostly to the company's unused Minimum Corporate Income Tax (MCIT).

Current Portion of Long-term Debt. The amount stood at P3.53 billion as of December 31, 2007, decreased by P2.4 billion compared to P5.93 billion as of December 31, 2006. The decrease was due to the restructuring of PNB loan and waiver of interest and penalty charges.

Long-term Debt. The account increased by P389.583 million which was brought about by the restructuring of PNB loan.

Advances from Clients. The increase in the account amounting to P2.598 million representing 5.86% of last year's total of P44.372 million was mainly due to the advances/downpayments made by the Company's new tenants and bid deposits from the Corporation's awarded buyers of its scrap/junk assets for disposal.

Stockholders' Equity. The Corporation's equity improved from P176.337 million in 2006 to P889.789 million in 2007 due to the income realized plus the correction of prior years' earnings arising significantly from the restructuring/compromise agreement with PNB in November 2007.

2006 vs. 2005

Results of Operation:

Revenue. The revenue for the year 2006 stood at P943.442 million, 6.01% or P53.501 million higher from 2005's figure of P889.941 million. The increase was brought about by the implementation of the 29% toll rate increase effective August 01, 2006.

Costs and Expenses. Year-end Costs and Expenses amounted to P1.028 billion, P57.852 million or a 5.96% increase compared to the last year's amount of P970.121 million. The variance was due to the increased costs of equipment rental and costs of repairs and maintenance of the tollway facilities.

Gross Margin. This account, for the year ended December 31, 2006 is a

negative figure of P84.531 million vs. last year's amount of P80.180 million. The increase in the account was in direct relationship to the increase in the cost and expenses account, as discussed above.

General and Administrative Overhead. The overhead account increased by P22.232 million or 9.03% when compared to last year's figure of P246.320 million.

Income (Loss) from Operation. The Corporation's loss from operation for the year ended 2006 amounted to P353.083 million or P26.583 million (equivalent to 8.14%) higher compared to the last year's total of P326.500 million. Said increase in the Corporation's loss from operation was the resulting effect of the increase in the Cost and Expenses and Overhead accounts.

Other Income (Charges). This account posted a negative balance of P286.566 million representing P1.167 billion or 76.59% lower over last year's negative amount of P937.495 million. This was mainly due to the extension of the amortization of the appraisal increase of the remaining North Luzon Tollway assets over the 30-year life of the STOA (covering the Manila North Expressway).

Net Income (Loss). The Corporation registered a net loss of P943.888 million vis-à-vis the 2005's net loss of P2.092 billion. The decrease in net loss was due to the reasons stated above.

Financial Condition:

Current Assets. As of December 31, 2006, the account decreased by P20.46 million representing 1.25% compared to the last year's total of P1.641 billion. The decrease in current assets account was mainly due to the collection of its January to November 2007 revenue share from MNTC.

Expressway, net. This account decreased by P798.865 million or 21.19%. This was due to the amortization of the account during the year.

Deferred Charges and Other Assets. The decrease of P 63.881 million or 74.4% was due to the reversal of project costs and expenses initially lodged under this account pending approval of the accomplishments by the contract owners.

Current Liabilities. During the year, this account increased by P377.876 million representing 5.81% of last year's balance of P6.501 billion. This was brought about by the reclassification of the maturing portion of the Long-term Debt coupled by the increase in the accrual of interest and financing charges

arising from unpaid obligations with the PNB and the TRB.

Advances from Clients. This account dropped by P65.477 million or 59.61% compared to the last year's balance of P109.849 million. This was in direct relationship to the decline in the Corporation's construction operation.

Stockholders' Equity. The account balance as of December 31, 2006 totaled P176.337 million, P1.249 billion or 87.63% lower compared to the balance of P1.425 billion as of December 31, 2005. The decrease was brought about by the correction in the revaluation increment in property account resulting from the dacioned 10,000 sq.m. of the Mandaluyong property.

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

Performance Indicators	P N C C		Explanation
	As of 12 31 08	As of 12 31 07	
Current Ratio (Current Assets / Current Liabilities)	0.416	0.345	The Company's ability to meet its current obligations as they fall due increased from P0.345 to P1.00 as of December 31, 2007 to P0.416 to P1.00 as of the same period of 2008. This was brought about by the 9.61% increase in the current assets vis-a vis the 9.08% decrease in the current liabilities.
Quick Ratio (Quick Assets / Current Liabilities)	0.405	0.333	The increase in the quick ratio or acid test ratio was also due to the reasons stated above.
Total Debt to Total Assets	72.0%	85.8%	The Company's debt to assets ratio showed its inability to repay its maturing obligations, with a 72.0% ratio as of December 31, 2008 and an 85.8% ratio as of the same period last year. Payment of separation benefits to retrenched officers/employees is presently
Total Debt to Equity	256.7%	606.7%	The poor total debt to equity ratio of the Company was brought about by its inability to pay maturing obligations (due to prioritization of payment of separation benefits to retrenched officers/employees).
Asset Turnover (Sales or Revenue / Average Total Assets)	13.4%	15.3%	The very minimal asset turnover of the Company was attributable to the non-maximization of its resources/equipment due to the veering away with the construction business.

2.a.i. Any known trends or any known demands, commitments, events or uncertainties that will result in or that are reasonably likely to result in the registrant's liquidity increasing or decreasing in any material way. Indicate course of action that the registrant has taken or proposes to take to remedy the deficiency.

2.a.i.a The Company's inability to settle its outstanding obligations with the Toll Regulatory Board brought about by the difficulties in collecting its receivables from various government agencies.

2.a.i.b The Company has also some contingent liabilities with respect to claims and lawsuits, including among others the (a) Asiavest Merchant Bankers (m) Berdad vs. PNCC and (b) Radstock Securities Limited vs. PNCC. Discussion on these contingent liabilities is contained under Note 21 of the Financial Statements.

2.a.i.c Pending labor cases which consist of those filed against the Company involving dismissal, backwages, and separation pay. Most of these cases have been ruled by the Labor Arbiter in favor of the complainants, pending appeal by PNCC before the National Labor Relation Commission (NLRC).

2.a.i.d 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.a.i.e Pending assessments on deficiency taxes. Discussion is contained under Note 18 of the Financial Statements, including courses of actions already undertaken by the Company to address the issue.

Having encountered this liquidity concern, PNCC implemented a program of manpower rightsizing in 2001 and has been pursued gradually during the year. The program will be considered in the succeeding years until the Company attains manpower complement to match its present revenue level which is generated significantly by its Tollways operation.

In addition, the Company has designed a Corporate Strategic Plan which significantly involves a Financial Restructuring Program/Balance Sheet Clean-Up, which is further discussed in Note 20 of the Financial Statements.

2.a.ii Any events that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

None, except for the default in payment of its TRB loan and the contingent

liabilities discussed in Note 21 of the Financial Statements.

- 2.a.iii **All material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company.**

None, except for the contingent liabilities discussed in Note 21 of the Financial Statements.

- 2.a.iv **Any material commitments for capital expenditures, the general purpose of such commitments, and the expected sources of funds for such expenditures should be described.**

- none -

- 2.a.v **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 or revenues or income from continuing operations should be described.**

2.a.v.a The continued decline in the construction industry resulted to the Company's incurrence of severe losses from the said operation. Thus, to prevent from suffering greater losses as it had experienced for the last several years, Management decided to veer away with the construction business (since 2002) and focus on its tollways operation.

2.a.v.b The turn over of the North Luzon Tollway operations to the MNTC on February 10, 2005 as discussed above had also affected the revenue generating capacity of the Company.

2.a.v.c The expected rehabilitation of the South Luzon Tollway will also have an unfavorable impact on the Company's revenue.

- 2.a.vi **Any significant elements of income or loss that did not arise from the registrant's continuing operations**

- none -

- 2.a.vii **The causes for any material changes (10% or more) from period to period in one or more line items of the registrant's financial statements.**

- see discussions on Item 2.a above -

- 2.a.viii **Any seasonal aspects that had a material effect on the financial condition or results of operations.**

- not applicable -



**PHILIPPINE NATIONAL
CONSTRUCTION CORPORATION**

CERTIFIED TRUE COPY

BY

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

We are responsible for all the information and representations contained in the financial statements of Philippine National Construction Corporation (PNCC) as of December 31, 2008 and for the year ended December 31, 2008. Our financial statements were prepared in conformity with the generally accepted accounting principles and reflect amounts that are based on our best estimates and informed judgment with an appropriate consideration to materiality.

In this regard, we maintain a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition, and liabilities are recognized. We likewise disclose to our Audit Committee and our independent auditors: (i) all significant deficiencies in the design or operation of internal controls that could adversely affect our ability to record, process, and report financial data; (ii) material weaknesses in our internal controls, and (iii) any fraud that involves management or other employees who exercise significant roles in internal controls.

Our Board of Directors reviews our financial statement before these statements are approved and submitted to our Stockholders.

The Commission on Audit (COA), the independent auditors mandated by the Philippine Constitution to audit government-owned or controlled corporations, has examined our financial statements as of December 31, 2008 and for the year ended December 31, 2008 and has expressed their opinion on the fairness of presentation upon completion of such examination in their report dated _____.

ARTHUR N. AGUILAR
Chairman of the Board

MA. THERESA T. DEFENSOR
President and CEO

MIRIAM M. PASETES
SVP-Chief Financial Officer

05 FEB 2010

SUBSCRIBED AND SWORN to before me this ____ day of _____, 2010, affiants exhibiting to me their Community Tax Certificates, as follows:

<u>Name</u>	<u>Community Tax Certificate No.</u>	<u>Place of Issue</u>	<u>Date of Issue</u>
Arthur N. Aguilar	07274018	Muntinlupa City	01-20-2009
Ma. Theresa T. Defensor	20416916	Mandaluyong City	01-15-2009
Miriam M. Pasetes	20441744	Mandaluyong City	02-05-2009

Doc. No. _____
Page No. _____
Book No. _____
Series of 2010 _____

Notary Public

PTR-UC
BPP-BIRMINGHAM-TWIL-FRIZAL
ROLL No. 53973



Republic of the Philippines
COMMISSION ON AUDIT
(Carmena edith, Inc., Quezon City, Philippines)

INDEPENDENT AUDITOR'S REPORT

THE BOARD OF DIRECTORS

Philippine National Construction Corporation
EDSA cor Reliance St
Mandaluyong City

We have audited the accompanying financial statements of Philippine National Construction Corporation (PNCC), which comprise the balance sheet as at December 31, 2008, and the income statement, statement of changes in equity and cash flows statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards. This responsibility includes, designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion

The Corporation's liabilities are understated by P43.88 billion due to non-recognition of the difference in the balances of liabilities between the PNCC and Privatization Management Office/Bureau of Treasury books. As discussed in Notes 14.2 and 20 to the Financial Statements, the Corporation has

designed a corporate strategic plan to include the servicing of accounts with the BTr via conversion of the obligations into long-term debt or equity. However, said obligations are still not converted to long-term debt and fully converted to equity as prescribed under LOI 1295. If converted, the available capital stock of P451.59 million would not be sufficient to cover the recorded outstanding obligations of P5.55 billion or the BTr confirmed amount of P49.43 billion, net of liabilities already converted to equity.

The Corporation's land consisting of 129,548 sq. m. was recognized in the books as Billed Contracts Receivable in the amount of P64.6 million instead of Investment Property at an appraised value of P6.63 billion, thereby understating the Investment Property account and the corresponding revaluation increment in property accounts by P6.56 billion. Said land is covered by Certificate of Pledge making ownership thereof already certain and can be measured reliably. Also, said land is already leased out and earning rental revenue for the Corporation. Accordingly, the corresponding real property tax and other related accounts are not recognized. The correctness of the land account balance of P760.52 million could not be ascertained due to deficiencies in recording the Corporation's Land and Appraisal Increase accounts. Absence of report on the results of physical count and its subsequent reconciliation with the recorded book balances casts doubt on the existence, accuracy and reliability of the property and equipment in the total amount of P1.04 billion as of December 31, 2008.

Investments in stocks amounting to P177.05 million were not recognized at their recoverable amount as of December 31, 2008 as required under PAS No. 36. Further, cash in bank account amounting to P767.79 million is not reliable as it includes an amount of P127.75 million pertaining to one of PNCC's subsidiaries and a consumer cooperative.

The material variance of P52.59 million in balances of receivables and P211.59 million of payables from various companies as of December 31, 2008 casts doubt on the accuracy, reliability of the receivables and payables accounts.

The reliability of the balance of Cash in Bank – Retirement Trust Fund with the Philippine Postal Savings Bank, Inc. (PPSBI) – Mabalacat branch, valued at P93.42 million as of December 31, 2008, could not be ascertained due to unreconciled difference of P46.83 million between the balance per books and the balance per bank.

Subscription receivable amounting to P56.16 million as of December 31, 2008, remained unsupported with documentations.

Adverse Opinion

In our opinion, because of the effects of the matters discussed in the preceding paragraphs, the financial statements do not present fairly, in all material respects, the financial position of the PNCC as at December 31, 2008, and of its financial performance and its cash flows for the year then ended in accordance with Philippine Financial Reporting Standards.

Emphasis of Matter

We draw attention to Note 21 to the financial statements which describes the contingent liability to Asiavest Merchant Bankers (M) Berhad amounting to Malaysian Ringgit (MR) of 17.67 million or P222.20 million as of December 31, 2008. Although the Supreme Court has decided with finality that PNCC is liable to Asiavest by virtue of a foreign judgment, the recognition of the said liability is dependent on the final resolution of the issue relative to the existence or continuation of the legal personality of Asiavest. Asiavest brought the case to the Supreme Court by way of Petition for Review on Certiorari.

We also draw attention to Note 21 to the financial statements, particularly on the contingent liability to Radstock Securities Limited amounting to P17.041 billion as of July 31, 2006. A Compromise Agreement was executed on August 17, 2006 wherein PNCC and Radstock have agreed to amicably settle the judgment debt in the reduced amount of P6.196 billion. This shall be paid in the form of land, 20% of the outstanding capital stock of PNCC and 50% of PNCC's share in the gross toll revenue of

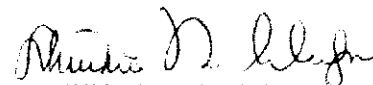
the Manila North Tollways Corporation (MNTC). The implementation of the Compromise Agreement has been held in abeyance by the Supreme Court on July 2, 2007. Pending the final resolution of the Supreme Court, the contingent liability of PNCC to Radstock remains. However, as discussed in Note 25, the Supreme Court, in its decision promulgated on December 4, 2009, ruled that the said Compromise Agreement violated Section 29(1) Article VI of the Constitution, rendering the same as null and void. Likewise, PNCC Resolution Nos. BD-092-2000 and BD-099-2000 admitting liability on the Marubeni loans are considered null and void. Subsequently, Radstock filed a Motion for Reconsideration, denying that the compromise deal ran counter to the Constitution and was disadvantageous to the Government.

Other Matter

We further draw attention to Comment and Observation No. 6, which discussed the non-recognition of liability amounting to P89.23 million for Value Added Tax (VAT) for receipts/purchases from/for tollways operations as required under Republic Act (RA) No. 9337 and BIR Revenue Memorandum Circular No. 52-2005. Pending the issuance of the BIR resolution on the Position Paper on VAT filed by the Tollway Association of the Philippines (TAP) on the exemption of the toll revenues from VAT, PNCC continues to comply with the reporting of output tax on non-toll revenues, net of input tax. On January 5, 2010, it was reported that Malacanang has deferred the imposition of the VAT on tollway operators since it will pose a burden to the motorists who will have to absorb the tax. On March 26, 2010, the BIR issued Revenue Memorandum Circular (RMC) No. 30-2010 reiterating RMC No. 52-2005 and RMC 72-2009 imposing the VAT on the tollway operators. However, the BIR has deferred the implementation pending the resolution on the issue of whether the treatment of unpaid VAT would apply retroactively or up to the time of the definite implementation of the said tax.

COMMISSION ON AUDIT

By:


DIVINIA M. ALAGON
Director IV

November 12, 2009

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION

BALANCE SHEET

December 31, 2008

(With Comparative Figures as of December 31, 2007)



	Notes	2008	2007
ASSETS			
Current Assets			
Cash and cash equivalents	3	P 767,788,795	P 534,198,612
Advances and other receivables, net	4	781,590,336	792,603,212
Receivables from contracts	5	274,887,986	320,581,154
Inventories	2.5, 6	25,754,056	25,023,781
Prepayments		21,218,465	34,730,576
Total Current Assets		1,871,239,638	1,707,137,335
Non-Current Assets			
Investments	2.6, 7	1,611,853,272	1,197,267,828
Expressways, net	2.7, 8	2,433,680,580	2,525,656,273
Property and equipment, net	2.8, 9	800,497,554	821,525,218
Deferred charges and other assets	10	68,523,845	36,292,492
Assets for write off	11	9,615,422,219	9,615,422,219
Allowance for losses	11, 14.4	(9,615,422,219)	(9,615,422,219)
Total Non-Current Assets		4,914,555,251	4,580,741,811
		P 6,785,794,889	P 6,287,879,146
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities			
Accounts payable		P 419,993,456	P 679,242,084
Accrued costs and other payables		569,700,500	739,668,100
Current portion of long-term debt	12	3,509,432,638	3,530,005,628
Total Current Liabilities		4,499,126,594	4,948,915,812
Non-Current Liabilities			
Long-term debt, net of current portion	12	339,583,333	402,203,074
Advances from clients		44,504,619	46,971,125
Total Non-Current Liabilities		384,087,952	449,174,199
Stockholders' Equity			
		1,902,580,343	889,789,135
		P 6,785,794,889	P 6,287,879,146

See accompanying Notes to Financial Statements.

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
STATEMENT OF INCOME

For the Year Ended December 31, 2008
 (With Comparative Figures for the Year Ended December 31, 2007)

	Notes	2008	2007
REVENUE			
Tollways income	15	P 876,353,944	P 1,022,519,443
		876,353,944	1,022,519,443
COST OF SERVICES			
Tollways expenses		354,906,393	576,177,828
Construction expenses		-	3,249,949
		354,906,393	579,427,577
GROSS PROFIT		521,447,551	443,091,866
GENERAL AND ADMINISTRATIVE OVERHEAD		(461,052,472)	(265,511,786)
OTHER INCOME (CHARGES) - net	16	538,678,510	36,217,075
INTEREST AND FINANCING CHARGES		(52,096,541)	(56,116,392)
NET INCOME BEFORE INCOME TAX		546,977,048	157,680,763
PROVISION FOR INCOME TAX	17	-	-
NET INCOME		P 546,977,048	P 157,680,763

See accompanying Notes to Financial Statements.

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
STATEMENT OF CHANGES IN EQUITY
For the Year Ended December 31, 2008
(With Comparative Figures for the Year Ended December 31, 2007)

	Notes	2008	2007
CAPITAL STOCK	13		
Issued/Subscribed			
Balance at beginning of the year	P	2,283,758,120	P 2,283,758,120
Additions/deductions		-	-
Balance at end of the year		2,283,758,120	2,283,758,120
Capital in Excess of Par Value			
Balance at beginning of the year		46,329,123	46,329,123
Additions/deductions		-	-
Balance at end of the year		46,329,123	46,329,123
Subscription receivables	2.9		
Balance at beginning of the year		(56,158,831)	(56,158,831)
Additions/deductions		-	-
Balance at end of the year		(56,158,831)	(56,158,831)
Treasury stock			
Balance at beginning of the year		(16,891,598)	(14,721,880)
Redemptions		-	(2,169,918)
Balance at end of the year		(16,891,598)	(16,891,598)
REVALUATION INCREMENT IN PROPERTY			
Balance at beginning of the year		13,501,802,459	14,233,163,186
Revaluation decrease		-	(731,560,727)
Balance at end of the year		13,501,802,459	13,501,802,459
EQUITY ADJUSTMENTS	14		
From translation		2,037,887,873	2,037,887,873
Under rehabilitation plan- loans transferred to National Government		5,425,097,593	5,425,097,593
On liabilities recommended for write-off		597,840,825	597,840,825
On loss of assets		(9,615,422,219)	(9,615,422,219)
		(1,554,996,128)	(1,554,996,128)
DEFICIT			
Balance at beginning of the year		(13,313,854,010)	(14,761,036,315)
Net income (loss)		546,977,048	157,680,763
Correction of prior years' errors		465,814,160	1,289,501,542
Balance at end of the year		(12,301,062,802)	(13,313,854,010)
STOCKHOLDERS' EQUITY	P	1,902,580,343	P 889,789,135

See accompanying Notes to Financial Statements.

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2008

(With Comparative Figures for the Year Ended December 31, 2007)

	2008	2007
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	P 1,272,709,837	P 1,940,294,652
Cash paid to suppliers and employees	(1,022,099,816)	(1,168,872,795)
Cash generated from operations	250,610,021	771,421,857
Penalties paid	(100,000)	(315,000)
Income tax paid	-	(6,885,075)
Net cash flows provided by (used in) operating activities	250,510,021	764,221,782
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property and equipment	(11,304,097)	(5,569,480)
Proceeds from sale of fixed assets/scrap materials	13,459,481	12,246,078
Payment of equity share in joint venture companies	(16,250,000)	(360,000,000)
Interests received	20,228,344	14,409,787
Dividends received	77,854,383	79,420,423
Net cash flows provided by investing activities	83,988,111	(259,493,192)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of finance lease liabilities:		
Loans	(50,000,000)	(200,000,000)
Interest	(45,875,342)	(1,042,151)
Other Charges	(5,032,607)	-
Net cash flows used in financing activities	(100,907,949)	(201,042,151)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	233,590,183	303,686,439
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	534,198,612	230,512,173
CASH AND CASH EQUIVALENTS AT END OF YEAR	P 767,788,795	P 534,198,612

See accompanying Notes to Financial Statements.

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION

NOTES TO FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The Corporation was originally incorporated under the name of Construction Development Corporation of the Philippines (CDCP) in 1966 for a term of fifty (50) years. The primary purpose of the Corporation is to carry on the conduct of a general contracting business with a private or government agency or instrumentality relative to the construction of infrastructure projects, and to engage in any and all activities and business undertakings as may be necessary or incidental to accomplish its primary purpose and objective. On March 31, 1977, PD 1113 granted CDCP the franchise to operate, construct, and maintain toll facilities in the North and South Luzon Tollways. PD 1113 has been amended by PD 1894, to include the Metro Manila Expressway to serve as an additional artery in the transportation of trade and commerce in Metro Manila Area. In 1981, the Government, in order to strengthen the financial structure of the Corporation, issued LOI 1136 mandating the National Development Company (NDC) to invest in the Corporation for fresh capital infusion by means of subscription of the Corporation's shares of stock.

On February 23, 1983 by virtue of the debt-to-equity conversion pursuant to and under the directives of LOI 1295 (which resulted in ownership by the Government of the majority of the shares of the Corporation), the corporate name of CDCP was changed to the Philippine National Construction Corporation (PNCC) in order to reflect the Government's majority equity interest in the Corporation.

On December 8, 1986, Proclamation No. 50 was issued promoting the privatization "*for the prompt disposition of the large number of non-performing assets of the government financial institutions, and certain government-owned and controlled corporation which have been found unnecessary or inappropriate for the government sector to maintain.*" Proclamation No. 50, likewise, provides for the creation of the Committee on Privatization (COP) and the Asset Privatization Trust (APT), now Privatization Management Office (PMO).

By virtue of LOI 1136 and LOI 1295, 77.48% of the PNCC's voting equity has been held by various GFI's, most of which is now held by the PMO by virtue of Administrative Orders No. 14, series of 1987, (approving the identification of and transfer to the National Government of certain assets and liabilities of the DBP and PNB) and Administrative Order No. 64, series of 1988, (approving the transfer to the National Government certain assets held by Philippine Export and Foreign Loan Guarantee (PEFLG) and National Development Company. Furthermore, the PCGG has been holding/representing some 13.82% of the Corporation's equity by virtue of a writ of sequestration, and as a result of the voluntary surrender of certain shares thereto. In fine, only 9.7% of the Corporation's voting equity is strictly under private ownership.

Since 2002, by virtue of the privatization mandate for PNCC, the Corporation has veered away from active involvement for its construction operations, and rather focused more on the operation and maintenance of its tollways.

On February 10, 2005, PNCC turned-over the operations and maintenance of the North

Luzon Tollways to the Manila North Tollways Corporation (MNTC), the Joint Venture Company of the PNCC and First Philippine Infrastructure Development Corporation (FPIDC) together with Leighton Contractor Asia Ltd. and Egis Project Systems.

For the South Luzon Tollways, PNCC entered into a joint partnership with Indonesia's P.T. Citra Lamtoro Gung Persada to build the elevated toll road or Skyway System from Nichols to Alabang. The at-grade portion from Nichols to Alabang has likewise been upgraded under this JV agreement. The Citra Metro Manila Tollways Corporation (CMMTC) is the Joint Venture Company which is currently running these segments (since 1999).

For the Alabang to Calamba stretch, PNCC currently has a joint venture agreement with the Malaysian Corporation, MTD Manila Expressways, Inc. (MTDME), to undertake the following SLEX Projects: the rehabilitation and upgrading of the Alabang Viaduct, the expansion and rehabilitation of the Alabang to Calamba segment, and the construction of a 7.8 km. extension toll road from Calamba to Sto. Tomas.

On April 30, 2007, the Toll Regulatory Board (TRB) issued a Toll Operation Certificate (TOC) dated April 27, 2007 to PNCC for the Operation and Maintenance of the South Luzon Expressway (SLEX). The said authority from the TRB, pursuant to its powers under its charter (PD 1112), will allow PNCC to operate and maintain the SLEX and to collect toll fees, in the interim, after its franchise expiration on April 30, 2007. The effective date of the TOC shall commence on May 01, 2007, but in no case to exceed the date of substantial completion of the SLEX Project Toll Roads under the STOA dated February 01, 2006, or unless sooner revoked by the Board.

On November 14, 2008, a Subscription Agreement was executed by and among the Alabang-Sto. Tomas Development Inc. (ASDI), the NDC, and the PNCC, wherein PNCC subscribed 12,500 shares from the unissued portion of the 150,000 shares authorized capital stock (with par value of P1,000 per share) of ASDI, a wholly-owned subsidiary of NDC, incorporated to undertake the components of the SLEX Project.

The registered office address of the Corporation is PNCC Complex, EDSA, corner Reliance St., Mandaluyong City.

The PNCC financial statements, as of and for the year ended December 31, 2008, was approved and authorized for issue by the Board of Directors on November 12, 2009.

2. BASIS OF PREPARATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of Preparation

The financial statements are prepared in conformity with accounting principles generally accepted in the Philippines under the historical cost basis, except for expressways and property, plant, and equipment which are carried at revalued amounts. The financial statements are presented in Philippine peso, which is the Corporation's functional and presentation currency. All amounts are rounded off to the nearest peso except when otherwise indicated.

2.2 Statement of Compliance

The Corporation is still in the process of preparing its financial statements in accordance with the Philippine Financial Reporting Standards (PFRS). The following relevant accounting standards that may have significant impact to the Corporation will be adopted, with year 2009 as the date of transition:

- PAS 12 – Income Taxes;
- PAS 16 – Property, Plant, and Equipment;
- PAS 31 – Interests in Joint Ventures;
- PAS 32 – Financial Instruments Presentation;
- PAS 36 – Impairment of Assets; and
- PAS 40 – Investment Property.

2.3 Revenue Recognition

Construction income is recognized on percentage of completion method or completed contract basis. Other revenue is recorded on accrual basis. As stated under Note No. 1, PNCC since 2002 has veered away from construction activities.

2.4 Foreign Currency Translation

Foreign currency accounts are translated into Philippine peso (which has been determined by the Corporation to be its functional currency) at exchange rates approximating year-end rates. Translation adjustments are made directly to a separate component of the stockholders' equity.

2.5 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.

2.6 Investments

The Corporation accounted its investments in wholly-owned/controlled subsidiaries and joint ventures at cost pending the adoption of the applicable PAS 31 and 36. Available for sale equity securities (club shares) are recorded/ measured/presented at fair market value as provided for under PAS 39.

2.7 Expressways

Cost of the franchise is amortized for 20 years; depreciation on expressways and facilities is provided on a straight-line method over the estimated useful lives of the assets or 30 years lease period whichever is shorter.

2.8 Property and equipment

Depreciation on property and equipment is provided on a straight-line method over the estimated useful lives of the corresponding assets. Major repairs and improvements are capitalized; maintenance and minor repairs are charged to

operations in the year expenses are incurred. The cost of assets retired or sold, together with the accumulated depreciation are removed from the accounts and any profit or loss on disposition is credited or charged to other income or expenses.

2.9 Subscription receivables

This account represents the unpaid amount due from the subscribers on subscription of shares of the Corporation stock, the due date of which are by agreement of valid call by the Board of Directors. As of the end of 2008, there was no call made by the Board of Directors for the unpaid subscriptions.

2.10 Borrowing Costs

Borrowing costs are expensed as incurred.

2.11 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.

Deferred tax assets and liabilities for all taxable temporary differences shall be recognized upon adoption of PAS 12.

2.12 Employee Benefits/Retrenchment

The Board of Directors has passed and adopted Resolution No. BD-032-2005 granting separation pay to the remaining PNCC employees, in grateful appreciation of their continuous and loyal service to the Corporation, in the event of retrenchment or separation of the officers and employees on account of early separation program or retrenchment program. As of reporting date, no formal actuarial valuation was made.

However, management has made reasonable estimates on the value of the employee benefits and has recognized and allocated the amount of P41.027 million in 2008. Accrued employee benefits/retrenchment pay as of December 31, 2008 totaled P410.346 million.

3. CASH AND CASH EQUIVALENTS

This account consists of:

	2008	2007
Cash on hand and in banks	P 687,232,533	P 461,592,068
Short-term investments	80,556,262	72,606,544
	P 767,788,795	P 534,198,612

Cash in banks earn interest at the respective bank deposit rates. Short-term investments are made for varying periods of up to 30 days depending on the immediate cash requirements of the Corporation and earn interest at the prevailing short-term investment rates.

4. ADVANCES AND OTHER RECEIVABLES

The account consists of the following:

	2008	2007
Accounts receivable-subsidaries and affiliates (net of accounts payable-subsidaries and affiliates of P31,457,763 for 2008 and P33,919,322 for 2007)	P 208,078,081	P 205,316,743
Accounts receivable-trade	60,149,526	60,179,526
Advances to suppliers	3,378,709	2,751,444
Other accounts receivable	659,236,467	549,151,882
	930,842,783	817,399,595
Allowance for doubtful accounts (Accounts receivable-trade and other receivables and advances)	(149,252,447)	(24,796,383)
	P 781,590,336	P 792,603,212

Other accounts receivable in 2008 include, among others, (1) the Corporation's 6% share in the Manila North Tollway Corporation's (MNTC) gross revenue totaling P27.718 million; (2) the balance due from the Public Estate Authority (PEA), a government corporation in the amount of P49.435 million arising from the sale of land in the Manila Cavite Coastal Road Reclamation Project (MCRRP) in 1981; (3) the advances to joint ventures in the amount of P69.023 million (net of advances from joint venture of P286.966 million) representing advances made for the costs of engineering designs and rehabilitation works at the South and North Luzon Tollways reimbursable by the respective joint venture partners; and (4) net input tax (12% value added tax on purchases of goods and services) amounting to P6.056 million.

PNCC collected the eleven (11) months (January to November 2008) revenue share from MNTC amounting to P281.886 million in December 2008 while the balance covering the month of December 2008 is paid in June 2009.

5. RECEIVABLE FROM CONTRACTS

The account consists mainly of receivables from the various government agencies for construction projects undertaken by the Corporation as follows:

	2008	2007
Unbilled contract receivables	P 234,456	P 234,456
Billed contract receivables	209,465,252	209,465,252
Contract retention receivables	5,134,777	5,470,556
Claims receivables	105,410,890	105,410,890
	P320,245,375	P320,581,154
Allowance for doubtful accounts	(45,357,389)	-
	P274,887,986	P320,581,154

The Receivables from Contracts are inclusive of the following: (1) unsettled claims from the Light Rail Transit Authority (LRTA) arising from work accomplishments in the amount of P39.898 million (net of advances from the owner of P143.093 million); (2) unpaid escalation billings from the Manila International Airport Authority (MIAA) in the principal amount of P42.235 million (net of P14.181 million collection in August 2004), wherein a covering decision from the Office of the President of the Philippines was rendered in favor of PNCC against MIAA, ordering the latter to pay PNCC the principal amount of P56.724 million and interest thereon at the rate of 6% per annum from the date of first demand on January 31, 1989 until the same is fully paid; (3) accomplishment and retention receivable from the Philippine Merchant Marine Academy (PMMA) totaling P78.178 million, wherein a resolution in favor of the Corporation was rendered by the Department of Justice on August 02, 2006, ordering PMMA to pay the principal amount plus 6% interest per annum from the date of first demand on June 24, 2004; (4) unpaid accomplishments on the R-1 Expressway Project from the Public Estate Authority (PEA) in the amount of P35.318 million; and (5) work accomplishments on the reclamation of the Manila Cavite Coastal Road Project (MCCRP) on a contract entered into with the Republic of the Philippines in the amount of P64.596 million.

One hundred percent (100%) allowance for doubtful accounts was provided for long overdue receivables from contracts, collectibility of which are determined to be uncertain.

6. INVENTORIES

This account includes the following:

	2008	2007
Construction materials	P 231,582	P 391,366
Spare parts and supplies	14,996,826	13,587,977
Fuel, oil, and lubricants	1,264,775	545,064
Others	9,260,873	10,499,374
	P 25,754,056	P 25,023,781

7. INVESTMENTS

This account consists of:

	2008	2007
Investments in stocks:		
Subsidiaries and affiliates:		
CDCP Farms	P 15,120,200	P 15,120,200
Dasmariñas Industrial & Steelworks Corp.	96,413,530	96,413,530
Land Management Corporation	11,000	11,000
Managerial Resources Corporation	1,525,922	1,525,922
Manila Land Corporation	10,000,000	10,000,000
PNCC Skyway Corporation	125,050	125,050
Tierra Factors Corporation	51,635,109	51,635,109
Traffic Control Products Corporation	700,000	700,000
Laguna Lake Development Authority	439,800	439,800
Manila Electric Company	753,270	753,270
Philippine Long Distance Telephone Company	400,299	400,299
San Ramon Ranch	1,100,000	1,100,000
San Roque Ranch	550,000	550,000
	178,774,180	178,774,180
Equity adjustments		
Subscription payable	(12,479,000)	(12,502,777)
	166,295,180	166,271,403
Investments in joint venture:		
Alabang-Sto. Tomas Development, Inc.	12,500,000	-
Citra Metro Manila Tollways Corporation	551,886,200	551,886,200
South Luzon Tollways Corporation	725,000,000	360,000,000
Manila Toll Expressway Systems, Inc.	40,000,000	1,250,000
Manila North Tollways Corporation	100,500,400	100,500,400
Tollways Management Corporation	7,600,000	7,600,000
	1,437,486,600	1,021,236,600
Subscription payable	(1,875,000)	-
	1,435,611,600	1,021,236,600
Investments-others	10,753,075	10,753,075
Market adjustment-available for sale securities	(806,583)	(993,250)
	9,946,492	9,759,825
	P 1,611,853,272	P 1,197,267,828

The bulk of the Investments account represents the Corporation's equity shares in Joint Venture Companies, as follows:

- Subscription to CMMTC's 5,518,862 common shares @ P100 or a total amount of P551.886 million. Of the said shareholding of PNCC in CMMTC, 4,328,392 shares or P432.839 million is the subject of a Voting Trust Agreement dated July 16, 1997 with Far East Bank and Trust Company, acting as the then Collateral Agent (now PNB Trust Banking Group), forming part of the collaterals for loans and other credit facilities obtained by CMMTC for the Skyway Project-Stage 1;
- Twenty percent (20%) equity share or P720 million (equivalent to 720 million shares with par value of P1 per share) in the South Luzon Tollway Corporation's (SLTC) P3.6 billion capital stock.

On August 01, 2007, PNCC paid fifty percent (50%) or P360 million of its subscription amount to SLTC, while the remaining 50% was paid by MTDME on March 29, 2007, on behalf and for the account of PNCC;

- Twenty-five percent (25%) subscription on PNCC's 20% equity share in SLTC's initial capitalization of P100 million, equivalent to P5 million. P2.5 million or 50% of the subscription amount was correspondingly paid by MTDME for and in behalf of PNCC, while the balance of P2.5 million remains unpaid by PNCC to date.
- Forty percent (40%) equity share or P40 million (divided into 40 million shares with par value of P1 per share) in the Manila Toll Expressway Systems, Inc.'s (MATES) Board approved increased authorized capital stock from P50 million to P100 million, submission to the SEC of the Company's application for which is still pending as of reporting date. In a notice of capital call issued by MATES on April 22, 2008, PNCC was asked to remit its subscription payment in full by September 30, 2008. As of date of capital call, PNCC's outstanding subscription payable is P38.75 million, of which P3.75 million was paid on September 28, 2008 and the balance of P35 million was advanced by SLTC to settle possible obligations of the Company to PNCC under the Joint venture Agreement.
- Subscription of P12.5 million from ASDI's authorized capital stock of P150 million (divided into 150,000 shares at P1,000.00 par value per share) was paid on November 21, 2008.

8. EXPRESSWAYS

This account consists of:

	Expressway Improvements	Expressway Facilities	Expressways	Total
At December 31, 2007				
Cost	P 42,998,827	P 318,762,808	P 2,208,413,544	P 2,570,175,179
Accumulated depreciation	(42,998,827)	(317,469,094)	(2,208,413,473)	(2,568,881,394)
Net Book Value	-	1,293,714	71	1,293,785

	Expressway Improvements		Expressway Facilities		Expressways		Total
Appraisal increase	-		60,235,311		5,729,766,456		5,790,001,767
Accumulated depreciation	-		(60,215,792)		(3,205,423,487)		(3,265,639,279)
Net Book Value	-		19,519		2,524,342,969		2,524,362,488
	P	-	P	1,313,233	P	2,524,343,040	P 2,525,656,273
Year Ended December 31, 2008							
Cost							
Opening Net Book Value	P	-	P	1,293,714	P	71	P 1,293,785
Additions	-			1,770,905	-		1,770,905
Disposals/Write off	-			(330)	-		(330)
Depreciation for the year	-			(520,239)	-		(520,239)
Closing Net Book Value	-			2,544,050		71	2,544,121
Appraisal increase							
Opening Net Book Value	-			19,519		2,524,342,969	2,524,362,488
Depreciation for the year	-			(19,519)		(93,206,510)	(93,226,029)
Closing Net Book Value	-			-		2,431,136,459	2,431,136,459
At December 31, 2008							
Cost		42,998,827		202,595,201		2,208,413,544	2,454,007,572
Accumulated depreciation		(42,998,827)		(200,051,151)		(2,208,413,473)	(2,451,463,451)
Net Book Value		-		2,544,050		71	2,544,121
Appraisal increase	-			60,235,311		5,729,766,456	5,790,001,767
Accumulated depreciation	-			(60,235,311)		(3,298,629,997)	(3,358,865,308)
Net Book Value	-			-		2,431,136,459	2,431,136,459
	P	-	P	2,544,050	P	2,431,136,530	P 2,433,680,580

8.1 At Cost

This includes the P912 million cost of the original expressway turned over by the government to PNCC, reimbursable through the payment of annual concession fee throughout the life of the franchise of 30 years starting 1979.

8.2 Appraisal Increase

The Corporation has engaged the services of the General Appraisal Co., Inc.(GACPI) for the appraisal of the expressway for the following years:

APPRAISAL INCREASE	
YEAR	(in thousand pesos)
1989	P 2.72
1994	5,752.00
1997	740.37

The excess of the appraised values over cost is shown under the Stockholders' Equity section as Revaluation Increment in Property.

In addition to the above, the corresponding amortization of the appraisal increase as of February 18, 2004 in the amount of P4.149 billion resulting from the Corporation's engagement of the services of the GACPI was likewise recorded in the books in June 2004.

In view, however, of the turn over of the operation of the North Luzon Tollways

(NLT) operations to the MNTC on February 10, 2005 pursuant to the Supplemental Toll Operation Agreement (STOA) dated 1998 by and among the Republic of the Philippines (RP) as Grantor, PNCC as Franchisee, and MNTC as Concessionaire, the remaining appraisal value of the NLT assets is amortized over the 30-year life of the said STOA. The said extension of the amortization period, as presented and recommended by management, was approved by the Board per Resolution No. BD-068-2006 dated October 27, 2006.

9. PROPERTY AND EQUIPMENT

This account includes the following:

	Land & Land Improvements	Buildings & Improvements	Construction Equipment	Transportation Equipment	Others	Total
At Dec. 31, 2007						
Cost	P 16,249,702	P 18,768,687	P 105,707,099	P 83,233,207	P 53,955,736	P 277,914,431
Accumulated depreciation	(1,990,400)	(18,585,336)	(78,390,961)	(65,411,978)	(51,374,766)	(215,753,441)
Net Book Value	14,259,302	183,351	27,316,138	17,821,229	2,580,970	62,160,990
Appraisal Increase	767,852,065	46,255,129	7,865,127	1,668,217	2,799,318	826,439,856
Accumulated depreciation	(10,071,086)	(44,680,537)	(7,864,971)	(1,668,217)	(2,790,817)	(67,075,628)
Net Book Value	757,780,979	1,574,592	156	-	8,501	759,364,228
	P 772,040,281	P 1,757,943	P 27,316,294	P 17,821,229	P 2,589,471	P 821,525,218
Year Ended Dec. 31, 2008						
Cost						
Opening Net Book Value	P 14,259,302	P 183,351	P 27,316,138	P 17,821,229	P 2,580,970	P 62,160,990
Additions	-	-	84,530	11,797,678	2,110,731	13,992,939
Disposals/Write off	-	(4)	(22,022,067)	(2,092,919)	(57,701)	(24,172,691)
Depreciation for the yr.	(100,603)	(56,000)	(388,713)	(6,801,172)	(1,194,747)	(8,541,235)
Closing Net Book Value	14,158,699	127,347	4,989,888	20,724,816	3,439,253	43,440,003
Appraisal Increase						
Opening Net Book Value	757,780,979	1,574,592	156	-	8,501	759,364,228
Appraisal adj.	-	-	-	-	-	-
Disposals/Write-off	-	-	-	-	-	-
Depreciation for the yr.	(2,127,159)	(174,964)	-	-	(4,554)	(2,306,677)
Closing Net Book Value	755,653,820	1,399,628	156	-	3,947	757,057,551
At Dec. 31, 2008						
Cost	16,249,702	18,006,524	46,490,256	76,912,137	51,795,151	209,453,770
Accumulated depreciation	(2,091,003)	(17,879,177)	(41,500,368)	(56,187,321)	(48,355,898)	(166,013,767)
Net Book Value	14,158,699	127,347	4,989,888	20,724,816	3,439,253	43,440,003
Appraisal increase	767,852,065	46,215,129	7,865,127	1,668,217	2,799,318	826,399,856
Accumulated depreciation	(12,198,245)	(44,815,501)	(7,864,971)	(1,668,217)	(2,795,371)	(69,342,305)
Net Book Value	755,653,820	1,399,628	156	-	3,947	757,057,551
	P 769,812,519	P 1,526,975	P 4,990,044	P 20,724,816	P 3,443,200	P 800,497,554

9.1 Collaterals

On April 1, 1992, the Corporation entered into a Loan Restructuring Agreement with the Philippine National Bank (PNB). Under certain provisions of the said agreement, the loan is secured by the following properties registered under the name of PNCC:

- Two (2) parcels of land located at EDSA, corner Reliance Street, Mandaluyong City with an aggregate area of 23,218 square meters including the buildings, equipment, machinery, and other improvements thereon, covered by TCT Nos. 41719 and 41720; and
- A parcel of land located at Calamba with an area of 110,162 sq. m. together with the improvements thereon and covered by TCT No. T-431055. The Real Estate Mortgage (REM) for this property was entered into in 1998, as an additional security after further restructuring of the PNB loan;

In 1999, 10,000 sq.m. of the EDSA property including the buildings, equipment, machinery, and other improvements thereon were "dacioned" to PNB to partially settle its then outstanding account of more than P1 billion, with an option to repurchase said property for a price equal to the dacioned value thereof, plus interest of 15% per annum, within a period of one (1) year from the date of the Dacion en Pago Agreement (the dacion en pago was finalized only in February 2005). Said property was appraised at P490 million. Under the restructuring agreement, PNCC availed of some P350 million additional loan, of which only P130 million was drawn.

In 2000, PNCC requested deferment in payment of the aforesaid PNB loan.

In 2006, PNCC approved the resolution of long outstanding past due obligations of the Corporation by way of dacion of the remaining 1.3 hectares of its EDSA property and the 11 hectares of its Silangan property, together with buildings and improvements.

The dacion arrangement, handled at the level of the PNCC Board, did not materialize as the pricing of the properties was not acceptable to PNB.

In June 2007, PNB exercised its mortgage rights and foreclosed the mortgaged properties in order to satisfy PNCC's outstanding obligations on the Credit Facilities and Standby LCs.

9.2 Appraisal

The Corporation, likewise, engaged the services of the following independent and recognized appraisal companies for the appraisal of some of its designated properties, structures, buildings, fence, and street lightings:

YEAR	APPRAISAL INCREASE (DECREASE) (in thousand pesos)	APPRAISAL CORPORATION
1997	P 69.71	General Appraisal Co., Inc.
2003	1,620.00	Various
2004	0.05	Various
2006	(235.56)	Various

9.3 Others

The Corporation also owns some 528,178 sq.m. of property located in different areas of the country which are not yet recorded in the books, as the same are still registered in the name of previous owners. PNCC is working on the transfer of title to its name.

10. DEFERRED CHARGES AND OTHER ASSETS

This account consists of:

	2008	2007
Deferred charges	P 63,179,108	P 33,529,947
Guarantee deposits	593,454	585,711
Other assets	4,751,283	2,176,834
	P 68,523,845	P 36,292,492

Deferred charges for calendar year 2008 consist mainly of the unused MCIT of P46.474 million as discussed in Notes 2.11 and 17.

Other assets include the Corporation's closed/dormant bank accounts and deposits to various utility companies.

11. ASSETS FOR WRITE-OFF

This account consists of assets, the existence of which is doubtful and collectibility/realizability is uncertain.

	(in thousand pesos)	
	2008	2007
Receivables and advances	P 4,139,136	P 4,139,136
Property, and equipment	2,872,888	2,872,888
Deferred charges	1,755,663	1,755,663
Inventories	511,342	511,342
Investment in stocks	179,798	179,798
Pre-operating expenses	137,323	137,323
Accounts receivable-long term	12,000	12,000
Investment in joint ventures	4,563	4,563
Miscellaneous deposits	1,897	1,897
Guarantee deposits	812	812
	P 9,615,422	P 9,615,422

The 100% provision for losses of these assets was debited to the account Equity Adjustments on Loss of Assets in the Stockholders' Equity.

12. LONG-TERM DEBT

This account consists of:

	2008	2007
Current Portion:		
Dollar loans	P -	P 72,959,836
Peso loans	19,379,138	20,644,892
Concession fees	3,490,053,500	3,436,400,900
	3,509,432,638	3,530,005,628
Non-Current Portion:		
Dollar loans	-	12,619,741
Peso loans	339,583,333	389,583,333
	P 339,583,333	P 402,203,074

The dormant dollar loan in the amount of P85.58 million was initially reversed in 2008, absent the detailed listing of foreign creditors. Despite exerted efforts, documents to prove the accounts' reliability and existence can no longer be found nor can still be reconstructed.

The peso portion represents the restructured loan from PNB under the Compromise Agreement dated November 21, 2007. As discussed in Note No. 9.1, the EDSA and Silangan property were foreclosed by PNB in June 2007 and the price of the foreclosed property was applied to the outstanding principal and interest of the PNCC loan.

As discussed in Note 8.1, the concession fees pertain to the Corporation's payable to the TRB pursuant to the Toll Operation Agreement (TOA) dated October 1977. Under the strategic plan designed by Management and presented to the Department of Finance-Privatization Committee, the payable to TRB will be addressed via conversion into equity or long-term notes payable over twenty five (25) years.

13. CAPITAL STOCK

This account consists of various classes of shares of stock with authorized par value of P10.00 per share, details of which are presented below:

Preferred "A"

(8-16% cumulative, non-participating, non-voting)
Authorized- 1,400,000 shares

Issued and outstanding

1,400,000	Shares	Treasury Stocks	P 14,000,000
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Preferred "B"

(8-17% cumulative, non-participating, non-voting)
Authorized- 42,114,879 shares

Issued and outstanding

		Republic of the Philippines Through the Asset Privatization Trust [now Privatization Management Office (PMO)] -	
15,000,000	Shares	previously under PNB	150,000,000
3,689,500	Shares	Marubeni	36,895,000
18,689,500			186,895,000

Preferred "C"

(14% cumulative, non-participating, non-voting)
Authorized- 6,485,121 shares

Issued and outstanding

6,485,121	Shares	Republic of the Philippines Through the Asset Privatization Trust (now PMO) - previously under NDC	64,851,210
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Preferred "D"

(8% cumulative, participating, voting)
Authorized- 27,800,000 shares

Issued and outstanding

25,500,000	Shares	Privatization Management Office (previously under PNB)	255,000,000
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Special common

(non-voting, no pre-emptive right, participating)
Authorized- 10,000,000 shares

Issued and outstanding

295,227	Shares	Treasury Stocks (formerly held by PNCC Employees Savings & Loan Association)	2,952,270
72,168	Shares	Treasury Stocks (formerly held by Alfredo V. Asuncion)	721,680
3,815	Shares	Carlito C. Paulino	38,150
457	Shares	Editha U. Cruz	4,570
376	Shares	Adolfo S. Suzara	3,760
129	Shares	Vicente Longkino	1,290
372,172			3,721,720

Subscribed- 1,484,260	Shares	FEBTC Trustee-PNCC Stock Trust Fund	14,842,600
Common			
Authorized-182,200,000 shares		Republic of the Philippines	
Issued and outstanding-		Through the Asset Privatization	
79,271,024		Trust (now PMO) - previously	
Shares		under:	
		Phil. Export Foreign Loan	
		Guarantee	375,845,770
		Development Bank of the Phils.	269,874,470
		National Development Co.	146,990,000
47,490,383	Shares	Gov't Service Insurance System	474,903,830
15,360,831	Shares	Universal Holding Corporation	153,608,310
6,811,543	Shares	Various Brokers	68,115,430
4,562,384	Shares	Various Corporations	45,623,840
1,178,856	Shares	Cuenca Investment Corporation	11,788,560
		Pioneer Insurance and Surety	
		Corporation	9,648,000
964,800	Shares	Land Bank of the Philippines	6,578,360
657,836	Shares	PNCC Employees	3,353,910
335,391	Shares	Individual (Non-employees)	70,379,350
7,037,935	Shares		
163,670,983			1,636,709,830
Subscribed-			
9,419,915	Shares	Universal Holding Corporation	94,199,150
909,276	Shares	Cuenca Investment Corporation	9,092,760
149,328	Shares	Various Corporations	1,493,280
33,391	Shares	PNCC Employees	333,910
27,693	Shares	Various Brokers	276,930
234,173	Shares	Individual (Non-employees)	2,341,730
10,773,776			107,737,760
228,375,812	Shares		P2,283,758,120

14. EQUITY ADJUSTMENTS

14.1 From Translation

This account is composed of adjustments resulting from translating financial statements of foreign-based operations into the reporting currency as disclosed in Note 2.4. For the years 2008 and 2007, there was no adjustment in the account because of the complete termination of foreign-based transactions and its financial accounts were transferred to "Assets for write-off."

14.2 Under Rehabilitation Plan-Loans Transferred to National Government

This account represents substantial portion of the Corporation's liabilities to Government Financial Institutions (GFIs) which should have been converted into equity pursuant to Presidential Letter of Instruction No. 1295 dated February 23, 1983, and liabilities to the government agencies transferred to the National Government pursuant to Proclamation No. 50 issued by the President of the Philippines on December 8, 1986, as follows:

	(in thousand pesos)	
	2008	2007
Philippine National Bank	P 2,865,445	P 2,865,445
National Development Corporation	1,356,693	1,356,693
Philguarantee	1,204,311	1,204,311
Central Bank of the Philippines	75,654	75,654
Bureau of Treasury	39,991	39,991
Development Bank of the Philippines	9,633	9,633
	5,551,727	5,551,727
Proceeds from sale of equipment	(126,629)	(126,629)
	P 5,425,098	P 5,425,098

The above-mentioned Corporation's indebtedness was not converted due to the then Central Bank of the Philippines' rule on Single Borrowers Limit (SBL), i.e. allowing only a certain percentage of debts that can be converted into equity.

The recording of the remaining loans in the books under this account was based on the Corporation's privatization plan as approved by the Committee on Privatization (COP), in January 1988 pursuant to Proclamation No. 50. As discussed in Note No. 19, AO 397 provides for the application of the excess 246,931 sq.m., more or less, of the reclaimed land under the First Neighborhood Unit (FNU) ceded by PEA to Marina Property Corporation without indemnity as settlement of PNCC's obligations with the National Government (NG).

As of December 31, 2008, the Bureau of Treasury (BTr) confirmed the amount of P2.429 billion (inclusive of P1.336 billion interest) representing advances made by the BTr to settle PNCC's foreign obligations with creditors. Said loans are included in the Equity Adjustments under Rehabilitation Plan which are among the accounts transferred by the PNCC to the National Government through Asset Privatization Trust (APT) pursuant to PNCC's Rehabilitation Plan of 1987 and are no longer recorded as liabilities in the PNCC books. As such, PNCC is precluded from servicing the accounts.

A recent strategic plan designed by Management aims to address the BTr advances by way of conversion to equity or long-term notes.

14.3 On Liabilities Recommended for Write-Off

In 1990, after evaluating the status of liabilities from international operations, management decided to transfer these liabilities to Equity Adjustments on Liabilities Recommended for Write-off since most of the documents pertaining to this account were no longer available and the validity of the balances cannot be established.

	(in thousand pesos)
Saudi Arabia	P 538,694
Malaysia	55,553
Indonesia	2,262
Iraq	1,131
	P597,640

14.4 On Loss of Assets

This account consists of assets discussed under Note No. 11.

15. TOLLWAYS INCOME

This account consists mainly of toll collections in connection with the franchise granted to the Corporation to construct, maintain, and operate toll facilities in the North and South Luzon Tollways.

The decrease in toll collections in 2008 was attributable to the reduction in toll fees effective March 2008 and the decline in traffic volume due to the rehabilitation works undertaken by MTDME at the SLEX.

16. OTHER INCOME (CHARGES)

This account comprises of the following:

	2008	2007
Equity share in SLTC's capital stock, paid by MTDME for PNCC (Notes 7 and 23.1.1)	P 362,500,000	P -
Share from MNTC income	276,432,183	291,849,000
Share from CMMTC income	93,939,143	-
Dividend income	101,866,355	79,421,423
Gain on dacioned/foreclosed property	-	72,303,253
Rental income	20,136,882	21,643,782
Interest income	25,879,832	14,414,805
Gain on sale of inventory	113,291	-
Gain on sale of fixed assets	4,171,110	3,346,365
Miscellaneous income	18,643,976	33,938,440
Penalty charges	(254,587,400)	(243,439,500)
Amortization – remaining appraisal value of NLT assets	(93,206,510)	(236,148,527)
Net unrealized loss on available for sale securities	(806,583)	(993,250)
Loss on sale of inventory	(3,262)	(118,716)
Loss on sale of fixed assets	(16,400,507)	-
Loss on foreign fluctuation	-	-
NLT costs and expenses	-	-
Other expenses	-	-
	P 538,678,510	P 36,217,075

17. PROVISION FOR INCOME TAX

No regular Corporate Income Tax (RCIT) is reported in 2008, as the Minimum Corporate Income Tax (MCIT) is higher than RCIT. Thus, the Corporation is subject to the MCIT which is computed at 2% of gross income, as defined under the tax regulations.

The carry forward benefit of MCIT of P46.474 million, recorded under "Deferred Charges-MCIT" account, as of December 31, 2008 can be claimed as tax credit against the regular corporate income tax as follows:

Date Incurred	Amount	Application	Expired	Balance	Expiry Date
2008	P 26,263,551			P 26,263,551	2011
2007	12,793,328	-	-	12,793,328	2010
2006	7,416,799	-	-	7,416,799	2009
	P 46,473,678	-	-	P 46,473,678	

As of December 31, 2008, Net Operating Loss Carry Over (NOLCO) amounting to P329.303 million can be carried forward and claimed as deduction from regular taxable income as follows:

Date Incurred	Amount	Application	Expired	Balance	Expiry Date
2006	P 943,888,324	P614,585,152	-	P 329,303,172	2009

Said benefit of the NOLCO, however, cannot be enjoyed for as long as the Corporation is subject to the MCIT.

18. OTHER TAX MATTERS

The Corporation 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 Corporation's financial statements.

- Deficiency internal revenue taxes for 1980 (income tax, contractor's tax, and documentary stamp tax) totaling P212.52 million.

PNCC sought a reinvestigation of the case on November 08, 1995, and as a consequence, the BIR issued a final decision promulgated on September 09, 2004 ordering PNCC to pay the amount of P101.46 million, the reduction of P111.87 million represent deficiency contractor's tax which the BIR resolved to cancel and withdraw from the assessment it being bereft of merit for lack of legal basis, thus finding PNCC's contention meritorious.

The BIR, however, reiterated the demand to pay the amount of P101.458 million for deficiency income tax (P97.41 million) and deficiency documentary stamp tax (P4.04 million) plus increments that may have accrued thereon until actual payment.

PNCC, in its letter of February 15, 2005 to the BIR, informed the latter through its

Collection and Enforcement Division, that in the interest of fairness and due process, the Corporation has filed a Petition with the Department of Justice (DOJ) seeking the reversal of the Bureau's resolution holding PNCC still liable for the aforesaid tax deficiencies and has applied for an interim order or measure from the DOJ to suspend or stop the collection of subject amount pending resolution of the Petition.

- Deficiency business tax of P64.00 million due the Belgian Consortium, PNCC's partner in its LRT Project.
- Deficiency internal revenue taxes for 1992 (income tax, value-added tax, and expanded withholding tax) of P1.04 billion which was reduced to P709.00 million after the Corporation's written protest.

PNCC 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.

- Deficiency internal revenue taxes for 2002 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 Corporation's availment of the tax amnesty (as discussed in Note 18.3) had substantially reduced the aforesaid deficiency taxes.

In addition to the above, the Corporation, in its letter of November 2001, had informed the BIR of its unpaid withholding taxes on compensation, creditable withholding taxes (expanded), withholding value added tax, and final income taxes on fringe benefits. Said admitted tax liabilities amounted to P125.44 Million which cover the period October to November 1998, September to December 2000, and January to December 2001. It was emphasized in the said letter that the difficulty in servicing the remittances stemmed mainly from the uncollected receivables from projects mostly undertaken for government agencies. In view of the collection problem experienced then by the Corporation from the different government agencies/contract owners, the management, in its effort to assure the BIR of its willingness to pay its tax obligations despite the financial difficulties it has been into, presented several settlement options. PNCC, in its letter to the BIR dated March 26, 2007, reiterated its commitment to settle this obligation including an offer to pay installment of P3 million until full payment. As of April 2008, the said admitted tax liability of P125.44 million was fully paid.

On May 05, 2008, PNCC availed of the tax amnesty pursuant to Republic Act (RA) No. 9480 otherwise known as the Tax Amnesty Act of 2007, entitling the Corporation immunity from the payment of taxes as well as additions thereto and the appurtenant civil, criminal, or administrative penalties under the NIRC of 1997, as amended, arising from failure to pay any and all internal revenue taxes, except withholding taxes, for the taxable year 2005 and prior years.

19. PRIVATIZATION/DIVESTMENT OF RP SHARES IN PNCC

Administrative Order (AO) No. 397 which was signed and approved by the then President Fidel V. Ramos on May 31, 1998, resolves all the outstanding issues between the PEA and PNCC, not requiring any cash outflow from any of the parties involved. Relative thereto, a Memorandum of Agreement (MOA) dated July 22, 1999 between PNCC and PEA was approved per PNCC Board Resolution dated August 10, 1999, in partial implementation of the said AO.

As indicated, said AO will result in the cleansing of PNCC's balance sheet which will lead the way to its privatization. Among the salient features of AO 397 are:

- PEA's assumption of PNCC's obligation with PNB amounting to P788.82 million;
- Assignment to the Asset Privatization Trust (APT) of PNCC's receivable from PEA amounting to P43.59 million representing unpaid cash of the MOA dated December 29, 1981, as payment of PNCC's obligation to the NG;
- Titling of Lot 6 (still titled in the name of RP) of the Financial Center Area (129,548 sq.m.) in the name of PNCC;
- Application of the fair market value of the excess 246,931 sq.m. more or less, of the reclaimed land under the First Neighborhood Unit (FNU) ceded by PEA to Marina Properties Corporation without any indemnity, pursuant to LOI 1390, as settlement of PNCC's obligation with the NG.
- PEA's purchase of PNCC's preferred option in the amount of P100 million under Section 9 of the PEA-CDCP (now PNCC) MOA dated December 31, 1981 for the remaining undisposed portion of the reclaimed land with an area of 158 hectares more or less;
- The resulting obligations of PEA as a consequence of all the foregoing shall be converted into equity by the NG in the said entity; and
- PNCC shall waive any and all future claims against PEA in relation to the PNCC-PEA MOA and the MCCRRP Contract except the claim of PNCC on the RI Project, payable by PEA upon determination of the actual amount to PNCC.

As mandated, the divestment of shares of the Republic of the Philippines in PNCC is being handled by the APT, now the Privatization and Management Office (PMO). Relative thereto, the APT, in 1999 engaged the services of the Development Bank of the Philippines/Philippine National Bank as Financial Advisors to conduct the due diligence examination of the Corporation's financial statements as of September 30, 1999.

On the basis of the Financial Advisors report, the bidding of the NG's interests in the Corporation was conducted by the APT on October 30, 2000 with an Indicative Price of P7.0 billion. The result, however, was declared failed as the highest bid obtained amounted only to P1.28 billion, which is far below the indicative price set by the APT.

Subsequently, on April 18, 2002, the PMO engaged again the services of a Financial Advisor (R.S. Bernaldo and Unicapital, Inc.) for the privatization of the NG's interests in PNCC. The PMO did not confirm the date for the disposition of PNCC in 2002 despite the completion of the advisory services of the engaged firms.

In May 2003, DOF Privatization Council approved the PNCC Privatization Plan involving dacion en pago of certain PNCC real estate property.

The Privatization Plan was shelved also in year 2003 in view of the intent to finance PNCC SLEX Project with NDC funds.

To obtain an enhanced value of the NG shares in PNCC, the corporate restructuring/financial rehabilitation (Note 20) is being pursued.

20. FINANCIAL REHABILITATION

In connection with the Corporation's thrust to extend the franchise, the Corporation has designed a corporate strategic plan which significantly involves a Financial Restructuring Program/Balance Sheet Clean-Up. The said program will specifically address the following:

- Servicing all government accounts with the TRB, the BTr, and the National Development Company (NDC) via conversion of the obligations into long-term debt or equity;
- Payment of PNB loans via dacion en pago of mortgaged property (PNB loan has been restructured in November 2007 post the foreclosure of the mortgaged property);
- Payment to the BIR of the P125 million admitted tax liability via offset against receivables from government agencies (The offsetting will no longer be pursued as the obligation was fully settled in April 2008); and
- Payment of retrenchment to employees, to be sourced from the collection from the MNTC and South Luzon Tollway Corporation (SLTC).

21. CONTINGENT LIABILITIES

The Corporation has contingent liabilities with respect to claims and lawsuits. Management believes that the final resolution of these issues will materially affect the Corporation's financial position:

Asiavest Merchant Bankers (M) Berhad vs. PNCC

A Writ of Execution dated August 08, 2002 was issued by the RTC-Marikina (formerly Pasig City) ordering the implementation/execution of the Judgment rendered by the Supreme Court of the Philippines directing the defendant Corporation to pay the amount of MR 17,674,684 (inclusive of interest from March 1983 to September 2003) to Asiavest

Merchant Bankers (M) Berhad adjudged by the High Court of Malaysia in Kuala Lumpur dated September 13, 1985, or an equivalent amount of P222.197 million based on the exchange rate of MR 12.5715 to P1 as of December 31, 2008. PNCC's failure to comply with the said Writ of Execution resulted in the RTC's issuance of Notice of Garnishment on September 24, 2002.

PNCC, represented by OGCC, filed an Urgent Motion to Quash Writ of Execution on February 12, 2006 and an Urgent Ex-parte Motion to Temporary Stay the Enforcement of the Writ of Execution against PNCC on April 05, 2006, due to the following reasons: the personality of Asiavest is in issue and that for all intents and purposes, Asiavest is no longer existing; and that Asiavest's claim against PNCC was not disclosed in the Liquidators Account of Receipts and Payments dated March 13, 2005. Said Motion was granted to PNCC on May 29, 2006. Asiavest, however, filed a Manifestation and Urgent Motion to Lift Stay Order on September 21, 2006, which was denied by the RTC-Marikina City on October 27, 2006. The Order, however, directed PNCC to submit within ten (10) days a Verified Inventory of its assets not included in any Compromise Agreement with creditors that would be adequate to cover the judgment award in favor of Asiavest. PNCC filed a Partial Compliance with Motion for Extension of Time on November 30, 2006. On December 11, 2006, PNCC, through its counsel, the OGCC filed its Compliance with the Order dated October 27, 2006.

On February 02, 2007, Asiavest filed three (3) motions namely: Motion for Immediate Resolution of their Motion for Reconsideration dated November 30, 2006; Motion for Appointment of Receiver of PNCC's Assets; and Motion to Inhibit.

On March 04, 2008, RTC-Branch 67, Pasig City issued an Omnibus Order denying Asiavest's Motion for Reconsideration and Motion for Appointment of Receiver. Asiavest filed a Petition for Certiorari (Rule 65) with the Court of Appeals (CA) assailing the RTC's Omnibus Order. In a Resolution dated May 28, 2008, PNCC has been required to file its Comment on the Petition within ten (10) days from notice. PNCC is asking for extension to file its Comment on the Petition until July 05, 2008.

The CA, in its October 28, 2008 decision, denied and dismissed Asiavest's Petition because the RTC did not commit any grave abuse of its discretion. A Motion for Reconsideration was filed by Asiavest but the same was denied by the CA in its Resolution dated January 08, 2009, which decision was further appealed by Asiavest before the Supreme Court (SC) by way of Petition for Review on Certiorari.

Radstock Securities Limited vs. PNCC

On January 15, 2001, Radstock, as assignee of Marubeni Corporation, filed a complaint for a sum of money and damages with application for writ of preliminary attachments with the Regional Trial Court (RTC)-Mandaluyong City to collect on PNCC's guarantees on the unpaid loan obligations of CDCP Mining Corporation. The RTC, in its Order dated January 23, 2001, granted the Complainant's prayer for the issuance of the Writ of Preliminary Attachment resulting to the garnishment of PNCC's bank accounts and attachments of substantial portion of its real property. The Supreme Court issued a Temporary Restraining Order (TRO) on March 14, 2003 (amended on March 19, 2003 by Resolution) directed against any further proceedings in the lower courts.

On December 10, 2002, the RTC-Mandaluyong rendered a Decision in favor of Radstock directing PNCC to pay the total amount of P13.152 billion, with interest from October 15, 2001 plus P10 million as attorney's fees. The case has remained pending for almost six (6) years. As of July 11, 2006, the current value of the judgment debt against PNCC stands at P17.041 billion.

On August 17, 2006, PNCC and Radstock through their respective counsel filed a Joint Motion for Judgment Based on Compromise wherein Radstock agrees to receive and accept from PNCC in full and complete settlement of the Judgment debt, in the reduced amount of P6.196 billion (in cash or in kind). Said agreement will become effective only upon approval by the Supreme Court. The Court referred the matter to the Commission on Audit (COA) for its comments and recommendations. On October 3, 2006, COA in its Compliance dated October 3, 2006, favorably endorsed the approval of the Compromise Agreement executed by and between PNCC and Radstock.

Third parties seeking to intervene and object to the submitted Compromise Agreement filed Motion for Recommendation and Motion to Defer Issuance of Entry of Judgment (by Strategic Alliance Development Corporation) and Motion for Intervention and Motion to Admit (by Rodolfo M. Cuenca). The Court of Appeals (CA) Former First Division, in its Resolution dated May 31, 2007, denied the Motions, stressing that these can no longer be entertained because the Court has already rendered a Decision and issued the corresponding Entry of Judgment.

On July 02, 2007, the Supreme Court issued a Status Quo Ante Order, which resolution directed all parties concerned to hold in abeyance the implementation of the Compromise Agreement as approved by the Court of Appeals (CA) on January 25, 2007. PNCC and Radstock are also directed to comment in ten (10) days on the petition of Strategic Alliance Development Corporation for a temporary restraining order and/or writ of preliminary injunction of decision approving the Compromise Agreement.

22. PENDING LAWSUITS/LITIGATIONS

The Corporation is involved in continuing litigations relating to labor and civil cases. The ultimate outcome of these litigations cannot be determined yet and no provision for any liability that may result has been made in 2007 and 2006 financial statements.

The labor cases consist of those filed against the Corporation involving mostly of illegal dismissal, backwages, and separation pay. Most of these cases have been ruled by the Labor Arbiter in favor of the complainant. However, these cases are on appeal by PNCC before the National Labor Relation Commission (NLRC).

The civil cases filed against the Corporation consist of cases involving damages, collection of money, and attorney's fees, which are still on litigation before the various Regional Trial Courts (RTC). On the other hand, those filed by the Corporation against other individuals or companies consist of suits involving sum of money, damages, and breach of contract which involve undeterminable amount of money.

23. RELATED PARTY TRANSACTIONS

The Corporation, in the normal course of business, has transactions with related parties. The more significant of these transactions include:

Agreements

Pursuant to the agreement between MTDME and PNCC on the construction, operation, and maintenance of the South Luzon Tollway, MTDME shall hold eighty percent (80%) and PNCC shall hold twenty percent (20%) of the issued and outstanding capital stock of the Joint Venture Company [named South Luzon Tollway Corporation (SLTC)].

On August 01, 2007, PNCC paid fifty percent (50%) or P360 million of its subscription amount to SLTC. The agreement further provides that the balance shall be paid by MTDME on behalf and for the account of PNCC.

As discussed in Note 7, MTDME paid the balance on March 29, 2007, rendering PNCC's full payment of its subscription as of reporting date.

In consideration of the assignment by PNCC of its usufructuary rights, interests, and privileges under its franchise, the Corporation is entitled to receive payment from MNTC equivalent to six percent (6%) and two percent (2%) of the total revenue from the North Luzon Tollway and Segment 7, respectively. Any unpaid balance carried forward will accrue interest at the rate of the latest Philippine 91-day Treasury Bill rate plus 1% per annum.

As discussed in Note 4, PNCC received payment from MNTC in December 2008.

The Supplemental Toll Operations Agreement (STOA) executed by and among MATES, SLTC, PNCC, and the Republic of the Philippines (RP), through the TRB on February 03, 2006, designates MATES as the entity that will operate and maintain the toll roads, toll roads facilities, interchanges, and related facilities including the management of the toll collection system and traffic control system of the SLEX Projects.

As discussed in Note 7, PNCC's 40% holdings in MATES was settled in 2008.

Pursuant to the Subscription Agreement executed by and among ASDI, NDC, and PNCC on November 14, 2008, the Corporation subscribed 12,500 shares from the unissued portion of the 150,000 shares (with a par value of P1,000.00 per share) authorized capital stock of ASDI, a wholly-owned subsidiary of NDC, incorporated to undertake components of the SLEX Projects.

As discussed in Note 7, PNCC paid the amount of P12.5 million in consideration for the subscribed shares and as a condition precedent for the effectivity of the agreement.

A Compromise Agreement was entered into by PNCC and PNB on the partial settlement of the Corporation's obligation under the Credit Facilities and Standby Letter of Credits, wherein the parties agreed to the dacion of the mortgaged property located in Mandaluyong City and Calamba, Laguna. Thus, in June 2007, PNB exercised its mortgage rights and foreclosed the mortgaged property (as discussed in Notes 9.1 and 12).

At the request of the Corporation, PNB has agreed to the compromise settlement and restructuring of the portion of the obligation amounting to P500 million into an eight (8)-year term loan payable as follows: P100 million payable not later than October 15, 2007 and P400 million within eight (8) years effective October 15, 2007 in equal quarterly principal amortizations. As of December 31, 2008 the loan totaled P358.962 million, inclusive of interests amounting to P8.962 million computed from October 16, 2008 to December 31, 2008.

The Corporation entered into contracts with its wholly-owned subsidiaries as follows:

DISC Contractors, Builders, and General Services, Inc. (DISC)

- Equipment Rental Contract dated July 13, 2007, wherein DISC leases its three (3) units motor vehicle to PNCC for use in its tollway operations along the South Luzon Expressway. Monthly equipment rental of P0.11 million shall be charged on the basis of a minimum two hundred (200) hours, use or non-use (stand-by) of the equipment. Operation in excess of 200 hours/month shall be charged on a pro-rata basis. The contract shall be subject to extension/s at the option of the Lessee, provided that the notice is received by the Lessor at least five (5) days before the expiry date of the contract. For the period ended December 31, 2008, DISC billed PNCC P2.954 million. Outstanding payable to DISC representing progress billings amounted to P0.839 million as of December 31, 2008.
- Equipment Rental Contract dated November 27, 2007, wherein DISC leases its five (5) units of construction equipment to PNCC for use in its tollway operations along the South Luzon Expressway. Rental per month shall be charged on the basis of a minimum two hundred (200) hours. Only actual operating hours in excess of the 200 hours shall be charged on a per hour basis. The contract shall likewise be subject to extension/s at the option of the Lessee, provided that the notice is received by the Lessor at least five (5) days before the expiry date of the contract. The amount billed by DISC for the period ended December 31, 2008 totaled P3.727 million, with related outstanding payable of P0.382 million as of December 31, 2008.
- Job Order No. SJ 08-02-01 dated February 12, 2008 was issued in favor of DISC for the supply of thirty seven (37) personnel for the SLEX operation effective February 20, 2008. The cost of manpower supply for the year 2008 amounted to P15.172 million, which amount was fully paid as of December 31, 2008.

Traffic Control Products Corporation (TCPC)

- Contract for Janitorial Services dated April 09, 2008, wherein TCPC shall provide the necessary labor, equipment, materials, and manpower requirement of PNCC for the performance of janitorial, sanitation, maintenance, and allied services for its Central and Bicutan Offices. The contract shall be in force for one (1) year or from January 01, 2008 to December 31, 2008 (renewable after the lapse of said period as maybe agreed upon by both parties). In consideration of the services to be rendered by TCPC, PNCC shall pay the sum of P4.398 million per annum for twenty six (26) janitors/janitress. The billed amount for the period ended December 31, 2008 aggregated to P4.844 million. Outstanding payable as of December 31, 2008 amounted to P0.686 million.

- PNCC issued job orders to TCPC, as follows:

JO No. SJ 08-01-01 dated January 16, 2008

Scope of Work	:	TCPC shall provide, at its own cost and expense, sufficient labor and supervision for toll plaza and Silangan Office janitorial works such as but not limited to sweeping of dirt and garbage at toll plaza and its immediate vicinity, cleaning of toll booths, sub-offices, and comfort rooms.
Contract Period	:	Effective March 01, 2008 to December 31, 2008.
Contract Amount	:	P1.304 million per month (estimated)
Amount Billed for the Period Ended December 31, 2008	:	P18.945 million
Outstanding Payable as of December 31, 2008	:	P1.735 million

JO No. SJ 08-01-02 dated January 15, 2008

JO No. SJ 08-07-01 dated July 01, 2008 (Revised Contract)

Scope of Work	:	TCPC shall provide, at its own cost and expense, all labor, supervision, equipment, tools, supplies, and other incidentals necessary for grass cutting and fence line cleaning function along SLT roadsides, median, and interchanges. JO dated July 01, 2008 supersedes JO dated January 15, 2008 to effect the changes in the number of personnel from 10 to 20.
Contract Period	:	March 01, 2008 to December 31, 2008.
Contract Amount	:	P0.253 million per month (estimated) from March 01, 2008 to July 06, 2008 and P0.608 million per month (estimated) from July 07, 2008 to December 31, 2008.
Amount Billed for the Period Ended December 31, 2008	:	P6.269 million
Outstanding Payable as of December 31, 2008	:	P1.301 million

Other Transactions

After the foreclosure of PNCC's property, as discussed in Notes 9.1, 12 and 23.1.3, the Corporation offered to lease portion of the Mandaluyong and Silangan property for its office premises and parking lots located at the said areas from the Philippine National Bank (also PNCC's creditor), which the latter had accepted. Rent expense amounted to P10.584 million in 2008 based on the following:

For Mandaluyong

Property:

Contract of Lease	July 01, 2007 to June 30, 2008
Renewal of Contract of Lease	July 01, 2008 to June 30, 2009 (renewable upon mutual agreement by the parties)

For Silangan Property:

Contract of Lease	November 01, 2007 to October 31, 2010, subject to a yearly escalation rate of 5% on the 2 nd year.
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Compensation/other benefits of key management personnel amounted to P20.141 million for the period ended December 31, 2008.

24. TOLLWAYS DEVELOPMENT CONTRACTS

The Corporation has entered into Joint Venture Partnerships with the following internationally notable engineering companies and other reputable local corporations, under the Build-Operate-Transfer scheme, for the construction, rehabilitation, refurbishment, modernization, and expansion of the existing Expressways.

South Metro Manila Skyway (SMMS) Project

To pursue the Metro Manila Skyway Project, PNCC and P.T. Citra Lamtoro Gung Persada (Citra Group) signed on August 30, 1995 the Business and Joint Venture Agreement. They eventually incorporated the Citra Metro Manila Tollways Corporation (CMMTC), the Joint Venture Corporation, owned to the extent of 80% by the Citra Group and 20% by PNCC.

Citra Group is responsible for the design, construction, and funding of the Project. PNCC, through its wholly-owned subsidiary, the PNCC Skyway Corporation (PSC), is tasked to Operate and Maintain (O & M) the Project upon completion. The Project has a 30-year life which commenced in December 1998 as per the Supplemental Toll Operation Agreement (STOA) of November 27, 1995.

In the Amendment to the Supplemental Toll Operations Agreement (ASTOA) dated July 18, 2007, the parties have agreed among others for the successful and seamless turnover of the O&M responsibilities for the SMMS from PNCC to a new corporation to be known as the Skyway O&M Corporation (NewCo).

In December 2007, a Memorandum of Agreement (MOA) was prepared and entered into by and among CMMTC, PNCC, and PSC for the implementation of the successful and seamless assumption of the O&M responsibilities for the SMMS by the NewCo from PSC. The turn-over took effect at 10:00 PM of December 31, 2007.

North Luzon Expressway (NLEX) Project

The NLEX Project is a collaboration initially between PNCC (20%) and First Philippine Infrastructure Development Corporation (FPIDC) (80%) under the Joint Venture Agreement dated August 29, 1995.

The Joint Venture Corporation, Manila North Tollways Corporation (MNTC), was incorporated on February 04, 1997.

Under the STOA signed on April 30, 1998, the NLEX Project has a 30-year life from start of commercial operation on February 09, 2005.

Present equity participation in MNTC is: FPIDC-67.1%; PNCC-2.5%; Egis Projects SA of France-13.9%; and Leighton Asia Ltd.-16.5%.

South Luzon Expressway (SLEX) Project

The rehabilitation and extension of the South Luzon Tollway has been entered into by the Corporation through a Joint Venture Agreement (JVA) and subsequently an Amended Joint Venture Agreement (AJVA) with Hopewell Crown Infrastructure, Inc. (HCII). The objective of which is to refurbish the Alabang to Calamba, Laguna segment of the South Luzon Expressway and extend the same to Lucena City in Quezon Province.

An alternative to the JVA with HCII, if the same does not materialize, PNCC, between 2003 and 2005, held negotiations with the NDC to develop design, construct, finance, operate, and maintain the SLEX Project. The proposed Project involved the rehabilitation of the Alabang Viaduct and the extension of the SLEX from Calamba to Sto. Tomas, Batangas. A JVA was entered into with NDC on October 11, 2004 which should have paved the way for Joint Investment Proposal and STOA.

The option for NDC's financing of the SLEX Project did not materialized as further negotiations with HCII was pursued in the second quarter of 2005.

In consonance with the PNCC-HCII JVA entered into on October 11, 1999, the South Luzon Tollways Corporation (SLTC) was incorporated on July 26, 2000, by PNCC and HCII, as the JV Company that will undertake the rehabilitation, expansion, operation, and maintenance of the South Luzon Expressway. MTDME has taken over the HCII interest and now holds 80% while PNCC holds 20%.

Relative thereto, PNCC and SLTC executed a Supplemental Toll Operation Agreement (STOA) between and among the RP, through the TRB and the Manila Toll Expressway Systems, Inc. (MATES), the latter being the Operations and Maintenance Company established by PNCC and HCII pursuant to their JVA. Said STOA was approved on February 03, 2006 giving a 30-year life to the project. PNCC holds 40% in MATES.

Considering that the implementation of the Project will affect a wide sector of the Community where the Project will be undertaken, more particularly the local residents, motorists, and informal dwellers, the PNCC and SLTC, as provided for in a Service Agreement entered into by both parties, shall undertake such measures that will effectively minimize the inconvenience caused by the said implementation of the Project, and create in the minds of the public a positive attitude towards the same.

The Project commenced in July 2006 for the rehabilitation and widening of SLEX (Alabang to San Pedro) and in November 2006 for the rehabilitation of the Alabang Viaduct. SLTC expects completion of the Project in the first to second quarter of 2009.

The Joint Venture Corporation, Manila North Tollways Corporation (MNTC), was incorporated on February 04, 1997.

Under the STOA signed on April 30, 1998, the NLEX Project has a 30-year life from start of commercial operation on February 09, 2005.

Present equity participation in MNTC is: FPIDC-67.1%; PNCC-2.5%; Egis Projects SA of France-13.9%; and Leighton Asia Ltd.-16.5%.

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An alternative to the JVA with HCII, if the same does not materialize, PNCC, between 2003 and 2005, held negotiations with the NDC to develop design, construct, finance, operate, and maintain the SLEX Project. The proposed Project involved the rehabilitation of the Alabang Viaduct and the extension of the SLEX from Calamba to Sto. Tomas, Batangas. A JVA was entered into with NDC on October 11, 2004 which should have paved the way for Joint Investment Proposal and STOA.

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Considering that the implementation of the Project will affect a wide sector of the Community where the Project will be undertaken, more particularly the local residents, motorists, and informal dwellers, the PNCC and SLTC, as provided for in a Service Agreement entered into by both parties, shall undertake such measures that will effectively minimize the inconvenience caused by the said implementation of the Project, and create in the minds of the public a positive attitude towards the same.

The Project commenced in July 2006 for the rehabilitation and widening of SLEX (Alabang to San Pedro) and in November 2006 for the rehabilitation of the Alabang Viaduct. SLTC expects completion of the Project in the first to second quarter of 2009.

PNCC will not be involved in the construction and financing activities of the aforesaid projects, but will invest as an equity partner in the joint venture and operation and maintenance companies.

25. SUBSEQUENT EVENTS

On Asiavest:

On April 15, 2009, the SC denied Asiavest's Petition for Review on Certiorari, as last discussed in Note 21, on the following grounds: (1) insufficient or defective verification under Section 4, Rule 7, 1997 Rules of Civil Procedures, as amended; and (2) defective or insufficient certification against forum shopping in violation of Section 5, Rule 7, 1997 Rules of Civil Procedures, as amended, for submitting a photocopy of said verification/certification of non-forum shopping and for failure to attach the special resolution appointing affiants as liquidators of the petitioner.

On July 13, 2009, the SC (First Division) denied with finality Asiavest's Motion for Reconsideration of the April 15, 2009 SC decision on similar grounds.

On the Hand Over of SLEX:

As discussed in Note 1, PNCC was issued a TOC dated April 27, 2007 by the TRB for the Operation and Maintenance of the SLEX. On April 27, 2009, however, PNCC received a letter from TRB revoking PNCC's TOC. As such, the Board per Resolution No. BD-004-2009 authorized the President and CEO to cause the preparation of the Memorandum of Appeal with the Office of the President, including any and all legal remedies arising from the revocation of the TOC and was further authorized to sign and in behalf of the Corporation, the Verification and Certification of the said Memorandum of Appeal and in any other pleadings requiring said Verification and Certification.

TRB, in its letter of December 03, 2009, informed PNCC that in compliance with the directive issued by the Honorable Executive Secretary, its Board of Directors has caused the issuance of a TOC to MATES for its immediate operation of the existing SLEX, effectively revoking the previous TOC granted to PNCC.

In a letter dated December 11, 2009, TRB reiterated the turning over of the operation and maintenance of the SLEX from PNCC to MATES.

PNCC, through its counsel, Valenton and Danganan Law Offices, filed an instant Memorandum in Support of its Urgent Motion for the issuance of a Temporary Restraining Order before the RTC of Pasig City on December 15, 2009.

On Radstock:

The Supreme Court, in a decision promulgated on December 04, 2009, ruled that the P6.196 billion Compromise Agreement (discussed in Note 21) between Radstock and PNCC violated Section 29(1) Article 6 of the Constitution, rendering the same as null and void. Likewise, PNCC Resolution Nos. BD-092-2000 and BD-099-2000 admitting liability for the Marubeni loans are considered void.

Radstock filed a Motion for Reconsideration, denying that the compromise deal ran counter to the Constitution and was disadvantageous to the Government.

On Daang Hari SLEX Link Road Project:

On December 15, 2009, A Memorandum of Agreement for the Advance Works on the Daang Hari-SLEX Link Road Project was made and entered by and among the ASDI and PNCC. The Corporation is designated as the Main Turnkey Contractor responsible for undertaking the Advance Works and for the implementation of the design and the construction of the Road Project.

PNCC controls the majority of the shareholdings in ASDI.

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION

SCHEDULES A to K

As of December 31, 2008

- Schedule A - Marketable Securities (Current Marketable Equity Securities and Other Short-term Investments)

The company's Short-Term Investment as of December 31, 2008 amounting to P80.556 million represents 1.18% only of the total assets of P6.786 billion. This is way below the ceiling requirement of 10% or more of the total assets, hence, this schedule need not be filed.

- Schedule B - Amounts Receivable from Directors, Officers, Employees, Related Parties, and Principal Stockholders (Other than Affiliates)

Corresponding schedule is herewith attached/submitted. Included in the list are the company's employees, director, and consultants with outstanding aggregate indebtedness of more than P100,000.00 or one (1) percent of the total assets, whichever is less, as of December 31, 2008.

- Schedule C - Non-Current Marketable Equity Securities, Other Long-Term Investments in Stock, and Other Investments

The Investment account which stood at P1.612 billion as of December 31, 2008 constitutes 23.75% of the total assets in the related balance sheet. Considering that the account has exceeded the 5% ceiling requirement, the schedule is herewith attached/submitted.

- Schedule D - Indebtedness of Unconsolidated Subsidiaries and Affiliates

This schedule is omitted. Total receivables from subsidiaries and affiliates as of December 31, 2008 in the amount of P239.536 million is only 3.52% (below the 5% requirement) of the P6.786 billion assets.

- Schedule E - Property, Plant, and Equipment

The company's property, plant, and equipment account amounting to P1.036 billion is 15.26% of the P6.786 billion assets (or down by 9.74% vis-à-vis the 25% ceiling requirement), hence, the schedule need not be submitted.

- Schedule F - Accumulated Depreciation

The related schedule of the account is likewise not submitted due to the reason stated in Schedule E above.

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
SCHEDULES A to K
As of December 31, 2008

Schedule G - Intangible Assets and Other Assets

The account balance of P68,524 million as of December 31, 2008 comprises 1.01% only (below the 5% requirement) of the P6.786 billion assets, hence, omitted.

Schedule H - Long-Term Debt

Applicable account schedule as of December 31, 2008 is herewith attached/submitted.

Schedule I - Indebtedness to Affiliates and Related Parties (Long-Term Loans from Related Companies)

This schedule is omitted. Total payable to subsidiaries and affiliates as of December 31, 2008 amounting to P31.458 million is only 0.46% (below the 5% requirement) of the P6.786 billion assets.

Schedule J - Guarantees of Securities of Other Issuers

Not applicable.

Schedule K - Capital Stock

Applicable account schedule as of December 31, 2008 is herewith attached/submitted.

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
AGING SCHEDULE OF RECEIVABLES & ADVANCES
As of December 31, 2008
(In Thousand Pesos)

	Amount	Allowance for Doubtful Account	Net Amount	Current	1-30	31-60	61-90	91-120	Over 120
01 Unbilled Contract Receivable	234	234	-	-	-	-	-	-	-
02 Billed Contract Receivable	209,485	26,922	182,544	-	-	-	-	-	182,544
03 Contract Retention Receivable	5,135	988	4,167	-	-	-	-	-	4,167
04 Accounts Receivable - Trade	60,150	56,892	3,257	-	-	-	-	-	3,257
05 Accounts Receivable - Subs. and Aff. (net)	208,078	4,486	203,612	(1,573)	(4,426)	488	2,140	(1,976)	208,988
06 Accounts Receivable - Officers and Employees	253,725	60	253,665	4,199	6,408	19,256	21,767	13,138	188,897
07 Claims Receivable	105,411	17,234	88,177	-	-	-	-	-	88,177
08 Other Accounts Receivable	325,834	72,788	253,066	68,882	5,508	2,300	1,232	2,670	172,474
09 Advances to Supplier	3,379	2,190	1,189	1,153	5	19	-	-	12
10 Advance to Subcontractor	19,861	11,027	8,834	7	-	-	-	-	8,817
11 Advances to Contract Owners	636	636	-	-	-	-	-	-	-
12 Advances for SSS/EC Benefits	63	-	63	61	-	-	-	-	2
Subtotal	1,191,961	193,397	998,564	72,729	7,495	22,063	25,139	13,833	857,305
13 Advances to Joint Venture			59,023						
14 Advances to CESLA			137						
15 Input Tax			445,267						
16 Output Tax			(439,211)						
17 Deferred Input Tax			464.00						
18 Deferred Output Tax			(17,756)						
Subtotal			57,914						
Total			1,056,478						

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
SCHEDULE B: AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES
RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN AFFILIATES),
As of December 31, 2008- (In Thousand Pesos)

Name and Designation of Debtor		Balance at Beginning of Period	Additions	DEDUCTIONS		Current	Not Current	Balance at End of Period
				Amounts Collected	Amounts Written-off			
Aban, Artemio	Employee	100	300			300	100	400
Ablaza, Ma. Fe	Employee		350			350		350
Adriano, Genar	Assistant Manager	1,400	1,100			1,100	1,400	2,500
Agduyeng, Isabelita	Employee	100	80			80	100	180
Agulla, Dolores	Employee	200					200	200
Aguilar, Joseph	Employee	100		100				
Aguinaldo, Ferdinand	Employee	575	600			600	575	1,175
Aljon, Rodrigo	Assistant Manager	580	800			800	580	1,380
Alarco, Conrado	Employee	475	529			529	475	1,004
Alcantara, Edgardo	Employee	300	250			250	300	550
Alcazar, adonis	Employee		200			200		200
Aleandrino, Janice Day	Division Head-(Senior Assistant Vice Pres.)	1,703	1,000			1,000	1,703	2,703
Alentarian, Bonifacio	Consultant	400					400	400
Alfonso, Camelo	Employee		105			105		105
Alfonso, Grace	Employee	490	600			600	490	1,090
Alipio, Ferdinand	Employee		55			55		55
Almazora, Dave	Employee		65			65		65
Alvaran, Lida	Employee	674	200	89		200	585	765
Ambal, Ferdinand	Employee	170	70			70	170	240
Amboy, Victor	Employee	100	175			175	100	275
Amores, Leonardo	Assistant Manager	525	100	525		100	250	350
Amores, Myrna	Employee	250						
Andaya, Redentor	Employee	100		100				
Angeles, Ramonito	Employee	100		100				
Antonio, Manuel Luis	Division Head-(Senior Assistant Vice Pres.)	1,100	1,600			1,600	1,100	2,700
Aquino, Noel	Employee	200		200				
Aquino, Bienvenido	Employee		100			100		100
Ardio, Blesida	Employee	700	1,400			1,400	700	2,100
Arendain, Opher	Employee	140	120			120	140	260
Armonio, Manuel	Consultant	106					106	106
Atendido, Mariane	Employee	195	100			100	195	295
Aton, Jose	Employee	100		100				
Avelino, Cresentia	Employee	100	390			390	100	490
Bacho, Narciso	Employee	100		100				
Balasabas, Michael	Employee	350		350				
Balبران, Rodolfo	Employee	100	100			100	100	200
Bamba, Robert	Employee	100	270			270	270	370

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
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RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN AFFILIATES).
As of December 31, 2008- (In Thousand Pesos)

Name and Designation of Debtor		Balance at Beginning of Period	Additions	DEDUCTIONS		Current	Not Current	Balance at End of Period
				Amounts Collected	Amounts Written-off			
Banaag, Robert	Employee		370			370		370
Barrion, Nancy	Employee	155	115			115	155	270
Bartolazo, Mercedes	Employee	350	200			200	350	550
Bartolome, Romeo	Employee	200	130			130	200	330
Basilio, Michael	Employee	150	100			100	150	250
Bassig, Sabino	Employee	903	1,500	3		1,500	900	2,400
Baylon, Ernesto	Employee	120	65			65	120	185
Bea, Renato	Employee	350	350			350	350	700
Belena, Edilberto	Employee	200		200				
Belmes, Wilfredo	Employee	760	400			760	400	1,160
Benguit, Efrén	Employee	100		100				
Berdejo, Florencio	Employee	300	700			700	300	1,000
Berenguel, Anahyn	Employee	150	250			250	150	400
Bernardo, Ferdinand	Employee	175	260			260	175	435
Biona, Antonio	Employee	400	600			600	400	1,000
Bodano, Reynaldo	Assistant Manager	405	625			405	625	1,030
Bonifacio, Benamir	Employee	200					200	200
Bornel, Ronald	Employee		55			55		55
Bredes, Ma. Gracia	Employee	370	250			250	370	620
Brosas, Angelica	Employee	400		400				
Buen, George	Assistant Manager	600	900			900	600	1,500
Buenafior, Alexander	Employee	600	400			400	600	1,000
Bulatacao, Jaime	Employee	245	120			120	245	365
Caballo, Marlon	Technical Assistant (Legal Corp.)	1,700	400			1,700	400	2,100
Cabrera, Rowena	Employee	140	170			170	140	310
Cabuena, Leonardo	Employee	460	450			450	460	910
Cajayon, Nieves	Employee	300	300			300	300	600
Calderon, Isabelito	Employee	100		100				
Calderon, Pedro	Employee		80			80		80
Callao, Renero	Assistant Manager	1,226	500			500	450	950
Callimag, Crisanto	Employee	430	500	776		500	430	930
Callimag, Ma. Fe	Employee	550	700			700	550	1,250
Canlas, Nancy	Employee		100			100		100
Canlas, Ronaldo	Employee		145			145		145
Canosa, Rodolfo	Senior Manager	500	1,500			1,500	500	2,000
Carandang, Mauro	Employee	200	100			100	200	300
Carpio, Franciaine	Employee	100	150			150	100	250

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
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RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN AFFILIATES).
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Name and Designation of Debtor	Balance at Beginning of Period	Additions	DEDUCTIONS		Current	Not Current	Balance at End of Period
			Amounts Collected	Amounts Written-off			
Casalme, Ricardo	200					200	200
Casaus, Maximiliano	200	160			160	200	360
Casino, William		50			50		50
Casquero, Grace		100			100		100
Castillo, Evangeline	300	175			175	300	475
Castillo, Samuel	190	85			85	190	275
Castro, Felicidad	1,000	2,500			2,500	1,000	3,500
Catina, Mariela	100	150			150	100	250
Centeno, Elmer	100		100				
Colorina, Remedios	100		100				
Conol, Elbert	200	150			150	200	350
Constantino, Virgilio	350	200			200	350	550
Cordero, Gemma	250	230			230		480
Cordova, Natalia	1,000	2,500			2,500	1,000	3,500
Cordova, Elmer	850	850			850	850	1,700
Corona, Alberto	275	200			200	275	475
Cosico, Justina	100	165			165	100	265
Cruz, Lloyd	100		100				
Cruz, Miguelito	120	70			70	120	190
Cruz, Mylene	100	100			100	100	200
Cruz, Nicolas	100	800			800	100	900
Cruz, Rosalinda	300	100			100	300	400
Dalisay, Franklin	230	75			75	230	305
Dalope, Edwin	185	200			200	185	385
Dalope, Emilly	280	300			300	280	580
De Guzman, Ramir	100	100			100	100	200
De Joya, Mariou	150	300			300	150	450
De Los Reyes, Isagani	131	120		1	120	130	250
Debuton, Norlando	100	115			115	100	215
Del Rosario, Evelyn	487	350	37		350	450	800
De la Cerna, Ruben		85			85		85
De La Costa, Gina	450	250			250	450	700
De La Cruz, Cresencio		110			110		110
De La Cruz, Evelyn	214	100	114		100	100	200
De La Cruz, Jaime	775	1,795			1,795	775	2,570
Delivios, Rosalyn	234	101			101	234	335
De Los Reyes, Ramon	1,000	1,000			1,000	1,000	2,000
Assistant Manager							

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
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RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN AFFILIATES),
As of December 31, 2008 (In Thousand Pesos)

Name and Designation of Debtor		Balance at Beginning of Period	Additions	DEDUCTIONS		Current	Not Current	Balance at End of Period
				Amounts Collected	Amounts Written-off			
De Los Santos, Manny	Employee	216	150	3		150	213	363
Destacamento, Ariel	Assistant Manager	485	250	735				
Destacamento, Ermina	Employee	200					200	200
Dion, Elma	Employee	250	535			535	250	785
Dion, Marcial	Employee		90			90		90
Dionisio, Rolando	Employee	250	150			150	250	400
Disomangco, Raisa	Senior Manager	750	400			400	750	1,150
Dizon, Ma. Marlene	Employee		800			800		800
Diwa, Juanita	Employee	100	100			100	100	200
Domingo, Amando	Employee	500	500			500	500	1,000
Domino, Lucia	Employee	100	130			130	100	230
Dones, Christy	Employee	350	250			250	350	600
Dulatas, Eusebio	Manager	100					100	100
Dulla, Renato	Employee	100	130			130	100	100
Dulas, Lorenzo	Employee	100	70			70	100	230
Duyog, Melvin	Employee	100						70
Eblamo, Editha	Employee	100		100				
Egaran, Eden	Employee	100	325	100		325	220	545
Elazegui, Maximo	Employee	220					300	300
Encanto, Mervyn	Consultant	300						
Endrinal, Cristina	Employee	100		100				
Enriquez, Gina	Employee	240		240				
Equilo, Rudy	Employee	518	950			950	518	1,468
Era, Ruben	Employee	200	200			200	200	400
Erece, Felix	Manager	1,001	2,500	1		2,500	1,000	3,500
Escuela, Hermandio	Employee	800	400			400	800	1,200
Espadero, Marilou	Employee	250	300			300	250	550
Estacion, Sandy	Employee	250	200			200	250	450
Esteban, Esmeralda	Employee	225	175			175	225	400
Esteron, Arnel	Employee	200	100	300				
Evangelista, Emelinda	Employee	200	200			200	200	400
Evangelista, Joseph	Employee	200					200	200
Falardo, Sergio	Employee	140	100			100	140	240
Fallorina, Catalina	Employee	200	180			180	200	380
Farriniano, Demosthenes	Manager	850	900			900	850	1,750
Felipe, Lito	Employee	100	200			200	100	300
Felix, Teresita	Employee	200	1,115			1,115	200	1,315

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
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Name and Designation of Debtor		Balance at Beginning of Period	Additions	DEDUCTIONS		Current	Not Current	Balance at End of Period
				Amounts Collected	Amounts Written-off			
Fefesio, Rowena	Employee	150	100			100	150	250
Flores, Joseito	Employee	100	100			100	100	200
Fornales, Reynaldo	Employee	100		100				
Frades, Manuel	Employee	240	100			100	240	340
Francia, Norvien	Employee	100		100				
Francisco, Ma. Divine	Employee	200	200			200	200	400
Gabronino, Braulio	Senior Manager	675	350			350	675	1,025
Ga, Warrita	Employee	110	110			110		110
Gan, Norberto	Employee	190	100			100	190	290
Ganaden, Victor	Employee	800	400			400	800	1,200
Gandeza, Oliver	Employee	150	150			150		150
Gandulas, Jose	Employee	770	350			350	770	1,120
Garcia, Christopher	Employee	100	120			120	100	220
Garcia, Maribeth	Employee	200	100			100	200	300
Garcia, Winston	Employee	465					465	465
Garian, Liberato	Employee	200		200				
Gaston, Segundo	Group Head - (Senior Vice Pres.)	3,520	12,200			12,200	3,520	16,720
Gatchalian, Normita	Employee	200	800			800	200	1,000
Galuz, Rosario	Employee		50			50		50
Gerzon, Armando	Employee	314	20	334				
Gimotea, Renato	Employee	100	100			100	100	200
Gomez, Maricela	Employee	100		100				
Gomez, Rocelyn	Employee	300	585			585	300	885
Gonzaga, Arnel	Employee		95			95		95
Gonzales, Edwin	Employee	150		150				
Gonzales, Esteban	Employee	150	175			175	150	325
Gonzales, Federico	Employee	145	165			165	145	310
Gonzales, Gloria	Employee	800	1,000			1,000	800	1,800
Gonzales, Hermigildo	Assistant Manager	1,002	1,000		2	1,000	1,000	2,000
Gonzales, Leila	Employee	195	150			150	195	345
Gonzales, Melvyn	Senior Manager	400	400			400	400	800
Granado, Menecio	Employee		120			120		120
Guevara, Amelia	Employee	620	840			840	620	1,460
Guinto, Anella	Employee	100	95			95	100	195
Gutierrez, Rodarte	Employee	150	70			70	150	220
Gutierrez, Geraldine	Employee	200	150			150	200	350
Gutierrez, Claribel	Employee		90			90		90

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Name and Designation of Debtor		Balance at Beginning of Period	Additions	DEDUCTIONS		Current	Not Current	Balance at End of Period
				Amounts Collected	Amounts Written-off			
Hernandez, Evangiline	Employee	200	200			200	200	400
Hernandez, Loida	Assistant Manager	450	550			550	450	1,000
Hernandez, Ramil	Employee		135			135		135
Hecana, Senado	Employee	130	125			125	130	255
Hipolito, Eddie	Employee		140			140		140
Hofleria, George	Assistant Manager	1,058	1,364	58		1,364	1,000	2,364
Hontiveros, Femia	Employee	100	350			350	100	450
Hugo, Alma	Employee	200	300			300	200	500
Hugo, Regie	Employee	250	500			500	250	750
Hugo, Narciso	Employee		100				100	100
Hulgado, Salvador	Employee	700		700				
Humarang, Allan	Employee		120			120		120
Humarang, Grace	Employee		300			300		300
Ibanez, Ester	Employee	100	150			150	100	250
Ilagan, Consolacion	Employee	1,000	1,600			1,600	1,000	2,600
Ilang-Ilang, Danilo	Employee	100		100				
Jacobo, Josefina	Assistant Manager	1,000	2,200			2,200	1,000	3,200
Jardin, Alex	Employee	250	350			350	250	600
Jardin, Penny	Employee	250	450			450	250	700
Josol, Maximo	Employee	200	135			135	200	335
Jovenes, Joshua	Employee		50			50		50
Labao, Anichelle	Employee		90			90		90
Labida, Jay	Employee	100		100				
Lachica, Diano	Employee	300	350			350	300	650
Landicho, Adrian	Employee	100	150			150	100	250
Lanuza, Orlando	Employee	230	60			60	230	290
Lapuz, Eustacio	Employee	470	350			350	470	820
Lara, Felix	Employee		335			335		335
Lasam, Bernardo	Employee		60			60		60
Layto, Anselmo	Employee	190	300			300	190	490
Lelis, Virgilio	Employee	150		150				
Leonzon, Rolando	Employee	100	150			150	100	250
Lidres, Rodolfo	Employee	245	100			100	245	345
Limbauan, Patricio	Employee		55			55		55
Linag, Leonardo	Employee	650	350			350	650	1,000
Usandra, Bernardo	Employee	500	650			650	500	1,150
Uena, Olivia	Employee	100	150			150	100	250

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Name and Designation of Debtor		Balance at Beginning of Period	Additions	DEDUCTIONS		Current	Not Current	Balance at End of Period
				Amounts Collected	Amounts Written-off			
Longalong, Marilyn	Employee	100	185			185	100	285
Lopez De Leon, Elizabeth	Employee	650	650			650	650	1,300
Lopez, Alfredo	Employee	200	500			500	200	700
Lopezco, Dorey	Employee	200		200				
Loyola, Victoria	Employee	680	400			400	680	1,080
Lumbres, Caridad	Employee	200	90			90	200	290
Mabayag, Rogelio	Assistant Vice President	500	2,000			2,000	500	2,500
Macarar, Benjamin	Employee	250	170			170	250	420
Macarar, Jeniet	Employee	100	265			265	100	365
Macha, Ariel	Employee	100		100				
Madali, Cosme	Employee	190	175			175	190	365
Madrona, Virginia	Employee	400	100			100	400	500
Malabad, Robustiano	Employee	117	253			253	117	370
Malabanan, John	Employee		70			70		70
Malabuyoc, Crisostomo	Employee	300	75			75	300	375
Maenab, Joehald	Employee	100	35			35	100	135
Maiones, Joel	Employee	200	60			60	200	260
Manalo, Marlene	Employee	100	185			185	100	285
Manalo, Regidor	Employee	200	200			200	200	400
Manangkil, Arnolfo	Employee		65			65		65
Mangilaya, Diosdado	Employee	100		100				
Manlawa, Antonio	Employee	700	1,000			1,000	700	1,700
Manzanillo, Roger	Employee	800	700			700	800	1,500
Manzo, Rechelle	Employee	100	200			200	100	300
Maranan, Ariel	Employee		80			80		80
Maranon, Elina	Employee	150		150				
Marcalda, Retchie	Employee	100		100				
Marcelino, Rodrigo	Employee	300	900			900	300	1,200
Marcelo, Marcelino	Employee		110			110		110
Marcina, Felix	Employee	205	600	5		600	200	800
Marmerto, Edwin	Employee		130			130		130
Marudo, Pabito	Employee	550		550				
Matias, Gerlie	Employee	100		100				
Matija, Rolando	Employee	250	200			200	250	450
Mejorada, Florida	Assistant Manager	800	900			900	800	1,700
Memplin, Florina	Employee	100					100	100
Mendoza, Myrna	Employee	600	850			850	600	1,450

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Name and Designation of Debtor		Balance at Beginning of Period	Additions	DEDUCTIONS		Current	Net Current	Balance at End of Period
				Amounts Collected	Amounts Written-off			
Mercado, George	Employee		105			105		105
Mercado, Jesus	Employee	200	450			450	200	650
Mercado, Renante	Employee		140			140		140
Miking, Jose	Employee	100	100			100	100	200
Moldez, Rowena	Employee	100	95			95	100	195
Molina, Inocencio	Employee	400	650			650	400	1,050
Mones, Orbenio	Employee	230	85			85	230	315
Mortel, Yolly	Division Head (Senior Assistant Vice Pres.)	1,704	4,500	4		4,500	1,700	6,200
Muldong, Edwin	Employee	306		306				
Muyar, Eleonor	Employee	300	300			300	300	600
Nave, Francisco	Employee	150		150				
Nemnez, Yonito	Employee	100					100	100
Nepomuceno, Dolly	Employee	137	100			100	137	237
Nicdao, Ernesto	Employee	429	925	329		925	100	1,025
Nicolas, Ezer	Employee	460	200			200	460	660
Ocampo, Eryl	Employee	202	150	2		150	200	350
Ocampo, Horar	Employee	700	1,450			1,450	700	2,150
Ogan, Gienna Jean	Employee	1,700	1,500	2		1,500	1,700	3,200
Oliman, Manuel	Division Head (Vice President)	502	1,500			1,500	500	2,000
Orallo, Amando	Assistant Manager	200	320			320	200	520
Orlanes, Josecito	Employee	145	100			100	145	245
Pablo, Marjorie	Employee		50			50		50
Paco, Roda	Employee	100	300			300	100	400
Padilla, Crispin	Employee	100	800			800	100	900
Panaga, Carmencita	Employee		175			175		175
Palermo, Manuela	Employee		200			200		200
Panergo, Cristina	Employee	150	250			250	150	400
Panergo, Dennis	Employee	150	170			170	150	320
Pangilinan, Moses	Employee	300	650			650	300	950
Parro, Danilo	Assistant Manager	350	525			525	350	875
Pascual, Lorenzo	Employee	100					100	100
Pascual, Ruben	Employee	300					300	300
Pasetes, Miriam	Consultant	1,715	4,700	15		4,700	1,700	6,400
Pastrana, Amalia	Group Head - (Senior Vice Pres.)	500	400			400	500	900
Paulino, Carlos	Senior Manager	800	2,000			2,000	800	2,800
Paz, Rizalino	Employee	230					230	230
Perea, Violeta	Employee	640	600			600	640	1,240

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Name and Designation of Debtor		Balance at Beginning of Period	Additions	DEDUCTIONS		Current	Not Current	Balance at End of Period
				Amounts Collected	Amounts Written-off			
Perez, Gerardo	Employee	114		114				
Perilla, Enerato	Employee	400	200			200	400	600
Perpenia, Hidelisa	Employee	200	75			75	200	275
Pia, Edgardo	Employee	220	170			170	220	390
Placente, Ma. Theresa	Employee	250	300			300	250	550
Plaza, Catherine	Employee	100		100				
Pontecosies, Antonio	Employee	200	418			418	200	618
Pudol, Juanito	Employee	150	200			200	150	350
Pulido, Petronio	Employee	575	470			470	575	1,045
Purugganan, Abraham	Executive Vice President	2,062					2,062	2,062
Qualatchon, Marissa	Employee	150	250			250	150	400
Ramirez, Ronnie	Employee		85			85		85
Ramirez, Robert	Employee	100		100				
Ramos, Ramon	Employee	300	660			660	300	960
Ramos, Raymundo	Employee		110			110		110
Reblora, Helen	Employee	200	275			275	200	475
Rebong, Wilfredo	Employee	100	50			50	100	150
Repollo, Cesar	Employee	100	50			50	100	150
Ret, Roger	Employee	400		400				
Ret, Ruel	Employee		100			100		100
Reyes, Wilma	Employee	200	200			200	200	400
Reyes, Wilson	Employee		105			105		105
Rillo, Rolando	Employee	175	120			120	175	295
Rivera, Miguel	Assistant Manager	800	1,200			1,200	800	2,000
Rivera, Michael	Employee		50			50		50
Rivera, Reynaldo	Consultant	400					400	400
Ripario, Reynaldo	Employee		180			180		180
Romero, Teresita	Employee	100		100				
Rollon, Tolentino	Employee	400	150			150		150
Roque, Emmanuel	Employee		200			200		200
Rosario, Efren	Employee		80			80		80
Sagisi, Rosalie	Employee	150	150			150	150	300
Sajulan, Bella	Employee	250	450			450	250	700
Salaysay, Rodante	Employee	200					200	200
Salazar, Henry	Senior Manager	200					200	200
Sales, Abraham	Division Head (Senior Assistant Vice Pres.)	1,003	3,500	3		3,500	1,000	4,500
Salindong, Libbeth	Employee	100	85			85	100	185

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Name and Designation of Debtor		Balance at Beginning of Period	Additions	DEDUCTIONS		Current	Net Current	Balance at End of Period
				Amounts Collected	Amounts Written-off			
Salunson, Raul	Employee	800	950			950	800	1,750
Sambillo, Roberto	Employee	100		100				
Samera, Elueterio	Employee	300					300	300
Santiago, Fernando	Employee	100	200			200	100	300
Santos, Andy	Employee	100	100			100	100	200
Serrano, Grace	Employee	100		100				
Serrano, Nerissa	Employee	100	200			200	100	300
Serrano, Rolando	Employee	300	100			100	300	400
Sikestre, Arne	Employee		310			310		310
Simbahan, Gabriel	Employee		150			150		150
Simbulan, Elmer	Employee	550	600			600	550	1,150
Singson, Reynaldo	Employee	380	100			100	380	480
Sisante, Joselito	Manager	703	400	3		400	700	1,100
Sison, Onofre	Employee	250	375			375	250	625
Sofer, Cristina	Employee	300	400			400	300	700
Sofer, Lolita	Employee	700	800			800	700	1,500
Soriano, Fernando	Employee	100	340			340	100	440
Soriano, Joy	Employee		235			235		235
Sta. Ana, Dorotea	Employee	800	900			900	800	1,700
Sta. Ana, Jaime	Employee	400		400				
Sumague, Gregoria	Employee	100	140			140	100	240
Surat, Jocelyn	Employee	400	400			400	400	800
Sufare, Norilito	Employee	285	250			250	285	535
Tabfranca, Jane	Employee	100		100				
Tabfranca, Arnold	Employee		95			95		95
Tabuno, Joven	Employee	200	500			500	200	700
Taguian, Leslie	Employee	100	140			140	100	240
Talatala, Juanito	Employee	100	200			200	100	300
Tausan, Jean	Employee	250	275			275	250	525
Tameyo, Abraham	Employee	600					600	600
Tamesis, Abner	Employee		145			145		145
Tao-on, Gaudencio	Employee	160	100			100	160	260
Tapia, Fabian	Employee	204		204				
Taracina, Joseph	Employee	100		100				
Tejada, James	Employee	100		100				
Tenadas, Ronald	Employee	230	120	230				
Terrenal, Emiliano	Employee	170					170	290

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION
SCHEDULE B: AMOUNTS RECEIVABLE FROM DIRECTORS, OFFICERS, EMPLOYEES
RELATED PARTIES AND PRINCIPAL STOCKHOLDERS (OTHER THAN AFFILIATES),
As of December 31, 2008- (In Thousand Pesos)

Name and Designation of Debtor		Balance at Beginning of Period	Additions	DEDUCTIONS		Current	Net Current	Balance at End of Period
				Amounts Collected	Amounts Written-off			
Tazon, Michael Victor	Manager	100					100	100
Timbal, Felice	Employee	300	1,200			1,200	300	1,500
Toledo, Elpidio	Employee	880	1,000			1,000	880	1,960
Torres, Cayetano	Employee	300	250			250	300	550
Uriarte, Aristades	Employee	150		150				
Valdez, Ernesto	Employee	100	400			400	100	500
Valdez, Florencia	Employee	100	300			300	100	400
Valdez, Ma. Luisa	Employee	675	950			950	675	1,525
Vales, Susan	Employee	1,015	2,500	15		2,500	1,000	3,500
Vallecera, Andres	Division Head (Assistant Vice Pres.)	140	175			175	140	315
Vargas, Jose	Employee	200	100			100	200	300
Velasco, Lucrecia	Employee	100	100			100	100	200
Venanos, Julia	Employee	150	175			175	150	325
Vicente, Paul	Employee	120	325			325	120	445
Vicundo, Edna	Employee	600	700			700	600	1,300
Vidal, Dina	Employee	200	200			200	200	400
Villanueva, Samuel	Employee	330	230			230	330	560
Villanueva, Aurea	Assistant Manager	300	1,500			1,500	300	1,800
Villanueva, Robert	Employee	200	200			200	200	400
Villarante, Robert	Employee	200						
Villaruel, Julius	Employee	200		200				
Vilatcha, Joel	Employee	150	100			100	150	250
Villena Nancy	Employee	100	100			100	100	200
Virata, Karen Angela	Employee	300	250			250	300	550
Visaya, Elenita	Employee	250	200			200	250	450
Visaya, Leonilo	Employee	230	100			100	230	330
Ybanes, Mario	Employee	450	575			575	450	1,025
		116,057	145,260	11,998	-	146,060	103,259	249,319

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION									
SCHEDULE C: NON-CURRENT MARKETABLE SECURITIES, OTHER LONG-TERM INVESTMENTS IN STOCKS & OTHER INVESTMENTS									
As of December 31, 2008 - In Thousand Pesos									
Name of Issuing Entity and Description of Investment	BEGINNING BALANCE		ADDITIONS		DEDUCTIONS		ENDING BALANCE		Dividends Received from Investments Not Accounted For by the Equity Method
	Number of Shares (2) or Principal Amount of Bonds & Notes (No. of Shares) ¹	Amount in Pesos	Equity in Earnings (Losses of Investees)	Other	Distribution of Earnings by Investees	Other	Number of Shares (2) or Principal Amount of Bonds & Notes	Amount in Pesos	
01. Abang Sto. Tomas Development Inc. (ASDI)	1	4					12,500	12,500	
02. Architectural Centre Inc. (ACCI)	1	74					1	463	
03. Caribang Golf & Country Club	151,202	151,202	380				151,202	15,120	
04. COCP Farms Corporation		7,095						7,095	
05. CESLA		551,886						551,886	532
06. Davao Metro Manila Tollways Corp. (DMTTC)	5,518,700						5,518,700		
07. Dasmarias Industrial & Steelworks Corporation (DISC)	9,641,363	96,414					9,641,363	96,414	
08. DROUSHBA	2	2						2	
09. Formacraft Enterprises (Vale Verde)	1	46					1	46	
10. Laguna Lake Development Authority	436	440					436	440	8
11. Land Management Corporation	110	11					110	11	
12. Managerial Resources Corporation	68,547	15,26					68,547	1,526	
13. Manila North Tollways Corporation	444,000	100,500					444,000	100,500	
14. Manila Toll Expressway System Inc.	1,250,000	12,50		38,750			40,000,000	40,000	41,292
15. MERALCO	42,666	753					42,666	753	
16. Manila Land Corporation (MLC)		10,000						10,000	
17. Metropolitan Club Inc.	1	13	161				1	173	
18. Metropolitan Theatre		20						20	
19. Mimosa Golf & Country Club	5	3,180	(1,530)				5	1,650	
20. PCA Condominium Inc.		125						125	
21. Philippine Long Distance Telephone Company (PLDT)	27,320	400					27,320	400	34
22. PNCC Skyway Corporation (PSC)		125						125	
23. Phil Expressway Support Services Inc. (PES SI)	496	12	(40)				496	12	
24. Puerto Azul Beach & Country Club	1	100					1	60	
25. San Ramon Ranch		1,100						1,100	
26. San Roque Ranch		550						550	
27. South Luzon Tollways Corporation	360,000,000	360,000		36,500			720,000,002	726,000	
28. Tollways Association of the Phils (TAP) - Delta Hipolito		50						50	
29. Tollways Management Corporation	76,000	7,600					76,000	7,600	60,000
30. Tierra Factors Corporation (TFC)	23,173,718	51,635					23,173,718	51,635	
31. Traffic Control Products Corporation (TCCP)	70,000	700					70,000	700	
32. Valley Golf Club	1	22	223				1	246	
33. Others	12							12	
TOTAL	400,464,549	1,240,764	(807)	416,250	-	-	799,227,051	1,626,207	101,866
LESS: SUBSCRIPTION PAYABLE								(14,354)	
NET INVESTMENT IN RELATED BALANCE SHEET								1,611,853	

PHILIPPINE NATIONAL CONSTRUCTION CORPORATION

SCHEDULE K: CAPITAL STOCK

As of December 31, 2008

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding as Shown Under Related Balance Sheet Caption	Number of Shares Reserved for Options, Warrants Conversion and Other Rights, Redemptions	Number of Shares Held by Affiliates	Directors, Officers, and Employees	Others
Preferred A (Treasury Stock)	1,400,000	1,400,000	1,400,000			18,689,500
Preferred B	42,114,879	18,689,500				6,485,121
Preferred C	6,485,121	6,485,121				25,500,000
Preferred D	27,800,000	25,500,000				1,564,321
Special Common (Treasury Stock)	10,000,000	1,567,273 289,159	289,159		2,952	-
Common	182,200,000	174,444,759			4,105	174,440,654
Total	270,000,000	228,375,812	1,689,159	-	7,057	226,679,596

B. INFORMATION OF INDEPENDENT ACCOUNTANT AND OTHER RELATED MATTERS

1. External Audit Fees in Services

a. Audit and audit Related Fees

PNCC being a Government Asset Corporation since 1986 is under the Audit jurisdiction of the Commission on Audit (COA) and up to now, COA is the independent (external) auditor of PNCC. The assignment of COA Directors/Audit-in-Charge and staff is purely the prerogative/decision of the COA Chairman.

The Audit Engagement is covered by a Term of Reference (TOR) executed by PNCC and COA to the Audit Committee for information/notation. Usually, the audit shall cover transactions for the current year under review and shall include amounting or reporting area as follows:

1. Accounting books record
2. Recorder Financial and property
3. Compliance with the prior year's Audit recommendation

In consideration of the audit, COA shall be paid by PNCC upon submission of the Audit Report. The aggregate audit fees billed for each of the last two calendar year of indicated in the TOR are ₱600,000.00 for CY 2006 and ₱600,000.00 for CY 2007.

Aside from this amount, no other charges or fees filled by COA for other services rendered line the witnessing of Inventory/Equipment Physical Inventory.

Changes in and disagreements with Accountants on Accounting and Financial Disclosure.

CONTROL AND COMPENSATION INFORMATION

Directors and Executive Officers of the Issuer

A. DIRECTORS

1. ARTHUR N. AGUILAR, CHAIRMAN

- Date of Assumption : 13 April 2005
- Birthday : 19 March 1946
- Age : 60
- Business Experience in the last 5 years :

General Manager, National Development Company
President & CEO, Victorias Milling Company, Inc.

Appointed by the SEC as one of the Interim Receivers of the Uniwide Group of Companies

Other Directorship held in reporting Companies:

PNCC Skyway Corporation
Citra Metro Manila Tollways Corporation
Manila North Tollway Corporation

2. **MA. THERESA T. DEFENSOR-ASUNCION, DIRECTOR**

- Date of Assumption : 16 March 2006
- Birthday : 01 October 1970
- Age : 36
- Business Experience in the last 5 years :

Representative, 3rd District, Quezon City
Founder, Moving Towards Development
Director, Matias C. Defensor, Sr. Foundation, Inc.
Chairperson, JC Spice, Inc.

3. **ATTY. ANTONIO T. VILLAR, DIRECTOR**

- Date of Assumption : 28 November 2003
- Birthday : 05 June 1932
- Age : 71
- Business Experience in the last 5 years :

President, Eastern Quezon College, Gumaca, Quezon

4. **OTTOMAMA MAROHOM BENITO, DIRECTOR**

- Date of Assumption : 26 January 2006
- Birthday : 16 December 1947
- Age : 60
- Business Experience in the last 5 years :

Special Assistant, Committee on Public Works and Communications
Elected Senior Member, Lanao del Sur Provincial Board
Consultant, Office of Congressman Abdullah D. Dimaporo

5. **ATTY. JEREMY Z. PARULAN, DIRECTOR**

- Date of Assumption : 26 April 2001
- Birthday : 31 December 1957
- Age : 46

- Business Experience in the last 5 years :

Partner, Parulan Soncuya and Sese Law Offices

6. **ROY EDUARDO T. LUCERO, *DIRECTOR***

- Date of Assumption : 24 May 2005
- Birthday :
- Age :
- Business Experience in the last 5 years :

Chairman & President, LC Realty Corporation, Inc.

Katrice Lending Investors, Inc.

Realtor Number 5391

Real Estate Consultant, Kalayaan Development & Industrial Corp.

President, National Federation of PTAs Foundation, Inc.

7. **GARTH NOEL P.E. TOLENTINO, *DIRECTOR***

- Date of Assumption : 25 September 2001
- Birthday : 27 December 1947
- Age : 60
- Business Experience in the last 5 years :

Press Undersecretary and Director General, Phil. Information Agency

President & CEO, Modern Business Methods, Inc.

Other Directorships held in reporting Companies:

Modern Business Methods, Inc.

Foundation for Development Alternatives

Jesuit Communication Foundation

8. **JOSE A. R. BENGZON III, *Ex-Officio DIRECTOR***

- Date of Assumption : 21 November 2005
- Birthday :
- Age :
- Business Experience in the last 5 years :

Vice President & Director, BPI Securities, Inc.

President & Director, BPI Investment Management, Inc.

President, Derivatives Investment and Advisory Services

President, First Capital Investor, Inc.

Vice President, Shearson Lehman Brothers, Inc.

9. **ENRIQUE C. CUEJILLO, DIRECTOR**

- Date of Assumption : 17 December 2004
- Birthday : 07 September 1943
- Age : 62
- Business Experience in the last 5 years :

Manages and own Chortazo General Merchandise and Services
Vice President, Bank of Boston. Manila Branch
Asst. Cashier, Pacific Banking Corporation

10. **ATTY. WINSTON F. GARCIA, Ex-Officio DIRECTOR**

- Date of Assumption : 08 February 2001
- Birthday : 21 May 1958
- Age : 45
- Business Experience in the last 5 years :

President & General Manager, Government Service Insurance System

Other Directorship held in reporting Companies:

Vice-Chairman, GSIS Board of Trustees

11. **MARVIN V. PAULE, DIRECTOR**

- Date of Assumption : 29 April 2003
- Birthday : 03 June 1953
- Age : 50
- Business Experience in the last 5 years :

Vice-President, PNB Central Luzon I – Regional Business Center
Sr. Assistant Vice President, PNB – Angeles Branch

12. **FERMIN S. LUSUNG, SR., DIRECTOR**

- Date of Assumption : 24 June 2003
- Birthday : 07 July 1957
- Age : 46
- Business Experience in the last 5 years :

Municipal Councilor, LGU, Delfin Albano, Isabela
Board Director, Isabela Electric Cooperative II

13. **ELBERTO E. EMPHASIS, DIRECTOR**

- Date of Assumption : 26 June 2007
- Birthday : 6 October 1948
- Age : 59
- Business Experience in the last 5 years :

President and Chief Operating Officer, Porta Coeli Industrial Company
Spokesman, Norkis Group of Companies

B. Executive Officers

Position

Mr. Arthur N. Aguilar	Chairman
Ms. Ma. Theresa T. Defensor	Vice-Chairman, President & CEO
Mr. Segundo M. Gaston	SVP, Support & Subsidiaries
Ms. Miriam M. Pasetes	SVP, Chief Finance Officer
Atty. Glenna Jean R. Ogan	SAVP, Head, Corporate Legal and Concurrently Corporate Secretary
Ms. Janice Day E. Alejandrino	VP, Head, Human Resources and Administration Division
Mr. Manuel Luis C. Antonio	VP, Head, South Luzon Tollway Division
Mr. Abraham P. Sales	AVP, SLEX Group
Ms. Susan R. Vales	AVP, Head, Corporate Controllershship

PNCC being a government acquired asset corporation, the Directors are nominated by the President of the Philippines (Malacanang) and serve at his pleasure.

The top-level executive and management officers of the company are appointed/elected by the Board of Directors.

COMPENSATION OF DIRECTORS/EXECUTIVE OFFICERS

Information as to the aggregate compensation (including management fees) paid or incurred during its calendar period to the company's CEO and four most highly compensated executive officers as follows:

Paid to	Amount
Ma. Theresa T. Defensor	- President
Segundo M. Gaston	- Senior Vice President
Miriam M. Pasetes	- Senior Vice President
Janice Day E. Alejandrino	- Vice President
Glenna Jean R. Ogan	- Vice President and Corporate Secretary

All above named officers as a group

₱ 20.141 Million

All other directors and above named officers as group

₱ 45.149 Million

Except for the regular company retrenchment/retirement plan, which by its very nature will be received by the officers concerned only upon retirement/separation from the company, the above mentioned officers do not received any other compensation from the company in the form of warrants, option and/or profit sharing.

EXHIBITS AND SCHEDULES

Exhibits and Reports on SEC Form 17-C

- (a) Exhibit – none
- (b) Reports on SEC Form 17 – c

SIGNATURES

Pursuant to the requirement of Section 17 of the Corporation Code and Section 141 of the Corporation Code, this report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of _____ on _____.


By:



MIRIAM M. PASETES
Principal Financial Officer

SUBSCRIBED AND SWORN to before me this
APR 11 2012 in MUNTINLUPA CITY affiants exhibiting
to me her Government issued I.D. SSS no. 03-284-665-1.

Doc. No.: 6/
Book No. 5
Page No. 14
Series of 2012



ATTY. REYNAN G. RETAZO
NOTARY PUBLIC FOR MUNTINLUPA CITY
APPT. NO. NC 11-023, UNTIL DECEMBER 31, 2012
EMERALD II BLDG. MONTH LAGO ST. ALABANG MUNT. CITY
PTR. NO. 0907580/01-13-12/MUNTINLUPA CITY
IBPN NO. 880267/01-09-12/PPLM
MCLE COMPLIANCE NO. III-0007350
TEL. No. 994-0939/retazolawoffices@yahoo.com