Metro Pacific Tollways Corporation
(A Subsidiary of Metro Pacific Investments Corporation)
and Subsidiaries

Consolidated Financial Statements
December 31, 2020 and 2019

and

Independent Auditor's Report

SGV
Building a better working world

A member firm of Ernst & Young Global Limited

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BOA/PRC Reg. No. 0001,
October 4, 2018, valid until August 24, 2021
SEC Accreditation No. 0012-FR-5 (Group A),
November 6, 2018, valid until November 5, 2021

INDEPENDENT AUDITOR'S REPORT

The Board of Directors and Stockholders
Metro Pacific Tollways Corporation

Opinion

We have audited the consolidated financial statements of Metro Pacific Tollways Corporation (a subsidiary of Metro Pacific Investments Corporation) and its subsidiaries (the Company), which comprise the consolidated balance sheets as at December 31, 2020 and 2019, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated balance sheets of the Company as at December 31, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

We conducted our audits in accordance with Philippine Standards on Auditing (PSAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics for Professional Accountants in the Philippines (Code of Ethics) together with the ethical requirements that are relevant to our audit of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with PFRSs, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with PSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with PSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

SYCIP GORRES VELAYO & CO.

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PTR No. 8534334, January 4, 2021, Makati City

March 12, 2021

METRO PACIFIC TOLLWAYS CORPORATION
(A Subsidiary of Metro Pacific Investments Corporation)
AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(Amounts in Millions)

	December 31	
	2020	2019
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 7 and 33)	**₱7,435**	₱8,652
Restricted cash (Note 7)	**814**	1,500
Receivables (Notes 8 and 21)	**1,197**	1,096
Financial assets at fair value through profit or loss (FVTPL) (Notes 15 and 34)	**1,577**	808
Financial assets at fair value through other comprehensive income (FVOCI) (Notes 15 and 34)	**150**	295
Due from related parties (Note 21)	**149**	151
Other current assets (Note 9)	**4,688**	3,477
Total Current Assets	**16,010**	15,979
Noncurrent Assets		
Investments in associates (Note 10)	**14,971**	16,159
Service concession assets (Note 11)	**133,619**	110,178
Property and equipment (Note 12)	**1,901**	2,753
Goodwill and other intangible assets (Note 13)	**9,784**	9,765
Investment properties (Note 14)	**571**	341
Financial assets at FVOCI (Notes 15 and 34)	**831**	788
Pension assets (Note 27)	**2**	4
Deferred tax assets - net (Note 31)	**97**	162
Advances to contractors, consultants and suppliers - net of current portion (Notes 9 and 32)	**1,964**	4,576
Other noncurrent assets (Notes 16 and 32)	**3,180**	1,722
Total Noncurrent Assets	**166,920**	146,448
	₱182,930	₱162,427

LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Notes 17 and 21)	**₱12,259**	₱10,215
Short-term loans (Note 19)	**2,200**	3,576
Income tax payable	**373**	567
Current portion of:		
Long-term debt (Notes 19 and 34)	**7,820**	2,390
Service concession fee payable (Notes 20 and 34)	**4,368**	4,368
Provisions (Note 18)	**248**	478
Consumer financing liabilities	**9**	16
Due to related parties (Note 21)	**6**	–
Total Current Liabilities	**27,283**	21,610

(Forward)

	December 31	
	2020	2019
Noncurrent Liabilities		
Noncurrent portion of:		
Long-term debt (Notes 19 and 34)	**₱75,741**	₱61,847
Service concession fees payable (Notes 20 and 34)	**14,389**	17,622
Provisions (Note 18)	**900**	628
Due to related parties (Note 21)	**616**	257
Consumer financing liabilities	**3**	12
Long-term incentive plan payable (Note 27)	**357**	434
Accrued retirement costs (Note 27)	**429**	292
Deferred tax liabilities - net (Note 31)	**3,181**	3,962
Other noncurrent liabilities (Notes 17 and 32)	**1,211**	1,031
Total Noncurrent Liabilities	**96,827**	86,085
Total Liabilities	**124,110**	107,695
Equity (Note 22)		
Capital stock	**6,678**	13,282
Additional paid-in capital	**32,158**	28,865
Deposits for future stock subscription	**1**	–
Equity adjustment on reverse acquisition	**(581)**	(581)
Retained earnings	**15,299**	14,802
Treasury shares	**–**	(6,965)
Other comprehensive income reserve	**(803)**	526
Other reserves	**(2,735)**	(3,082)
Total equity attributable to equity holders of the Parent	**50,017**	46,847
Non-controlling interests	**8,803**	7,885
Total Equity	**58,820**	54,732
	₱182,930	₱162,427

See accompanying Notes to Consolidated Financial Statements.

METRO PACIFIC TOLLWAYS CORPORATION
(A Subsidiary of Metro Pacific Investments Corporation)
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
(Amounts in Millions)

	Years Ended December 31	
	2020	2019
OPERATING REVENUES		
Toll fees (net of discounts amounting to ₱316 million in 2020 and ₱219 million in 2019)	**₱13,564**	₱18,503
Sales of electronic tags and magnetic cards	**13**	12
	13,577	18,515
Non-toll revenues (Note 23)	**854**	1,170
TOTAL REVENUES	**14,431**	19,685
COST OF SERVICES (Note 24)	**(6,023)**	(6,842)
GROSS PROFIT	**8,408**	12,843
Construction revenue (Note 11)	**22,748**	23,368
Construction costs (Note 11)	**(22,748)**	(23,368)
General and administrative expenses (Note 25)	**(2,493)**	(2,505)
Interest expense and other finance costs (Note 29)	**(2,824)**	(2,450)
Equity in net earnings of associates (Note 10)	**297**	623
Interest income (Note 28)	**287**	510
Foreign exchange gain (loss) - net	**(32)**	47
Other income (Note 30)	**657**	228
INCOME BEFORE INCOME TAX	**4,300**	9,296
PROVISION FOR (BENEFIT FROM) INCOME TAX (Note 31)		
Current	**1,449**	2,434
Deferred	**(537)**	76
	912	2,510
NET INCOME	**₱3,388**	₱6,786
Attributable to:		
Equity holders of the Parent Company	**₱2,296**	₱4,926
Non-controlling interests	**1,092**	1,860
	₱3,388	₱6,786

See accompanying Notes to Consolidated Financial Statements.

METRO PACIFIC TOLLWAYS CORPORATION
(A Subsidiary of Metro Pacific Investments Corporation)
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Millions)

	Years Ended December 31	
	2020	2019
NET INCOME	**₱3,388**	₱6,786
OTHER COMPREHENSIVE INCOME (LOSS) (Note 22)		
Other comprehensive income (loss) to be reclassified to profit or loss in subsequent periods:		
Share in other comprehensive income (loss) of associates (Notes 10 and 22)	**(1,128)**	510
Exchange differences on translation of foreign operations (Note 22)	**(889)**	(78)
Gain on change in fair value of debt instruments at FVOCI (Notes 15 and 22)	**2**	3
	(2,015)	435
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:		
Remeasurement loss on defined benefit retirement plan (Notes 22 and 27)	**(48)**	(107)
Gain (loss) on fair value change in fair value of equity instruments at FVOCI (Notes 15 and 22)	**16**	(11)
Income tax effect (Notes 22 and 31)	**7**	45
	(25)	(73)
TOTAL OTHER COMPREHENSIVE INCOME (LOSS)	**(2,040)**	362
TOTAL COMPREHENSIVE INCOME	**₱1,348**	₱7,148
Attributable to:		
Equity holders of the Parent Company	**₱978**	₱5,296
Non-controlling interests	**370**	1,852
	₱1,348	₱7,148

See accompanying Notes to Consolidated Financial Statements.

METRO PACIFIC TOLLWAYS CORPORATION
(A Subsidiary of Metro Pacific Investments Corporation)
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2020 AND 2019
(Amounts in Millions)

	Attributable to Equity Holders of the Parent										
	Capital Stock (Note 22)	Additional Paid-in Capital (Note 22)	Deposits for Future Stock Subscription (Note 22)	Equity Adjustment on Reverse Acquisition (Note 22)	Retained Earnings (Note 22)	Treasury Shares (Note 22)	Other Comprehensive Income Reserve (Note 22)	Other Reserves (Note 22)	Total	Non-controlling Interests	Total Equity
At January 1, 2020	**₱13,282**	**₱28,865**	**₱–**	**(₱581)**	**₱14,802**	**(₱6,965)**	**₱526**	**(₱3,082)**	**₱46,847**	**₱7,885**	**₱54,732**
Total comprehensive income for the year:											
Net income	**–**	**–**	**–**	**–**	**2,296**	**–**	**–**	**–**	**2,296**	**1,092**	**3,388**
Other comprehensive loss (Note 22)	**–**	**–**	**–**	**–**	**–**	**–**	**(1,318)**	**–**	**(1,318)**	**(722)**	**(2,040)**
Issuance of new shares (Note 22)	**255**	**3,399**	**–**	**–**	**–**	**–**	**–**	**–**	**3,654**	**–**	**3,654**
Deposits for future stock subscription (Note 22)	**–**	**–**	**1**	**–**	**–**	**–**	**–**	**–**	**1**	**–**	**1**
Retirement of treasury shares (Note 22)	**(6,859)**	**(106)**	**–**	**–**	**–**	**6,965**	**–**	**–**	**–**	**–**	**–**
Cash dividends (Note 22)	**–**	**–**	**–**	**–**	**(1,799)**	**–**	**–**	**–**	**(1,799)**	**–**	**(1,799)**
Dividends declared to non-controlling stockholders (Note 22)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(769)**	**(769)**
Acquisition of non-controlling interests (Note 5)	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**79**	**79**	**(109)**	**(30)**
Disposal of non-controlling interests (Note 5)	**–**	**–**	**–**	**–**	**–**	**–**	**(11)**	**268**	**257**	**1,426**	**1,683**
At December 31, 2020	**₱6,678**	**₱32,158**	**₱1**	**(₱581)**	**₱15,299**	**₱–**	**(₱803)**	**(2,735)**	**₱50,017**	**8,803**	**₱58,820**
At January 1, 2019	₱13,150	₱26,217	₱–	(₱581)	₱12,165	(₱6,965)	₱103	(₱2,592)	₱41,497	₱10,484	₱51,981
Total comprehensive income for the year:											
Net income	–	–	–	–	4,926	–	–	–	4,926	1,860	6,786
Other comprehensive income (loss) (Note 22)	–	–	–	–	–	–	370	–	370	(8)	362
Issuance of new shares (Note 22)	132	2,648	–	–	–	–	–	–	2,780	–	2,780
Cash dividends (Note 22)	–	–	–	–	(2,348)	–	–	–	(2,348)	–	(2,348)
Dividends declared to non-controlling stockholders (Note 22)	–	–	–	–	–	–	–	–	–	(1,459)	(1,459)
Acquisition of non-controlling interests (Note 5)	–	–	–	–	–	–	–	(442)	(442)	(2,996)	(3,438)
Recycling to profit or loss (Notes 15 and 22)	–	–	–	–	–	–	62	–	62	–	62
Reclassification	–	–	–	–	59	–	(9)	(50)	–	–	–
Impact of finalizing purchase price allocation of a subsidiary (Note 5)	–	–	–	–	–	–	–	2	2	4	6
At December 31, 2019	₱13,282	₱28,865	₱–	(₱581)	₱14,802	(₱6,965)	₱526	(₱3,082)	₱46,847	₱7,885	₱54,732

See accompanying Notes to Consolidated Financial Statements

METRO PACIFIC TOLLWAYS CORPORATION
(A Subsidiary of Metro Pacific Investments Corporation)
AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Millions)

	Years Ended December 31	
	2020	2019
OPERATING ACTIVITIES		
Income before income tax	**₱4,300**	₱9,296
Adjustments to reconcile income before tax to net cash flows:		
Interest expense and other finance costs (Note 29)	**2,824**	2,450
Amortization of service concession assets (Notes 11 and 24)	**1,372**	1,687
Depreciation (Notes 12, 14, 24 and 25)	**578**	318
Equity in net earnings of associates (Note 10)	**(297)**	(623)
Interest income (Note 28)	**(287)**	(510)
Retirement costs (Note 27)	**167**	117
Long-term incentive plan expense (Note 27)	**163**	149
Dividend income (Note 30)	**(55)**	(66)
Unrealized foreign exchange loss (gain)	**32**	(45)
Gain on remeasurement of financial assets (Note 30)	**(21)**	(45)
Amortization of other intangible assets (Notes 13, 24 and 25)	**19**	8
Gain on sale of property and equipment (Note 12)	**(8)**	(1)
Loss on sale of investment in bonds (Note 15)	**–**	96
Operating income before working capital changes	**8,787**	12,831
Working capital changes:		
Decrease (increase) in:		
Restricted cash	**686**	163
Receivables	**(15)**	99
Inventories	**(56)**	(13)
Due from related parties	**2**	57
Other current assets	**(1,155)**	(746)
Increase (decrease) in:		
Accounts payable and other current liabilities	**1,505**	2,906
Due to related parties	**365**	(7)
Long-term incentive plan payable	**(240)**	149
Provisions	**31**	277
Income tax paid	**(1,668)**	(2,303)
Retirement contributions (Note 27)	**(62)**	(72)
Net cash flows from operating activities	**8,180**	13,341

(Forward)

	Years Ended December 31	
	2020	2019
INVESTING ACTIVITIES		
Decrease (increase) in other noncurrent assets	**₱7,489**	(₱646)
Dividends received (Notes 10 and 15)	**327**	397
Interest received	**282**	445
Acquisition of:		
Investment in UITF and financial assets at OCI (Note 15)	**(5,710)**	(8,974)
Subsidiary (Note 5)	**(63)**	(90)
Non-controlling interest	**(33)**	–
Additions to:		
Service concession assets (Notes 11 and 36)	**(24,623)**	(24,630)
Property and equipment (Note 12)	**(1,395)**	(1,468)
Investment properties (Note 14)	**(238)**	(24)
Other intangible assets (Note 13)	**(33)**	(34)
Proceeds from:		
Sale of investment in UITF (Note 15)	**4,938**	8,879
Sale of interest in subsidiary (Note 5)	**1,682**	–
Maturity of investment in bonds (Note 15)	**70**	61
Sale of investment in bonds (Note 15)	**50**	915
Sale of property and equipment (Note 12)	**20**	68
Net cash flows used in investing activities	**(17,237)**	(25,101)
FINANCING ACTIVITIES		
Proceeds from:		
Long-term debts and short-term loans (Note 19)	**30,732**	26,692
Issuance of new shares less transaction costs (Note 22)	**3,654**	2,780
Deposits for future stock subscription (Note 22)	**1**	–
Payments of:		
Long-term debts and short-term loans (Note 19)	**(12,104)**	(8,180)
Interest	**(6,982)**	(3,135)
Service concession fees payable (Note 20)	**(4,368)**	–
Dividends to stockholders (Note 22)	**(1,797)**	(2,344)
Dividends to non-controlling stockholders (Note 22)	**(1,067)**	(2,284)
Debt issue costs (Note 19)	**(177)**	(206)
Principal portion of lease liability (Note 17)	**(17)**	(22)
Interest portion of lease liability (Note 29)	**(3)**	(4)
Net cash flows from financing activities	**7,872**	13,297
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(1,185)**	1,537
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(32)**	(47)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR (Note 7)	**8,652**	7,162
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 7)	**₱7,435**	₱8,652

See accompanying Notes to Consolidated Financial Statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Corporate Information

General
Metro Pacific Tollways Corporation (MPTC or the Parent Company) was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on February 24, 1970. The primary purpose of MPTC is that of investment holding.

MPTC is 99.9% owned by Metro Pacific Investments Corporation (MPIC). MPIC is a publicly listed Philippine corporation and is 43.1% and 41.9% owned by Metro Pacific Holdings, Inc. (MPHI) as at December 31, 2020 and 2019. As sole holder of the voting Class A Preferred Shares, MPHI's combined voting interest as a result of all of its shareholdings is estimated at 56.2% and 55.0% as at December 31, 2020 and 2019, respectively. MPHI is a Philippine corporation whose stockholders are Enterprise Investment Holdings, Inc. (EIH) (60.0%), Intalink B.V. (26.7%) and First Pacific International Limited (FPIL) (13.3%). First Pacific Company Limited (FPC), a company incorporated in Bermuda and listed in Hong Kong, through its subsidiaries, Intalink B.V. and FPIL, holds 40.0% equity interest in EIH and an investment financing which under Hong Kong Generally Accepted Accounting Principles, require FPC to account for the results and assets and liabilities of EIH and its subsidiaries as part of FPC group of companies in Hong Kong.

In December 2012, the Philippine Stock Exchange (PSE) approved the Parent Company's petition of voluntary delisting and accordingly ordered the delisting of the Parent Company's shares effective December 21, 2012.

The registered office address of the Parent Company is 7th Floor, L.V. Locsin Building, 6752 Ayala corner Makati Avenues, Legaspi Village, Makati City.

The consolidated financial statements were approved and authorized for issuance by the Parent Company's Board of Directors (BOD) on March 12, 2021, as reviewed and recommended for approval by the Audit Committee.

Tollway Operations
MPTC and its subsidiaries (collectively referred to as "the Company") entered into various concession agreements for the design, funding, management, operation and maintenance (O&M) of toll roads and related facilities within and outside the Philippines.

A complete list of the Parent Company's subsidiaries is presented in Note 38 to the consolidated financial statements.

North Luzon Expressway (NLEX). In April 1998, NLEX Corporation (NLEX Corp.), a subsidiary through MPTC's wholly owned subsidiary, Metro Pacific Tollways North Corporation (MPT North), was granted the concession for the rehabilitation, modernization, expansion and operation of the NLEX, including the installation of appropriate collection system therein.

The NLEX consists of three (3) phases as follows:

Phase I	Rehabilitation and expansion of approximately 84-kilometers (km) of the existing NLEX and an 8.5-km stretch of a Greenfield expressway that connects Tipo in Hermosa, Bataan to Subic (Segment 7)
Phase II	Construction of the northern parts of the 17-km circumferential road C5 which connects the current C5 expressway to the NLEX and the 5.85-km road from McArthur Highway to Letre
Phase III	Construction of the 57-km Subic arm of the NLEX to Subic Expressway

The construction of Phase I was substantially completed in January 2005. On January 27, 2005, the Toll Regulatory Board (TRB) issued the Toll Operation Permit (TOP) for the O&M of Phase I consisting of Segments 1, 2, 3 and including Segment 7 in favor of NLEX Corp. Thereafter, NLEX Corp. took over the NLEX from Philippine National Construction Corporation (PNCC) and commenced its tollway operations on February 10, 2005.

Segment 8.1, a portion of Phase II, which is a 2.7-km road designed to link Mindanao Avenue to the NLEX, had officially commenced tollway operation on June 5, 2010. Segment 9, a portion of Phase II, which is a 2.4-km road connecting NLEX to the McArthur Highway, had officially commenced tollway operation on March 19, 2015. The construction of Segment 10, a portion of Phase II, which is a 5.76-km four-lane, elevated expressway that will start from the terminal of Segment 9 in Valenzuela City going to Circumferential Road 3 (C-3 Road) in Caloocan City above the alignment of Philippine National Railway (PNR) tracks, was completed on February 26, 2019 and was officially opened to the public on March 1, 2019. The remaining portion of Phase II is nearing completion while Phase III of the NLEX has not yet been started as at March 12, 2021.

Subic-Clark-Tarlac Expressway (SCTEX). Pursuant to the Toll Operation Certificate (TOC) received from the TRB and agreements covering the SCTEX, NLEX Corp. has commenced the management and O&M of the SCTEX on October 27, 2015. The SCTEX is a 93.77-km four-lane divided highway, traversing the provinces of Bataan, Pampanga and Tarlac.

NLEX-South Luzon Expressway (SLEX) Connector Road Project (NLEX-SLEX Connector Road). On November 23, 2016, NLEX Corp. was awarded the concession for the design, financing, construction and O&M of the 8-km elevated NLEX-SLEX Connector Road. The NLEX-SLEX Connector Road is an elevated four-lane toll expressway structure with a length of 8-km passing through and above the right of way of the PNR starting from NLEX Segment 10 at C-3 Road Caloocan City and seamlessly connecting to SLEX through Metro Manila Skyway Stage 3 Project in Manila. As at March 12, 2021, the construction of the NLEX-SLEX Connector Road Section 1 has started while the bidding process for Section 2 is on-going.

Manila-Cavite Expressway (*CAVITEX).* MPTC, Cavitex Holdings, Inc. (CHI) and Cavitex Infrastructure Corp. (CIC) executed a Management Letter-Agreement (MLA) on December 27, 2012 for the management of CIC by MPTC starting on January 2, 2013. By virtue of this MLA, MPTC acquired control over CIC and therefore, CIC became a subsidiary of MPTC effective January 2, 2013.

CIC was incorporated on October 9, 1995 primarily to undertake the design, construction and financing of the CAVITEX in accordance with the terms of the concession granted by the Government of the Republic of the Philippines (ROP or the Grantor) and to receive all revenues arising from the operation thereof. CIC was originally organized to represent United Engineers (Malaysia) Berhad (UEM) and Majlis Amanah Rakyat (MARA), which entered into a joint venture agreement (JVA) with the Philippine Reclamation Authority (PRA) on December 27, 1994.

Under the amended JVA, each of the following expressways shall be constructed in segments. Each segment shall allow partial operation to be carried out as follows:

Phase I	Design and improvement of the 6.5-km R-1 Expressway which connects the Airport Road to Zapote and the design and construction of the 7-km R-1 Expressway Extension which connects the existing R-1 Expressway at Zapote to Noveleta
Phase II	Design and construction of the C5 South Link Expressway (C5 South Link) which connects the R-1 Expressway to the SLEX

CIC commenced the rehabilitation of the R-1 Expressway in November 1996 and completed the works in May 1998. On April 29, 2011, as recommended by the independent consultant, the TRB issued the notice to start toll collection on the R-1 Expressway Extension authorizing the implementation of the approved toll rates starting May 1, 2011.

C5 South Link 3A-1, portion of the CAVITEX Phase II, which is a 2.2-km flyover crossing SLEX traversing Taguig and Pasay City, commenced tollway operation in July 2019. The remaining portions of the CAVITEX Phase II is expected to be completed in 2023.

Cavite Laguna Expressway Project (CALAX). On July 10, 2015, MPCALA Holdings, Inc. (MPCALA), a subsidiary through MPT North, was granted the concession to finance, design, construct, operate and maintain the CALAX, including the right to collect toll fees until July 2050. The CALAX involves the construction of 44.63-km closed-system four-lane toll road from the CAVITEX in Kawit, Cavite through Aguinaldo Highway in Silang, Cavite and ending at the SLEX Mamplasan Interchange in Biñan, Laguna. The CALAX will be divided into two (2) segments as follows:

Cavite Segment	Approximately 26.48-km portion of the CALAX, which starts in Tirona Highway, Kawit, Cavite and ends in Aguinaldo Highway, Silang, Cavite
Laguna Segment	Approximately 18.15-km portion of the CALAX, which starts in Aguinaldo Highway, Silang, Cavite Interchange up to the Greenfield Property in Biñan, Laguna

On October 31, 2019, the Company opened the Subsections 6-8, portion of the CALAX Laguna Segment, which is the first 10-km stretch of CALAX from Mamplasan Exit in Biñan City, Laguna to the Santa Rosa-Tagaytay Interchange with no toll fees. The construction of Subsection 5 (Silang East Interchange to Santa Rosa-Tagaytay Interchange) has also started.

On February 10, 2020, TRB issued Notice to Start Collection for the initial toll rates for Subsections 6-8 of the CALAX effective February 11, 2020. MPCALA was granted a provisional initial toll for the 10.7-km segment of CALAX effective on February 11, 2020.

As at March 12, 2021, the pre-construction works for CALAX Cavite Segment is ongoing. Full completion of the CALAX is expected in 2023.

Cebu-Cordova Link Expressway (CCLEX). On October 3, 2016, Cebu Cordova Link Expressway Corporation (CCLEC), a subsidiary through Metro Pacific Tollways Vizmin Corporation (MPT Vizmin), was awarded the concession for the financing, design, construction, implementation and O&M of CCLEX, a four-lane 8.5-km toll road which will connect Cebu City and Cordova and will include a main bridge structure, viaduct, causeway and roadway. CCLEX is located around 7.5-km south of the Mactan-Mandaue Bridge and will take off from the Cebu South Coastal Road crossing the Mactan channel to Mactan Island. The CCLEX had commenced construction in July 2018 and expected to be completed in 2022.

Ujung Pandang toll road (PT Bosowa Marga Nusantara (BMN) concession). BMN, a subsidiary of PT Metro Pacific Tollways Indonesia (PT MPTI) through PT Nusantara Infrastructure Tbk (PT Nusantara), and PT Jasa Marga (Persero) Tbk (Jasa Marga), a third-party toll road operator in Indonesia, entered into a joint operation agreement for the operations of Ujung Pandang toll road. BMN will operate the said toll road for 30 years and after which, the toll roads, including all the facilities in the area, will be handed over to Jasa Marga. The toll road has been in operation since 1998. PT MPTI is a wholly owned subsidiary of MPTC.

On October 23, 2017, BMN was granted by the Ministry of Public Works of the Republic of Indonesia the extension of the concession period for the Ujung Pandang toll road to 2043.

Ujung Pandang toll road is a 6.0-km toll road connects Soekarno-Hatta port in Makassar and A.P. Pettarani road (Urip Sumoharjo flyover). Pettarani toll road, which is an extension of the Ujung Pandang toll road, is a 4.4-km toll road that will connect Soekarno-Hatta Port (Makassar) and Sultan Hasanuddin International Airport to Makassar's business district and city center. As at March 12, 2021, construction of the Pettarani toll road is still ongoing and is expected to be completed within 2021.

Makassar Section IV toll road (PT Jalan Tol Seksi Empat (JTSE) concession). JTSE, a subsidiary of PT MPTI through PT Nusantara, entered into a Toll Road Concessionaire Agreement with the Ministry of Public Works of the Republic of Indonesia for the right to develop, operate and maintain Makassar Section IV Toll Road for a period of 35 years, including construction period. The toll road has been in operation since 2008.

Makassar Section IV toll road is a 12-km toll road that connects Tallo Bridge to the Mandai Makassar intersection, providing access to Sultan Hasanuddin International Airport as well as the national road to Maros, Indonesia.

Pondok Aren-Serpong toll road lane (PT Bintaro Serpong Damai (BSD) concession). BSD, a subsidiary of PT MPTI through PT Nusantara, entered into a Toll Road Operational Authority Agreement with Jasa Marga for the development and operations of Pondok Aren-Serpong toll road lane for a period of 28 years, including construction period. The toll road has been in operation since 1999.

Pondok Aren-Serpong toll road lane is a 7.3-km toll road that connects Serpong and Pondok Aren, South Tangerang, Indonesia.

2. Service Concession Arrangements

Supplemental Toll Operation Agreement (STOA) for the NLEX

By virtue of Presidential Decree (PD) No. 1113 issued on March 31, 1977 as amended by PD No. 1894 issued on December 22, 1983, PNCC was granted the franchise for the construction, and O&M of toll facilities in the NLEX, SLEX and Metro Manila Expressway. PNCC executed a Toll Operation Agreement (TOA) with the Government of the Republic of the Philippines (ROP), by and through the TRB.

Pursuant to the Joint Venture Agreement (JVA) entered into by PNCC and MPT North (then First Philippine Infrastructure Development Corporation or FPIDC) on August 29, 1995, PNCC assigned its rights, interests and privileges under its franchise to construct, operate and maintain toll facilities in the NLEX in favor of NLEX Corp., including the design, funding and rehabilitation of the NLEX, and installation of the appropriate collection system therein. MPT North, in turn, assigned all its rights, interests and privileges to Segment 7, as defined in the Memorandum of Agreement (MOA) dated March 6, 1995, to NLEX Corp., which assumed all the rights and obligations as a necessary and integral part of the NLEX. The assignment of PNCC's usufructuary rights, interests and privileges under its franchise, to the extent of the portion pertaining to the NLEX, was approved by the then President of the ROP. On October 10, 1995, the Department of Justice (DOJ) issued Opinion No. 102, Series of 1995, noting the authority of the TRB to grant authority to operate a toll facility and to issue the necessary TOC. On November 24, 1995, in a letter by the then Secretary of Justice to the then Secretary of Public Works and Highways, the Secretary of Justice reiterated and affirmed the authority of the TRB to grant authority to operate a toll facility and to issue the necessary TOC in favor of PNCC and its joint venture partner for the proper and orderly construction, O&M of the NLEX as a toll road during the concession period.

In April 1998, the ROP (Grantor), acting by and through the TRB, PNCC (Franchisee) and NLEX Corp. (Concessionaire) executed the STOA for the Manila-North Expressway, whereby the ROP granted NLEX Corp. the rights, obligations and privileges including the authority to finance, design, construct, operate and maintain the project roads as toll roads (the "Concession") commencing upon the date the STOA comes into effect until December 31, 2030 or 30 years after the issuance of the TOP for the last completed phase, whichever is earlier, unless further extended pursuant to the STOA.

The PNCC franchise expired on May 1, 2007. Pursuant to the STOA, the TRB issued the necessary TOC for the NLEX in order to allow the continuation of the Concession. As further discussed in Note 32 to the consolidated financial statements, NLEX Corp. pays a certain amount in consideration for the usufructuary rights, interests and privileges under the franchise.

Also, under the STOA, NLEX Corp. shall pay for the Grantor's project overhead expenses based on certain percentages of total construction costs or of periodic maintenance works on the project roads.

Upon expiry of the concession period, NLEX Corp. shall hand-over the project roads to the Grantor without cost, free from any and all liens and encumbrances and fully operational and in good working condition, including any and all existing land acquired, works, toll road facilities and equipment found therein directly related to and in connection with the operation of the toll road facilities.

In October 2008, in consideration of the construction of Segment 8.1, TRB approved NLEX Corp.'s proposal to extend the concession term for Phase I and Segment 8.1 of the NLEX until December 31, 2037.

From 2007 to 2010, NLEX Corp. obtained TRB's approval for certain amendments to the STOA for the NLEX which includes (a) the integration of Segment 10 into Phase II – July 2007; (b) amendment of adjustment formula for the Authorized Toll Rate (ATR) by removing the foreign exchange factor – June 2008; (c) adoption of an integrated operations period for Phase I and Segment 8.1 and extension of the concession period until December 31, 2037 – October 2008; (d) modification of alignments of Phase II Segments 9 and 10 – February 2010; and the following approvals in relation to Phase II Segments 9 and 10 project: (i) adoption of the 2008 TRB approved ATR formula (ATRF) for five (5) years following the completion of Segment 9; (ii) continuation of the implementation of the ATRF for ten (10) years from commercial operation of Segment 10; and (iii) approval of the additional ₱6.00 (exclusive of value-added tax or VAT) adjustment to the Open System toll rate upon completion of Segment 10.

On November 6, 2017, pursuant to the 2013 Revised Rules of the TRB and in accordance with Clause 3.5 of the STOA, NLEX Corp. implemented the TRB approved add-on toll rate petition for the NLEX widening project amounting to an additional ₱0.25/km (exclusive of VAT) for the Closed System.

On March 20, 2019, pursuant to the approval of 2012 and 2014 Petitions for approval of periodic toll rate adjustment with application for provisional relief, NLEX Corp. implemented the TRB approved toll rate adjustments, authorizing NLEX Corp. to collect a total of ₱10.00 (exclusive of VAT) additional toll fees for the Open System and ₱0.18/km (exclusive of VAT) for the Closed System. Included in the adjustments are the (a) new add on toll rate of ₱6.00 (exclusive of VAT) applicable to the Open System on the completion of the Harbor Link Segment 10, and (b) the first tranche of the approved periodic adjustments due in 2012 and 2014 amounting to an additional ₱4.00 (exclusive of VAT) in the Open System and ₱0.18/km (exclusive of VAT) in the Closed System.

On November 23, 2020, the TRB approved the adjustment of ₱4.00 following the completion and opening of the NLEX Harbor Link – C3: R-10 Section in June 2020. The toll increase amounting to ₱4.00 in the open system and ₱0.06 per kilometer in the closed system took effect on November 25, 2020 which consisted of the adjustments for the NLEX Harbor Link - C3: R-10 Section, 2nd tranche of staggered implementation of 2012 and 2014 petitions, and reversal of ₱1.00 discount in the open system.

<u>Agreements covering the SCTEX</u>
On February 26, 2015, NLEX Corp. and the Bases Conversion and Development Authority (BCDA) entered into the Business Agreement (BA) covering the assignment by BCDA to NLEX Corp. of its rights, interest and obligations under the TOA relating to the management and O&M of the SCTEX (which shall include the exclusive right to possess and use the SCTEX toll road and facilities and the right to collect toll). BCDA shall retain all rights, interests and obligations under the TOA relating to the design, construction and financing of the SCTEX. Nevertheless, NLEX Corp. and BCDA hereby acknowledge that BCDA has, as of date of the BA, designed, financed and constructed the SCTEX as an operable toll road in accordance with the TOA.

BCDA is a government instrumentality vested with corporate powers created by virtue of Republic Act (RA) No. 7227. Pursuant to Section 4 (b) of RA No. 7227, BCDA undertook the design, construction and O&M of the SCTEX, a major road project to serve as the backbone of a new economic growth corridor in Central Luzon, pursuant to a TOA entered into between BCDA and the ROP, acting through the TRB, on June 13, 2007. In 2008, TRB has issued in favor of BCDA a TOP authorizing the commercial operations of and the collection of tolls in SCTEX.

The term of the BA shall be from October 27, 2015 (effective date) until October 30, 2043 and may be extended subject to mutual agreement of NLEX Corp. and BCDA and the relevant laws, rules and regulations and required government approvals. At the end of the contract term or upon termination of the BA, the SCTEX, as well as the as-built plans, specifications and operation/repair/maintenance manuals relating to the same shall be turned over to BCDA or its successor-in-interest conformably with law, and in all cases in accordance with and subject to the terms and conditions of the STOA. The STOA, which was a supplement to and revision to the TOA, was entered into, by and among the ROP, acting through the TRB, BCDA and NLEX Corp. on May 22, 2015, in order to fully allow NLEX Corp. to exercise its rights and interests under the BA.

In consideration for the assignment by BCDA to NLEX Corp. of its rights to and interests in SCTEX, NLEX Corp. paid BCDA an upfront cash of ₱3.5 billion (inclusive of VAT) upon effectivity of the BA (the Upfront Payment). NLEX Corp. shall also pay BCDA monthly concession fees amounting to 50% of the Audited Gross Toll Revenues of SCTEX for the relevant month from Effective Date to October 30, 2043. NLEX Corp. shall gross up the concession fees by the 12% VAT. NLEX Corp. recorded concession fees of ₱897.8 million and ₱1,299.4 million in 2020 and 2019, respectively, which is included under "Cost of services" account in the consolidated statements of income (see Note 24).

NLEX Corp. also commits to undertake at its own cost the maintenance works/special/major emergency works, other additional works, enhancements and/or improvement works contained in the Maintenance Plans submitted by NLEX Corp. to BCDA from time to time.

On October 22, 2015, NLEX Corp. received the TOC from the TRB for the O&M of the SCTEX. NLEX Corp. officially took over the SCTEX toll facilities and officially commenced the management and O&M of the SCTEX on October 27, 2015.

On June 14, 2019, pursuant to the 2011 Petition for toll rate adjustment for the SCTEX, NLEX Corp. implemented the TRB approved toll rate adjustment for the SCTEX authorizing of an additional ₱0.51/km (exclusive of VAT). Under the approval, motorists traveling from Mabalacat City to Tarlac will pay an additional ₱20.00, ₱40.00 and ₱60.00 under the new toll fee matrix for Class 1, 2 and 3 vehicles, respectively. Meanwhile, motorists traveling between Mabalacat and Tipo in Subic will be charged an additional ₱32.00, ₱66.00, and ₱98.00 for Class 1, 2 and 3 vehicles, respectively.

NLEX-SLEX Connector Road Concession Agreement

In July 2016, after a competitive and comparative public bidding process or Swiss Challenge, NLEX Corp. was declared as the winning proponent to undertake the NLEX-SLEX Connector Road in accordance with Section 10.1 of the Revised Build-Operate-Transfer (BOT) Law and its Revised Implementing Rules and Regulations of 2012.

On November 23, 2016, NLEX Corp. and Department of Public Works and Highways (DPWH) signed the Concession Agreement for the NLEX-SLEX Connector Road. Under the concession agreement, the ROP, acting through the DPWH, granted NLEX Corp. the rights and obligations to finance, design, construct, operate and maintain the NLEX-SLEX Connector Road, including the right to collect toll fees over the concession period as well as commercial revenues and fees from non-toll user related facilities, subject to the right of DPWH to receive revenue share of 5% of commercial revenues from toll user and non-toll user related facilities. The concession period shall commence on the commencement date (being the date of issuance of the Notice to Proceed (NTP) by the DPWH to begin the construction of the NLEX-SLEX Connector Road) and shall end on its 37th anniversary, unless otherwise extended or terminated in accordance with the Concession

Agreement. The concession period includes both the construction period and the operation period and in no event be extended beyond the 50th anniversary of the operation period.

In consideration for granting the basic right of way for the NLEX-SLEX Connector Road, NLEX Corp. shall pay DPWH periodic payments of ₱243.2 million annually which will commence on the first anniversary of the construction completion deadline, as extended, until the expiry of the concession period and will be subject to an agreed escalation every two (2) years based on the prevailing Consumer Price Index (CPI) for the two-year period immediately preceding the adjustment or escalation.

During the concession period, NLEX Corp. shall pay for the project overhead expenses to be incurred by the DPWH or the TRB in the process of their monitoring, inspecting, evaluating and checking the progress and quality of the activities and works undertaken by NLEX Corp. NLEX Corp.'s liability for the payment of the project overhead expenses due to TRB shall not exceed ₱50.0 million and the liability for the payment of the project overhead expenses due the DPWH shall not exceed ₱200.0 million; provided, that these limits may be increased in case of inflation, or in case of additional work due to a concessionaire variation that will result in an extension of the construction period or concession period, upon mutual agreement of the parties in the concession agreement.

Legal title to the NLEX-SLEX Connector Road, including all assets and other improvements constructed therein and all additional and/or enhancement works contributed by NLEX Corp. during the concession period, shall remain with NLEX Corp. until the termination date. At the end of the concession period or upon the termination of the concession agreement, the NLEX-SLEX Connector Road, including all rights, title and interest in the aforesaid assets, shall be turned over to DPWH or to its successor-in-interest conformably with law, and in all cases in accordance with and subject to the terms and conditions of the Concession Agreement. NLEX Corp. shall be prohibited from transferring, alienating, selling, or otherwise disposing the NLEX-SLEX Connector Road.

Pursuant to the Concession Agreement, NLEX Corp. shall preserve the asset so it can be handed back to DPWH in a manner that complies with the pavement performance standards specified in the concession agreement and that all the building and equipment necessary to operate the expressway remain functional and in good condition that is equivalent to prudent industry practice. NLEX Corp. must also manage the maintenance of the assets so that there is a residual asset life that complies with the residual life standards stated in the concession agreement at the end of the concession period.

<u>TOA for the CAVITEX</u>
On July 26, 1996, PRA (Grantee) and CIC entered into a TOA with the ROP, acting through the TRB, to expand the scope and toll collection period of the TOC of PRA and amplify the terms and conditions which are necessary to ensure the financial viability of the CAVITEX. Pursuant to the TOA, PRA will be responsible for the O&M of the expressway while CIC will be responsible for the design and construction of the expressway including its financing.

Construction of CAVITEX in accordance with the schedule provided in the TOA shall be carried out at the expense of CIC, provided that the Grantor shall fulfill all its obligations to CIC. In the event that the total construction costs estimated by the independent consultant are lower by 5.0% or more than the Company's cost estimate, the Grantor and PRA agree that the agreed toll rates shall be adjusted accordingly. The franchise period of each segment of CAVITEX shall be 35 years calculated from the date such segment is substantially completed and can be operated as a toll road.

The expressways shall be owned by the Grantor without prejudice to the rights and entitlement of the Grantee and/or CIC.

Pursuant to the TOA, PRA established PEA Tollways Corporation (PEATC), its wholly owned subsidiary, to undertake the O&M obligations of PRA under the TOA. PEATC would collect the toll fees from the toll paying traffic and deposits such collections to the O&M Account of the joint venture maintained with a local bank.

As provided in the JVA entered into by PRA with MARA and Renong Berhad (Renong) (the JV partners), the joint venture partners shall receive a monthly share equivalent to the excess in cash balance, net of O&M expenses, equivalent to six (6) months O&M for the initial monthly sharing and reduced to one (1) month O&M after such initial sharing, to be distributed as follows: (a) 10.0% for PRA and 90.0% for CIC for the period starting from the CAVITEX completion until the full payment of loans and interest, cost advances, capital investments and return on equity of the parties and (b) 60.0% for PRA and 40.0% for CIC for the remainder of the 35-year toll concession period.

At the end of the toll collection period, the finished segments of the CAVITEX will be transferred to the Grantor.

On November 14, 2006, CIC, PRA and TRB entered into an O&M Agreement, as approved by the Office of the President of the ROP, to clarify and amend certain rights and obligations under the JVA and TOA and to comply with the terms and conditions of the CIC's lenders and its Equity Contractor.

Below are the salient provisions of the O&M Agreement:

1. Redefinition of Phase I and II of the Project

   Phase I of the Project will now relate to the design and improvement of the R-1 Expressway and the design and construction of the R-1 Expressway Extension which consist of Segment 1 (from Seaside Drive to Zapote), Segment 4 (from Zapote to Kawit) and Segment 5 (from Kawit to Noveleta), provided that, subject to the approval of the TRB, Segment 5 will be excluded from Phase I in the event that its construction does not begin within two (2) years from the completion of the design and construction works for Segment 4 that is estimated to be in December 2008. In case of exclusion from Phase I, Segment 5 shall now form part of the Phase II, subject to the approval of the TRB.

   Phase II of the Project will now relate to the design and construction of the C-5 Link Expressway, which consists of Segments 2 and 3 from R-1 Interchange to Sucat Interchange to South Luzon Expressway Interchange, respectively.

2. Change of the Participation of PRA and the Company in the O&M Agreement of Phase I of the Project

   PRA agrees to execute and deliver a voting trust agreement which shall be coupled with an interest covering two-thirds of the outstanding capital stock of PEATC in order to transfer the voting rights over such PEATC shares in favor of the CIC. Such voting rights of CIC over the shares shall be during the period of the loan from syndicated lenders covered by the Omnibus Loan Agreement (OLA) (an OLA was signed by CIC and various lenders in 2006) and the repayment of the Equity Contractor and shall be irrevocable during the aforementioned period.

3. Appointment of Directors and Officers

   As a consequence of the CIC's participation in the O&M Agreement set out in the previous paragraphs, CIC shall nominate five (5) members of the BOD of PEATC while PRA shall nominate two (2) members. PRA shall nominate the Chairman of the BOD and one (1) member as its second nominee as well as the Controller of PEATC, while CIC is entitled to nominate the Chief Executive Officer (CEO), Chief Operating Officer (COO), Treasurer and the Corporate Secretary of PEATC. The Company shall further have the right to nominate other members of the Board and other officers to the key position of PEATC as may be necessary to effectively implement the participation.

4. Amendment of the Revenue Sharing Provisions as Previously Provided under the TOA

   Effective on the first day of the CIC's participation in the O&M, there will be a new and improved distribution of the share in the toll fees of PRA and CIC. PRA shall receive 8.5% of gross toll revenue while CIC shall receive 91.5% of the gross toll revenue and will absorb all O&M costs and expenses. PRA shall no longer share from any of the O&M costs and expenses. The share of PRA shall be increased by 0.5% every periodic toll rate adjustment under the TOA but not to exceed 10.0% of gross toll revenue at any one time during the repayment period of the loan.

   The new PRA share of 8.5% of the gross toll revenue shall be subject to increase as mentioned in the previous paragraph which shall be implemented during the period of:

   a) existence of the loan which is payable for a period of eight (8) years; and
   b) repayment of the Equity Contractor which shall be converted into subordinated debt pari passu with the lenders for a period which shall not exceed an additional three (3) years after the period of eight (8) years.

   Upon repayment in full of the loans and interest costs, advances, capital investment and the return of equity, the Company and PRA shall share at the ratio of 40.0% and 60.0%, respectively, as originally agreed upon under the JVA.

   The current share of PRA based on gross revenue is 9.0% while the Company is 91.0% which took effect on the last toll rate adjustment on January 1, 2009.

5. Amendment of the Conduct of the O&M of the Tollway

   All gross toll revenue collections shall be directly deposited on a daily basis to the respective bank accounts of PRA and the CIC:

   a) The 91.0% share of the Company shall absorb all O&M costs and expenses. CIC shall continue to set aside sinking fund in accordance with the TOA schedule of maintenance per segment. The sinking fund interest income shall remain intact and shall not be subject to revenue sharing of the JVA partners.

   b) The sinking fund which shall remain with PEATC and maintained adequately at all times, shall be solely used for major road repairs and re-pavement and for extraordinary costs and expenses needed by the operation but not provided in the annual budget (see Note 16). Any shortage in the sinking fund shall be the sole responsibility of CIC; and

   c) All disbursements for O&M shall be authorized solely by the Company.

6. Acknowledgement of all parties that in the event of a default under the loan, the Lenders shall be granted step-in rights in respect of the share of the CIC on the revenues from the toll collections in favor of the Lenders as security for the financing provided by such Lenders.

7. Unless otherwise amended, revised or modified by the CIC, PRA and TRB after obtaining the necessary regulatory approvals, the Company's participation in the O&M under this O&M Agreement shall be terminated upon repayment in full of the loans subject of the OLA dated August 25, 2006 and repayment to the Equity Contractor.

In a letter dated May 21, 2010, the PRA confirmed that the effectivity of the O&M Agreement and the voting trust agreement shall be extended for a period of four (4) years or until August 25, 2021, or upon full settlement of the funding obtained by CIC for the completion of CAVITEX.

On June 19, 2019, PRA through its Corporate Secretary, informed CIC that PRA Governing Board approved CIC Stage 1 proposal which is to assume the operation and maintenance rights and obligations of PRA with respect to Segment 3A-1.

CALAX Concession Agreement

On May 26, 2015, after a competitive bidding, the DPWH announced MPCALA as the winning bidder to implement the CALAX. The CALAX will be undertaken using the BOT contractual arrangement, which is one of the Public-to-Private Partnership (PPP) variants specifically authorized under the BOT Law, or RA No. 6957, as amended by RA No. 7718 and its Revised Implementing Rules and Regulations of 2012.

On June 8, 2015, MPCALA received the Notice of Award (NOA) from the DPWH to implement the CALAX. Upon full compliance with all the requirements under the NOA on June 26, 2015, the DPWH issued its Notice of Compliance on June 30, 2015.

On June 25, 2015, MPCALA issued an irrevocable standby letter of credit amounting to ₱700.0 million in favor of DPWH as security for the performance by MPCALA of its obligations under the Concession Agreement for the CALAX.

On July 10, 2015, under the Concession Agreement with DPWH, MPCALA is granted the concession to design, finance, construct, operate and maintain the CALAX, including the right to collect toll fees over a 35-year concession period. MPCALA and DPWH also acknowledge and agree that the concession period shall in no event be extended beyond the 50th anniversary of the operation period.

In consideration for granting the concession, MPCALA shall pay DPWH a concession fee totaling ₱27.3 billion, payable over nine (9) years from signing of the Concession Agreement. On July 10, 2015, MPCALA paid DPWH an upfront fee of ₱5.5 billion representing 20% of the concession fee. The remaining concession fee is payable on an installment basis at the rate of 16% annually beginning on the fifth (5th) year from the contract signing date up to the ninth (9th) year from the contract signing date of the Concession Agreement.

During the concession period, MPCALA shall pay for the project overhead expenses to be incurred by the DPWH and the TRB in the process of their monitoring, inspecting, evaluating and the checking the progress and qualities of the activities and works undertaken by MPCALA which shall not exceed ₱150.0 million and ₱75.0 million, respectively; provided, that these limits may be increased in case of inflation, or in case of additional work due to a concessionaire variation that will result in an extension of the construction period or concession period, upon mutual agreement of the parties in the concession agreement.

Pursuant to the concession agreement, upon issuance of the Certificate of Final Completion by the independent consultant, ownership of all works comprising the CALAX shall vest in the DPWH. Regardless of the ownership of all the works comprising the CALAX, including the Right of Way (ROW), possession, custody and risk of loss or deterioration shall vest in MPCALA during the concession period. Upon termination date or transfer date, whichever is earlier, possession, custody and risk of loss or deterioration of the CALAX, including the ROW, shall vest with the DPWH.

Pursuant to the Concession Agreement, MPCALA shall undertake the construction works of the CALAX in conformance with the design criteria of the Minimum Performance Standards and Specifications (MPSS). MPSS establish the minimum requirements that MPCALA must comply with regard to the design, construction, operation and maintenance of the CALAX. The MPSS also sets out key performance indicators that measure MPCALA's performance and imposes penalties for non-performance. The performance requirements are categorized as (i) operation requirements that include the toll collection system, traffic safety and control system and power and water supply; and (ii) maintenance requirements that include the maintenance of expressway structures, toll plazas and buildings and operating equipment and utilities.

MPCALA shall preserve the asset so it handed back to DPWH in a manner that complies with the pavement performance standards specified in concession agreement. MPCALA must also manage the maintenance of the assets so that there is a residual asset life that complies with the residual life standards stated in the agreement at the end of the concession period.

The DPWH shall determine if MPCALA has fully complied with the requirements for the completion of the CALAX before issuing the Certificate of Final Completion.

<u>CCLEX Concession Agreement</u>
On December 23, 2015, MPT North received the NOA from both the City of Cebu and the Municipality of Cordova (collectively "the LGUs") which authorizes the formation of a joint venture (JV) company and the implementation by the JV company of the CCLEX. The NOA was issued by the LGUs in favor of MPT North after no expression of interest to submit comparative proposals was received by the LGUs.

On April 15, 2016, the LGUs and MPT North have finalized and executed the JVA which governs the LGU's and MPT North's respective rights and obligations to each other in relation to the JV company. The JV company will be responsible for implementing the CCLEX as concessionaire under the JVA. Pursuant to the JVA, CCLEC was incorporated on August 8, 2016.

As indicated in the JVA, the LGUs shall receive a combined share of 2% of the annual toll revenues of the CCLEX. The JVA shall be effective from April 15, 2016 until its termination as indicated in the JVA, which include among others, the termination of the concession agreement for the CCLEX.

On October 3, 2016, CCLEC and the LGUs signed the concession agreement for the CCLEX. Under the concession agreement, CCLEC is granted the concession to design, construct, finance, operate and maintain the CCLEX, including the right to collect toll fees over the concession period. The concession period shall commence from the date the LGUs issued to CCLEC the notice to proceed to start the construction of the CCLEX and shall end after 35 years unless otherwise extended in accordance with the concession agreement.

Throughout the construction period, the LGUs and the TRB shall be allowed to monitor, inspect, evaluate and check the progress and quality of the activities and works undertaken by CCLEC. CCLEC shall directly pay for the cost of project overhead expenses incurred by the LGUs or the TRB in relation to its supervision and monitoring of the activities undertaken by CCLEC, which liability shall not exceed ₱50.0 million each for the LGUs and TRB up to the end of the concession period.

The ownership of all works comprising CCLEX shall vest with the LGUs throughout the concession period.

Pursuant to the concession agreement, CCLEC shall preserve the asset so it can be handed back to the LGUs in a manner that complies with the pavement performance standards specified in the concession agreement and that all the building and equipment necessary to operate the expressway remain functional and in good condition that is equivalent to prudent industry practice. CCLEC must also manage the maintenance of the assets so that there is a residual asset life that complies with the residual life standards stated in the concession agreement at the end of the concession period.

BMN concession covering rights in Ujung Pandang toll road
On August 26,1994, the Ministry of Public Works of the Republic of Indonesia has granted the permission to Jasa Marga and BMN for the development and operations of Ujung Pandang toll road. On August 29, 1994, through Deed No. 322 of Mestariany Habie, S.H., BMN received its rights to operate the Ujung Pandang toll road for 30 years. After the concession period, the toll road and all its facilities on the area will be handed over to Jasa Marga.

On October 23, 2017, BMN obtained Minister Decree from Ministry of Public Works Republic Indonesia containing the extension of the Ujung Pandang toll road up to 2043 (from the previous 2028).

JTSE concession covering rights in Makassar Section IV Toll Road
In 2006, JTSE entered into Toll Road Concessionaire Agreement with the Ministry of Public Works of the Republic of Indonesia for the rights of the Makassar Section IV Toll Road for a period of 35 years including construction period. After the concession period, the toll road and all its facilities on the area will be handed over to Toll Road Regulatory Agency (BPJT). Concession period of JTSE is until 2041.

BSD concession covering rights in Pondok Aren - Serpong Toll Road
In 1996, BSD entered into a Toll Road Operational Authority Agreement with Jasa Marga for the rights of the Pondok Aren-Serpong toll road. Jasa Marga granted BSD the authority to develop and operate the toll road for a period of 28 years including the construction period. Concession period for BSD is until 2028.

BSD will pay Jasa Marga costs in relation to the toll road operation and maintenance fees computed based on a fixed percentage of 5.98% of the toll road revenues.

PT Sarana Catur Tirta Kelola (SCTK) concession covering rights in Cijeruk Water Treatment Plant
In 1995, SCTK entered into a cooperation agreement with the Regional Water Company II Serang (“PDAM”). PDAM appointed SCTK to build and operate the water treatment plant and to transfer it back in 2039.

PT Dain Celicani Cemerlang (DCC) concession covering rights in Medan Water Treatment Plant
On April 24, 2012, DCC, a subsidiary of PT MPTI, entered into a cooperation agreement for the supply of treated water to Kawasan Industri Medanunder (KIM) for a period of 20 years (excluding construction phase). The agreement states that DCC shall build a Water Treatment Plant (WTP) on the land owned by KIM under BOT scheme. Both parties agree the minimum supply of treated water volume at transfer point is 250,000 cubic meter (m^3) per month at IDR 5,800 per m^3 (excluding VAT). The price will be evaluated and adjusted at 10% in every three (3) years or at the time of the increase in electricity, fuel and other tariff which affect production costs directly.

PT Rezeki Perkasa Sejahtera Lestari (RPSL) concession covering rights in Biomass Power Plant
In August 2018, PT Energi Infranusantara (EI), an indirect subsidiary of PT MPTI, acquired 80% of the capital stock of RPSL, a biomass power plant operator.

RPSL has an Electrical Power Purchase Agreement with PT Perusahaan Listrik Negara (Persero) (PLN) for the construction and operation of a Biomass Power Plant for a period of 20 years from the start of operations. Under the agreement, RPSL will supply a portion of the generated power from the power plant to PLN in accordance with the terms and conditions of the agreement.

3. Summary of Significant Accounting Policies

Basis of Preparation
The consolidated financial statements have been prepared on a historical cost basis, except for certain debt and equity financial assets that are measured at fair value. The consolidated financial statements are presented in Philippine Peso, which is the Parent Company's functional currency, and all values are rounded to the nearest million peso (₱000,000), except when otherwise indicated.

Statement of Compliance
The consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs) as issued by the Financial Reporting Standards Council (FRSC).

Basis of Consolidation
The consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries as at and for the years ended December 31, 2020 and 2019.

Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Company controls an investee if, and only if, the Company has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee; and
- The ability to use its power over the investee to affect its returns.

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Company has less than a majority of the voting or similar rights of an investee, the Company considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee;
- Rights arising from other contractual arrangements; and
- The Company's voting rights and potential voting rights.

The Company re-assesses whether it controls an investee if facts and circumstances indicate that there are changes to one or more of the three (3) elements of control. Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Company gains control until the date the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the Parent Company and to the non-controlling interests (NCI), even if this results in the NCI having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Parent Company's accounting policies. All intra-group balances, transactions, income and expenses, unrealized gains and losses and dividends resulting from intra-group transactions are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Company loses control over a subsidiary, it derecognizes the related assets (including goodwill), liabilities, NCI and other components of equity, while any resulting gain or loss is recognized in the consolidated statement of income. Any investment retained is recognized at fair value.

NCI represent the interests in NLEX Corp., Metro Strategic Infrastructure Holdings, Inc. (MSIHI), Easytrip Services Corporation (ESC) and PT Nusantara and its subsidiaries, not held by the Parent Company and are presented separately in the consolidated statement of income and within equity in the consolidated balance sheets, separately from equity attributable to equity holders of the Parent Company.

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective as at January 1, 2020. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective (see Note 37).

Unless otherwise indicated, adoption of these new standards did not have an impact on the consolidated financial statements of the Company:

- Amendments to PFRS 3, *Business Combinations, Definition of a Business*

  The amendments to PFRS 3 clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments were considered in the business combinations entered into by the Company in 2020 but had no significant impact on the consolidated financial statements of the Company (see Note 5).

- Amendments to PFRS 7, *Financial Instruments: Disclosures* and PFRS 9, *Financial Instruments*, *Interest Rate Benchmark Reform*

  The amendments to PFRS 9 provide a number of reliefs, which apply to all hedging relationships that are directly affected by the interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainties about the timing and or amount of benchmark-based cash flows of the hedged item or the hedging instrument.

- Amendments to PAS 1, *Presentation of Financial Statements*, and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors, Definition of Material*

  The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity."

The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users.

- Amendments to PFRS 16, *Leases*: *COVID-19-related Rent Concessions*

  The amendments provide relief to lessees from applying the PFRS 16 requirement on lease modifications to rent concessions arising as a direct consequence of the COVID-19 pandemic. A lessee may elect not to assess whether a rent concession from a lessor is a lease modification if it meets all of the following criteria:

  - The rent concession is a direct consequence of COVID-19;
  - The change in lease payments results in a revised lease consideration that is substantially the same as, or less than, the lease consideration immediately preceding the change;
  - Any reduction in lease payments affects only payments originally due on or before June 30, 2021; and
  - There is no substantive change to other terms and conditions of the lease.

  A lessee that applies this practical expedient will account for any change in lease payments resulting from the COVID-19 related rent concession in the same way it would account for a change that is not a lease modification, i.e., as a variable lease payment.

  The amendments are effective for annual reporting periods beginning on or after June 1, 2020. Early adoption is permitted.

- Conceptual Framework for Financial Reporting issued on March 29, 2018

  The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the standard-setters in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards.

  The revised Conceptual Framework includes new concepts, provides updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts.

Business Combinations and Goodwill

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, which is measured at acquisition date fair value and the amount of any NCI in the acquiree. For each business combination, the acquirer measures the NCI in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in "General and administrative expenses".

The Company determines that it has acquired a business when the acquired set of activities and assets include an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired process is considered substantive if it is critical to the ability to continue producing outputs, and the inputs acquired include an organized workforce with the necessary skills, knowledge, or experience to perform that process or it significantly contributes to the ability to continue producing outputs and is considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

When the Company acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in consolidated statement of income.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of PFRS 9, is measured at fair value with the changes in fair value recognized in profit or loss in accordance with PFRS 9. Other contingent consideration that is not within the scope of PFRS 9 is measured at fair value at each reporting date with changes in fair value recognized in profit or loss.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred, the amount of any NCI in the acquiree and the acquisition date fair value of previously held equity interest in the acquiree over the net identifiable acquired assets and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Company re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognized at the acquisition date. If the reassessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognized in the consolidated statement of income.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company's cash generating units (CGUs) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill forms part of a CGU and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the CGU retained.

If the initial accounting for business combination can be determined only provisionally by the end of the period by which the combination is effected because the fair values to be assigned to the acquiree's identifiable assets and liabilities can be determined only provisionally, the Company accounts for the combination using provisional values. Adjustments to those provisional values as a result of completing the initial accounting shall be made within 12 months from the acquisition date. The carrying amount of an identifiable asset, liability or contingent liability that is recognized as a result of completing the initial accounting shall be calculated as if its fair value at the acquisition date had been recognized from that date and goodwill or any gain recognized shall be adjusted from the acquisition date by an amount equal to the adjustment to the fair value at the acquisition date of the identifiable asset, liability or contingent liability being recognized or adjusted.

Reverse Acquisition. A reverse acquisition occurs when the entity that issues securities (the legal acquirer) is identified as the acquiree for accounting purposes. The entity whose equity interests are acquired (the legal acquiree) must be the acquirer for accounting purposes for the transaction to be considered a reverse acquisition.

Common Control Business Combinations
A business combination involving entities or businesses under common control is a business combination in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory.

Common control business combination where the transaction has no substance is accounted for using the pooling of interest method. Under the pooling of interest method:

- The assets and liabilities of the combining entities are reflected in the consolidated financial statements at their carrying amounts. No adjustments are made to reflect fair values, or recognize any new assets or liabilities, at the date of the combination. The only adjustments that are made are those adjustments to harmonize accounting policies.
- No new goodwill is recognized as a result of the combination. The only goodwill that is recognized is any existing goodwill relating to either of the combining entities. Any difference between the consideration paid or transferred and the equity acquired is reflected within equity.
- The consolidated statement of income reflects the results of the combining entities from the date combination took place. No restatement of financial information in the consolidated financial statements for periods prior to the combination.
- The equity reserves of the acquired entity are carried over at pooling of interest values that reflect the application of pooling of interest method.

Investments in Associates
An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The considerations made in determining significant influence are similar to those necessary to determine control over subsidiaries.

The Company's investments in its associates are accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognized at cost. The carrying amount of the investment is adjusted to recognize changes in the Company's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortized nor individually tested for impairment separately.

The consolidated statement of income reflects the Company's share in the results of operations of the associate. Any change in OCI of those investees is presented as part of the Company's OCI. In addition, when there has been a change recognized directly in the equity of the associate, the Company recognizes its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealized gains and losses resulting from transactions between the Company and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Company's share in profit or loss of an associate is shown on the face of the consolidated statement of income outside operating profit and represents profit or loss after tax and NCI in the subsidiaries of the associate. If the Company's share of losses of an associate equals or exceeds its interest in the associate, the Company discontinues recognizing its share of further losses.

The financial statements of the associates are prepared for the same reporting period as the Parent Company. When necessary, adjustments are made to bring the accounting policies in line with those of the Parent Company.

After the application of the equity method, the Company determines whether it is necessary to recognize an additional impairment loss on the Company's investments in associates. The Company determines at each balance sheet date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Company calculates the amount of impairment as the difference between the recoverable amount of the investment in associate and its carrying value and recognizes the impairment loss in the consolidated statement of income.

Upon loss of significant influence over the associate, the Company measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognized in consolidated statement of income.

Current versus Noncurrent Classification of Assets and Liabilities

The Company presents assets and liabilities in the consolidated balance sheets based on current or noncurrent classification.

An asset is current when it is:

- Expected to be realized or intended to be sold or consumed in normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realized within twelve months after the reporting period; or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as noncurrent.

A liability is current when:

- It is expected to be settled in normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting period; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Company classifies all other liabilities as noncurrent.

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

Deferred tax assets and liabilities are classified as noncurrent assets and liabilities.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and in banks and short-term deposits with original maturities of three (3) months or less from the date of acquisition and are subject to an insignificant risk of changes in value.

Restricted Cash

Restricted cash represents cash in banks earmarked for long-term debt principal and interest repayment maintained in compliance with the loan agreements or placed in an escrow account pursuant to a construction agreement.

Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial Assets

Initial Recognition and measurement. Financial assets are classified, at initial recognition, as subsequently measured at amortized cost, FVOCI and FVTPL.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient, the Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Company has applied the practical expedient are measured at the transaction price determined under PFRS 15.

In order for a financial asset to be classified and measured at amortized cost or FVOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortized cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognized on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement. For purposes of subsequent measurement, financial assets are classified in four (4) categories:

- Financial assets at amortized cost (debt instruments)
- Financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- Financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- Financial assets at FVTPL

Financial assets at amortized cost (debt instruments). Financial assets at amortized cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognized in the consolidated statement of income when the asset is derecognized, modified or impaired.

The Company's financial assets at amortized cost includes cash and cash equivalents, restricted cash, receivables and due from related parties (see Notes 7, 8 and 21).

Financial assets at FVOCI (debt instruments). For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognized in the consolidated statement of comprehensive income and computed in the same manner as for financial assets measured at amortized cost. The remaining fair value changes are recognized in OCI. Upon derecognition, the cumulative fair value change recognized in OCI is recycled to profit or loss.

The Company's debt instruments at FVOCI includes investments in quoted debt instruments (see Note 15).

Financial assets designated at FVOCI (equity instruments). Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under PAS 32, *Financial Instruments: Presentation*, and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognized as "Other income" account in the consolidated statement of income when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVOCI are not subject to impairment assessment.

The Company elected to classify irrevocably its investments in unquoted equity securities under this category (see Note 15).

Financial assets at FVTPL. Financial assets at FVTPL are carried in the consolidated balance sheets at fair value with net changes in fair value recognized in the consolidated statement of income.

This category includes derivative instruments and listed equity investments which the Company had not irrevocably elected to classify at fair value through OCI. Dividends on listed equity investments are recognized as "Other income" in the consolidated statements of income when the right of payment has been established.

As at December 31, 2020 and 2019, this category includes UITFs (see Note 15). Income earned on UITF is also recognized in the consolidated statement of income when the right of payment has been established.

Derecognition. A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognized (i.e., removed from the Company's consolidated balance sheet) when:

- the rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third-party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognize the transferred asset to the extent of its continuing involvement. In that case, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets. The Company recognizes an allowance for expected credit losses (ECLs) for all debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original EIR. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognized in two (2) stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

Loss allowances are recognized based on 12-month ECL for debt investment securities that are assessed to have low credit risk at the reporting date. A financial asset is considered to have low credit risk if:

- the financial instrument has a low risk of default;
- the borrower has a strong capacity to meet its contractual cash flow obligations in the near term;
- adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Company considers a financial asset to have low credit risk when its credit risk rating is equivalent to the globally understood definition of ‘investment grade’, or when the exposure is less than one (1) year past due. This primarily pertains to the Company’s cash and cash equivalents and restricted cash.

For receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognizes a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debt instruments at FVOCI, the Company applies the low credit risk simplification. At every reporting date, the Company evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without undue cost or effort. In making that evaluation, the Company reassesses the internal credit rating of the debt instrument. In addition, the Company considers that there has been a significant increase in credit risk when contractual payments are more than 30 days past due.

The Company's debt instruments at fair value through OCI comprise of government securities and quoted corporate bonds that are graded in the top investment category (AAA) by credit rating agencies and, therefore, are considered to be low credit risk investments. It is the Company's policy to measure ECLs on such instruments on a 12-month basis. However, when there has been a significant increase in credit risk since origination, the allowance will be based on the lifetime ECL. The Company uses the ratings from reputable credit rating firms both to determine whether the debt instrument has significantly increased in credit risk and to estimate ECLs.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial Liabilities

Initial recognition and measurement. Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognized initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include accounts payable and other current liabilities (excluding statutory payables), due to related parties, short-term loans and long-term debt, and service concession fees payable (see Notes 17, 19, 20 and 21).

Subsequent measurement. For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortized cost (loans and borrowings)

Financial liabilities at FVTPL. Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by PFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognized in the consolidated statement of income.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in PFRS 9 are satisfied. The Company has not designated any financial liability as at FVTPL.

Financial liabilities at amortized cost (loans and borrowing). This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the EIR method. Gains and losses are recognized in profit or loss when the liabilities are derecognized as well as through the EIR amortization process.

Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortization is included as finance costs under the "Interest expense and other finance costs" in the consolidated statements of income.

This category generally applies to interest-bearing loans and borrowings (see Notes 19, 33 and 34).

Derecognition. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated statement of income.

Classification of Financial Instruments Between Liability and Equity

A financial instrument is classified as a liability if it provides for a contractual obligation to:

- Deliver cash or another financial asset to another entity;
- Exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavorable to the Company; or
- Satisfy the obligation other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of own equity shares.

If the Company does not have an unconditional right to avoid delivering cash or another financial asset to settle its contractual obligation, the obligation meets the definition of a financial liability. The components of issued financial instruments that contain both liability and equity elements are accounted for separately, with the equity component being assigned the residual amount after deducting from the instrument as a whole the amount separately determined as the fair value of the liability component on the date of issue.

Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated balance sheet, if and only if, there is an enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. The Company assesses that it has a currently enforceable right of offset if the right is not contingent on a future event, and is legally enforceable in the normal course of business, event of default, and event of insolvency or bankruptcy of the Company and all of the counterparties.

'Day 1' Profit or Loss

Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Company recognizes the difference between the transaction price and fair value (a 'Day 1' profit or loss) in the consolidated statement of income unless it qualifies for recognition as some other type of asset. In cases where the data used is not observable, the difference between the transaction price and model value is only recognized in the consolidated statement of income when the inputs become observable or when the instrument is derecognized. For each transaction, the Company determines the appropriate method of recognizing the 'Day 1' profit or loss amount.

Fair Value Measurement
The Company measures financial instruments such as financial assets at FVTPL and financial assets at FVOCI at fair value at each reporting date and, for purposes of impairment testing, uses fair value less costs of disposal or value in use to determine the recoverable amount of some of its non-financial assets. Also, fair values of financial instruments measured at amortized cost are disclosed in Note 34 to the consolidated financial statements.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability; or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs. Assets and liabilities for which fair value is measured or disclosed in the consolidated financial statements are categorized within the fair value hierarchy, described, as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities

- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by reassessing categorization (based on the lowest-level input that is significant to the fair value measurement as a whole) at balance sheet date.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities based on the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

Inventories
Inventories, which consist of electronic tags, magnetic cards and spare parts, are valued at the lower of cost and net realizable value (NRV). Cost includes purchase cost and import duties and is determined primarily on a weighted average method. For electronic tags and magnetic cards, NRV is the estimated selling price in the ordinary course of business, less estimated costs necessary to make the sale. NRV for spare parts is the current replacement cost.

Advances to Contractors and Consultants

Advances to contractors and consultants represent the advance payments for mobilization of the contractors and consultants. These are stated at costs less any impairment in value. These are progressively reduced upon receipt of the equivalent amount of services rendered by the contractors and consultants. These are recognized as current or noncurrent depending on the classification of its underlying asset.

Service Concession Arrangements - Intangible Asset Model

Where the operator receives right (license) to charge users of public service, the Company accounts for such arrangement under the intangible asset model.

Construction and Upgrade Services: Revenue and Cost Recognition. The Company recognizes revenue and costs for construction and upgrade services in accordance with PFRS 15. The Company, as operator, receives non-cash consideration in the form of an intangible asset (a license to charge users of the public service) in exchange for construction and upgrade services. The operator measures the intangible asset initially at cost, being the amount of the contract asset recognized during the construction or upgrade phase in accordance with PFRS 15. The operator recognizes revenue and a contract asset (that represents the right to receive an intangible asset, as 'Service Concession Asset') as it performs the construction performance obligation.

Operations Revenues. An operator that recognizes an intangible asset also recognizes revenue for the consideration received from users of the public service during the operation phase.

Contractual Obligations. The Company recognizes its contractual obligations, (i) to maintain the toll roads to a specified level of serviceability or (ii) to restore the toll roads to a specified condition before it is handed over to the grantor at end of the concession term, in accordance with PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, as the obligations arise which is as a consequence of the use of the toll roads and therefore it is proportional to the number of vehicles using the toll roads and increasing in measurable annual increments.

Service Concession Assets. The service concession assets acquired through business combinations are recognized initially at the fair value of the concession agreement using multi-period excess earnings method. The service concession assets that were not acquired through business combinations are recognized initially at cost. The cost of the service concession assets consists of the construction or upgrade costs, including related borrowing costs; upfront fees payments on the concession agreements; and future fixed fee considerations in exchange for the license or right. The fixed fees are recognized at present value using the discount rate at the inception date with a corresponding liability recognized. Interest on the unwinding of discount of the liability is recognized as a borrowing cost that is capitalized as part of the service concession asset during construction of the infrastructure asset and as an expense in the period incurred starting from the commercial operations of the said infrastructure asset. Following initial recognition, the service concession assets are carried at cost less accumulated amortization and any impairment losses.

Subsequent costs and expenditures related to the toll road infrastructure arising from the Company's commitments to the concession agreements, or that increase future revenues are recognized as additions to the service concession assets and are stated at cost. Repairs and maintenance and other expenses that are routinary in nature are expensed and recognized to the consolidated statement of income as incurred.

The service concession assets are amortized using the unit-of-production (UOP) method and straight-line method, for toll roads and water treatment plant, respectively. Using the UOP method, the annual amortization of the service concession asset is calculated by applying the ratio of actual traffic volume of the underlying toll roads compared to the total expected traffic volume over the respective remaining concession periods to the net carrying value of the assets. The expected traffic volume is estimated by management with reference to the traffic projection reports. Using the straight-line method, service concession asset is amortized over the concession term.

The amortization expense is recognized under the "Cost of services" account in the consolidated statement of income.

The concession fees paid in consideration for the concession which vary in relation to future activity (i.e., based on toll revenues) are treated as executory and are expensed as incurred.

The service concession assets will be derecognized upon turnover to the Grantor. There will be no gain or loss upon derecognition as the service concession assets which is expected to be fully amortized by then, will be handed over to the Grantor with no consideration.

Deferred Project Costs. Costs directly attributable to the acquisition of a service concession asset are recorded as deferred project costs (under "Other noncurrent assets" account) when certain criteria for development expenditures are met and until the concession rights are awarded to the Company, whereupon the costs are transferred to the "Service concession assets" account. Development expenditures on an individual project are recognized deferred project costs for intangible assets when the Company can demonstrate:

- The technical feasibility of completing the intangible asset;
- Its intention to complete and its ability and intention to use the intangible asset;
- How the asset will generate future economic benefits;
- The availability of resources to complete the asset;
- The ability to measure reliably the expenditure during development.

Costs capitalized as deferred project costs are assessed for impairment whenever there is an indication that these may be impaired.

<u>Service Concession Arrangements - Financial Asset Model</u>
Where the operator has an unconditional contractual right to receive cash or another financial asset from, or at the direction of, the grantor, the Company accounts for such arrangement under the financial asset model.

In accordance with PFRS 15, the Company determines each performance obligation and the corresponding transaction price. The transaction price is determined as the fair value of the consideration received or receivable in exchange for the services delivered. Where the Company does not receive remuneration separately for the services provided (i.e., construction, maintenance and operational services in a single contract), the Company allocates the transaction price between the construction and operation services by reference to the stand-alone selling prices of the services delivered.

During the construction phase, the Company recognizes revenue and costs by reference to the stage of completion as the contract activity progresses over the construction period. The Company measures progress using a method that depicts the entity's progress towards satisfying its performance obligation. As the Company recognizes revenue for the construction service performance obligation, it recognizes a financial asset (as "Concession financial receivable" under "Other current assets" and "Other noncurrent assets" accounts). The financial asset is subsequently measured in accordance with PFRS 9.

During the operating phase, the Company allocates a proportion of the cash receipts to settle part of the financial asset. It allocates the remaining receipts between revenue for providing maintenance and operation services and finance income.

Contract Assets

Service Concession Asset, with on-going construction and upgrade services on concession arrangements under the scope of Philippine Interpretation IFRIC 12, is considered as contract asset. A contract asset is the right to consideration in exchange for goods or services rendered and is recognized when the Company has transferred the goods or has rendered the services before payment is due. Contract assets are initially recognized for revenue earned from the ongoing construction and upgrade services as receipt of consideration is conditional on the successful completion of the construction and upgrade services and until the service concession asset is ready for its intended use.

Property and Equipment

Property and equipment is stated at cost less accumulated depreciation and any impairment in value. The cost of property and equipment consists of its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Cost also includes the cost of replacing the part of such property and equipment when the recognition criteria are met.

Expenditures incurred after the property and equipment have been put into operation, such as repairs and maintenance, are normally recognized as expense in the period such costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional cost of the property and equipment.

Depreciation commences once the property and equipment is available for use and is calculated on a straight-line basis over the estimated useful life of the asset as follows:

Building and building improvements	5-25 years
Leasehold improvements	3-5 years or lease term, whichever is shorter
Transportation equipment	3-5 years
Office equipment and others	3-5 years

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated statement of income in the year the item is derecognized.

Fully depreciated property and equipment are retained in the accounts until they are no longer in use and no further depreciation is charged to the consolidated statement of income.

The assets' residual values, useful lives and method of depreciation are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

Leases
The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a Lessee. The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognized lease liabilities to make lease payments and right-of-use (ROU) assets representing the right to use the underlying assets.

ROU Assets. The Company recognized ROU assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). ROU assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of ROU assets includes the amount of lease liabilities recognized, initial direct costs incurred, and

lease payments made at or before the commencement date less any lease incentives received. ROU assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Building and building improvements	5-25 years
Transportation equipment	3-5 years

If ownership of the leased asset transfer to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The ROU assets are also subject to impairment. Refer to the accounting policies in section on "Impairment of Non-financial Assets."

Lease liabilities. At the commencement date of the lease, the Company recognizes lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substantive fixed payments) less any lease incentives receivable. Variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate.

Variable lease payments that do not depend on an index or a rate are recognized as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Company's lease liabilities are reported under "Accounts payable and other current liabilities" (current portion) and "Other noncurrent liabilities" (noncurrent portion) accounts in the Company's consolidated balance sheets.

Short-term leases and leases of low-value assets. The Company applies the short-term lease recognition exemption to its short-term leases of machinery and equipment (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognized as expense on a straight-line basis over the lease term.

Investment Properties

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are carried at historical cost less accumulated depreciation and impairment.

An investment property is derecognized either when it has been disposed or when it is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated statement of income in the year of retirement or disposal.

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the carrying value at the date of change in use. If owner-occupied property becomes an investment property, the Company accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

Other Intangible Assets (Franchise and Software)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the consolidated statement of income in the period in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortized over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed at least at each balance sheet date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortization period or method, as appropriate, and are treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of income in the expense category that is consistent with the function of the intangible assets.

Intangible assets with indefinite useful lives are not amortized, but are tested for impairment annually, either individually or at the CGU level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of income when the asset is derecognized.

Impairment of Non-financial Assets

Investments in Associates, Service Concession Assets under Intangible Asset Model, Property and Equipment, ROU Assets, Investment Properties, Software Cost and Other Noncurrent Assets (except for Deferred Project Costs). The Company assesses at each balance sheet date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal (FVLCD) and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share price for publicly traded companies, or other available fair value indicators.

Impairment losses are recognized in the consolidated statement of income in those expense categories consistent with the function of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation or amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal, the depreciation (in case of property and equipment) and amortization (in case of service concession assets and software) charges are adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Goodwill. Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

Franchise Cost. Intangible assets with indefinite useful lives are tested for impairment annually as at balance sheet date at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

Service Concession Assets not yet Available for Use. Service concession assets not yet available for use are tested for impairment annually. Impairment is determined by comparing the carrying value of the asset with its recoverable value. Where the recoverable value of the service concession assets not yet available for use is less than the carrying value, an impairment is recognized.

Provisions

General. Provisions are recognized when the Company has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. When the Company expects some or all of a provision to be reimbursed, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of income, net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

Contingent Liabilities Recognized in a Business Combination. A contingent liability recognized in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of the amount that would be recognized in accordance with the requirements for provisions above or the amount initially recognized less, when appropriate, cumulative amortization recognized in accordance with the requirements for revenue recognition. This account is included in "Provisions" in the consolidated balance sheets.

Equity

Common shares are classified as equity and measured at par value for all shares issued. Proceeds and/or fair value of consideration received in excess of par value are recognized as additional paid-in capital (APIC).

Preferred share is classified as equity if it is non-redeemable, or redeemable only at the Parent Company's option, and any dividends are discretionary. Dividends thereon are recognized as distributions within equity upon approval by the Parent Company's BOD.

Incremental costs directly attributable to the issue of common shares or preferred shares are recognized as a deduction from equity, net of any tax effects.

Retained earnings represent the accumulated earnings net of dividends declared, adjusted for the effects of changes in accounting policies as may be required by PFRS' transitional provisions.

Treasury shares are own equity instruments which are reacquired and are recognized at cost and deducted from equity. No gain or loss is recognized in the consolidated statement of income on the purchase, sale, issue or cancellation of the Parent Company's own equity instruments. Any difference between the carrying amount and the consideration, if reissued, is recognized in other reserves.

Other comprehensive income reserve comprises of items of income and expense that are not recognized in the consolidated statement of income as required or permitted by other PFRS.

Other reserves comprise the premium paid on the acquisition of NCI in a subsidiary; dilution in ownership interests; the contribution from MPIC in relation to its executive stock option plan granted to MPTC employees accounted for as equity-settled share-based payment transactions; the 20% of the 2010 to 2012 Long-term Incentive Plan (LTIP) which grants cash incentives to eligible key executives of the Company which are shouldered by MPIC and treated as additional equity of MPIC; and the transaction costs on the issuance of the Parent Company's preferred shares.

Revenue from Contracts with Customers
Revenue from contracts with customers is recognized when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Company expects to be entitled in exchange for those goods or services. The Company assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Company has generally concluded that it is the principal in its revenue arrangements.

The following specific criteria must also be met before revenue is recognized:

- Revenue from toll fees is recognized upon the sale of toll tickets. The Company recognizes toll revenues over time since the customer simultaneously receives and consumes the benefits, provided by the Company's performance of its obligation to operate and maintain toll roads, during the time of passage on the toll roads.

- Revenue from issuance of tags is recognized upon sale of the RFID and dedicated short-range communications (DSRC) tags. The Company is discharged of the performance obligation upon delivery of the tag to the customer.

- Construction revenue and construction costs are recognized and measured accordance with PFRS 15 for the services it performs. When the Company provides construction or upgrade services, the consideration received or receivable by the Company is recognized at its fair value. The revenue and cost from these services are recognized based on the percentage of completion measured principally on the basis of estimated completion of a physical proportion of the contract works, and by reference to the actual costs incurred to date over the estimated total cost of the project. Since the Company subcontracted the works to outside contractors, the construction revenue is equal to the construction cost.

- Revenue from sales of water, included in "Non-toll revenues" account, is recognized based on the provision of clean water volume delivered to the customers, either specifically read and billed or estimated based on the output of the network of water supply and most likely will receive payments previously agreed. Revenue from sales of water also include connection fees which are one-time connection and installation fees upon initial set-up of its service connection. The connection and installation fee are payable upfront and is non-refundable. The connection and installation fees are not separate performance obligation from the water services and hence, initially recorded as contract liabilities. The contract liability is subsequently recognized as revenue over the contract term.

- Revenue from energy sales, included in "Non-toll revenues" account, is recognized based on actual delivery of energy generated and made available to customers at prices in accordance with the terms of the agreements.

- Income from utility facility contracts, toll service facilities (TSF) and advertising, included in "Non-toll revenues" account in the consolidated statement of income, are recognized in accordance with the terms of the agreement.

- Rental income, included in "Non-toll revenues" account in the consolidated statement of income, is accounted for on a straight-line basis over the lease term.

- Service revenue, included in "Non-toll revenues" account in the consolidated statement of income, is recognized as services are rendered in accordance with the terms of the agreements.

- Management fees, included in "Other income" account in the consolidated statement of income, are recognized when services are rendered.

- Dividend income, included in "Other income" account in the consolidated statement of income, is recognized when the right to receive the payment is established which is upon the declaration date.

- Interest income is recognized as the interest accrues using the EIR method.

- Other income is recognized when there are incidental economic benefits, other than the usual business operations, that will flow to the Company through an increase in asset or reduction in liability and that can be measured reliably.

Cost and Expenses Recognition
Cost and expenses are decreases in economic benefits during the accounting period in the form of outflows or decrease of assets or incurrence of liabilities that result in decrease in equity, other than those relating to distributions to equity participants. Cost of services, general and administrative expenses, construction costs and interest expense and other finance costs are recognized in the consolidated statement of income in the period these are incurred.

Foreign Currency-denominated Transactions and Translations
The consolidated financial statements are presented in Philippine peso, which is the Parent Company's functional currency. All subsidiaries and associates evaluate their primary economic and operating environment and determine their functional currency. Items included in the financial statements of each entity are initially measured using that functional currency.

Transactions and Balances. Transactions in foreign currencies are initially recorded in the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency closing exchange rate ruling at the balance sheet date. All differences are taken to the consolidated statement of income with the exception of differences on foreign currency borrowings that are regarded as adjustments to interest cost, and are capitalized as part of the cost of the service concession assets during the construction period.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value is determined. The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e., translation differences on items whose fair value gain or loss is recognized in OCI or profit or loss are also recognized in OCI or profit or loss, respectively).

In determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which the Company initially recognized the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, the Company determines the transaction date for each payment or receipt of advance consideration.

Group Companies. On consolidation, the assets and liabilities of foreign operations are translated into Philippine peso at the rate of exchange prevailing at the reporting date and their statements of comprehensive income are translated at exchange rates prevailing at the dates of the transactions. The exchange differences arising on translation for consolidation are recognized in OCI. Upon disposal of a foreign operation, the component of OCI relating to that particular foreign operation is reclassified to profit or loss.

Any goodwill arising on the acquisition of a foreign operation and any fair value adjustments to the carrying amounts of assets and liabilities arising on the acquisition are treated as assets translated at the spot rate of exchange at the reporting date.

Borrowing Costs

Borrowing costs are capitalized as part of service concession assets if they are directly attributable to the acquisition and construction of the projects. Capitalization of borrowing costs commences when the activities to prepare for the construction of the projects are in progress and expenditures and borrowing costs are being incurred, until the assets are ready for their intended use. If the resulting carrying amount of the asset exceeds its recoverable amount, an impairment loss is recorded.

Borrowing costs include interest charges, amortization of debt issue costs and other costs incurred in connection with the borrowing of funds, including exchange differences arising from foreign currency borrowings used to finance the projects, to the extent that they are regarded as adjustments to interest cost.

All other borrowing costs are expensed in the period they are incurred.

Retirement Benefits

Defined Contribution Plan. The Parent Company, MPT North and Metro Pacific Tollways Management Services, Inc. (MPT MSI) maintain defined contribution plans that cover all regular employees. Under their defined contribution plans, the Parent Company and MPT North pay fixed contributions based on the employees' monthly salaries. The Parent Company and MPT North, however, are covered under RA No. 7641, "The Philippine Retirement Law", which provides for its qualified employees a defined benefit minimum guarantee. The defined benefit minimum guarantee is equivalent to a certain percentage of the monthly salary payable to an employee at normal retirement age with the required credited years of service based on the provisions of RA No. 7641.

Accordingly, the Parent Company, MPT North and MPT MSI account for their retirement obligation at each reporting period under the higher of the defined benefit obligation relating to the minimum guarantee and the sum of defined contribution liability and the present value of the excess of the projected defined benefit obligation over projected defined contribution.

The defined benefit obligation and the present value of the excess of the projected defined benefit obligation over the defined contribution obligation are calculated annually by a qualified independent actuary using the projected unit credit method. The Company determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense (income) and other expenses related to the defined benefit plan are recognized in consolidated statement of income.

The defined contribution liability, on the other hand, is measured at the fair value of the defined contribution assets upon which the defined contribution benefits depend, with an adjustment for margin on asset returns, if any, where this is reflected in the defined contribution benefits.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in OCI.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognized immediately in the consolidated statement of income. The Company recognizes gains or losses on the settlement of a defined benefit plan when the settlement occurs.

Defined Benefit Plan. NLEX Corp., Metro Pacific Tollways South Management Corporation (MPT SMC), Easytrip Services Corporation (ESC), Southbend Express Services, Inc. (SESI) and PT Nusantara and its subsidiaries have defined benefit retirement plans. The net defined benefit liability or asset is the aggregate of the present value of the defined benefit obligation at the end of the reporting period reduced by the fair value of plan assets, adjusted for any effect of limiting a net defined benefit asset to the asset ceiling. The asset ceiling is the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The cost of providing benefits under the defined benefit plans is actuarially determined using the projected unit credit method.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in the consolidated statement of income.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in OCI in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Company, nor can they be paid directly to the Company. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The Company's right to be reimbursed of some or all of the expenditure required to settle a defined benefit obligation is recognized as a separate asset at fair value when and only when reimbursement is virtually certain.

Employee Leave Entitlement
Employee entitlements to annual leave are recognized as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve (12) months after the end of the annual reporting period is recognized for services rendered by employees up to the end of the reporting period.

Share-based Payment
MPIC has an Executive Stock Option Plan (ESOP) for eligible executives to receive remuneration in the form of share-based payment transactions, whereby executives render services in exchange for the share option.

Executives of the Company are granted rights to equity instruments of MPIC as consideration for the services provided to the Company.

The Company shall measure the services received from its employees in accordance with the requirements applicable to equity-settled share-based payment transactions, with a corresponding increase recognized in equity as a contribution from MPIC, provided that the share-based arrangement is accounted for as equity-settled in the consolidated financial statements of MPIC.

A parent grants rights to its equity instruments to the employees of its subsidiaries, conditional upon the completion of continuing service with the group for a specified period. An employee of one subsidiary may transfer employment to another subsidiary during the specified vesting period without the employee's rights to equity instruments of the parent under the original share-based payment arrangement being affected. Each subsidiary shall measure the services received from the employee by reference to the fair value of the equity instruments at the date those rights to equity instruments were originally granted by the parent, and the proportion of the vesting period served by the employee with each subsidiary.

Such an employee may fail to satisfy a vesting condition other than a market condition after transferring between group entities. In this case, each subsidiary shall adjust the amount previously recognized in respect of the services received from the employee. Hence, no amount is recognized on a cumulative basis for the services received from that employee in the consolidated financial statements of any subsidiary if the rights to the equity instruments granted by the parent do not vest because of an employee's failure to meet a vesting condition other than a market condition.

Where the terms of an equity-settled transaction award are modified, the minimum expense recognized is the expense as if the terms had not been modified, if the original terms of the award are met. An additional expense is recognized for any modification that increases the total fair value of the share-based payment transaction, or is otherwise beneficial to the employee as measured at the date of modification.

Other Long-term Employee Benefits
MPIC has LTIP which grants cash incentives to eligible key executives of MPIC and certain subsidiaries, including MPTC. Also, MPTC has LTIP that grants cash incentives to eligible key executives of the Company and its subsidiaries. Liability under the LTIP is determined using the projected unit credit method. Employee benefit costs include current service costs, interest cost, actuarial gains and loss and past service costs. Past service costs and actuarial gains and losses are recognized immediately.

The liability under LTIP comprise the present value of the defined benefit obligation (using discount rate based on government bonds) vested at the end of the reporting period.

Taxes
Current Tax. Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted as at the balance sheet date in the jurisdiction where the Company operates and generates taxable income.

Current tax relating to items recognized directly in equity is recognized in equity and not in profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred Tax. Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes as at the balance sheet date.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss.

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognized for all deductible temporary differences, carryforward benefits of net operating loss carry over (NOLCO) and excess minimum corporate income tax (MCIT), to the extent that it is probable that taxable income will be available against which the deductible temporary differences, NOLCO and excess MCIT can be utilized, except:

- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss.

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable income will be available against which the temporary differences 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 income will be available to allow all or part of the deferred tax assets to be utilized. Unrecognized deferred tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax assets to be recovered.

Deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rate (and tax laws) that have been enacted or substantively enacted at the balance sheet date.

Deferred tax relating to items recognized outside the consolidated statement of income is recognized outside the consolidated statement of income. Deferred tax items are recognized in correlation to the underlying transaction either in OCI or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognized subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognized in the consolidated statement of income.

The Company offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

VAT. Revenues, expenses, and assets are recognized net of the amount of VAT, if applicable.

For its VAT-registered activities, when VAT from sales of goods and/or services (output VAT) exceeds VAT passed on from purchases of goods or services (input VAT), the excess is recognized as payable in the consolidated balance sheets. When VAT passed on from purchases of goods or services (input VAT) exceeds VAT from sales of goods and/or services (output VAT), the excess is recognized as an asset in the consolidated balance sheets up to the extent of the recoverable amount.

For its non-VAT registered activities, the amount of VAT passed on from its purchases of goods or service is recognized as part of the cost of goods/asset acquired or as part of the expense item, as applicable.

Creditable Withholding Tax (CWT). CWT represents amounts withheld by counterparties from payments for services rendered by the Company which can be claimed as income tax credits. These are recognized as an asset in the consolidated balance sheets to the extent of the recoverable amount.

Contingencies

Contingent liabilities are not recognized in the consolidated financial statements but are disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. Contingent assets are not recognized in the consolidated financial statements but disclosed when an inflow of economic benefits is probable.

Events after the Balance Sheet Date

Post year-end events that provide additional information about the Company's financial position at the balance sheet date (adjusting events), if any, are reflected in the consolidated financial statements. Post year-end events that are not adjusting events are disclosed in the notes to consolidated financial statements when material.

4. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the consolidated financial statements in compliance with PFRSs requires management to make judgments, estimates and assumptions that affect certain reported amounts and disclosures. In preparing the consolidated financial statements, management has made its best judgments and estimates of certain amounts, giving due consideration to materiality. The judgments and estimates used in the accompanying consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as at the date of the consolidated financial statements. Actual results could differ from those estimates, and such estimates will be adjusted accordingly.

The Company believes that the following represent a summary of these significant judgments and estimates and the related impact and associated risks in the consolidated financial statements.

Judgments

In the process of applying the Company's accounting policies, management has made the following judgments, apart from those involving estimations, which has the most significant effect on the amounts recognized in the consolidated financial statements.

Determination of Functional Currency. The consolidated financial statements are presented in Philippine Peso, which is the Parent Company's functional and presentation currency. All subsidiaries and associates evaluate their primary economic and operating environment and determine their functional currency. Items included in the consolidated financial statements of each entity are initially measured using their functional currencies, which were determined using the same basis:

	Functional Currency
PT MPTI and subsidiaries	Indonesian Rupiah (IDR)
MPT Asia Corporation, FPM Tollway (Thailand) Limited, MPT Thailand Corporation, MPT Vietnam Corporation, CAIF III Infrastructure Holdings Sdn Bhd, CIIF Infrastructure Holdings Sdn Bhd and Metro Pacific Tollways Asia, Corporation Pte. Ltd.	U.S. Dollar (USD)
AIF Toll Road Holdings (Thailand) Co., Ltd (AIF) and Don Muang Tollway Public Ltd. (DMT)	Thailand Baht (THB)
Metro Pacific Tollways Vietnam Company Limited and CII Bridges and Roads Investment Joint Stock Company (CII B&R)	Vietnamese Dong (VND)

Service Concession Arrangements. Philippine Interpretation IFRIC 12 outlines an approach to account for contractual arrangements arising from entities providing public services. Arrangements within the scope of Philippine Interpretation IFRIC 12 are those public-to-private service concession arrangements in which: (a) the grantor controls or regulates the services that the operator must provide using the infrastructure, to whom it must provide them, and at what price; and (b) the grantor controls any significant residual interest in the property at the end of the concession term through ownership, beneficial entitlement or otherwise. Infrastructure assets within scope are those constructed or acquired for the purpose of the service concession arrangement or existing infrastructure to which the operator is given access by the grantor for the purpose of the service concession arrangement.

Philippine Interpretation IFRIC 12 also provides that the operator should not account for the infrastructure as property and equipment, but recognize a financial asset and/or an intangible asset.

The Company has made judgments that its service concession agreements are within the scope of Philippine Interpretation IFRIC 12 and qualify and recognized either under the intangible asset model or financial asset model, wherein the service concession assets are recognized as either intangible assets in accordance with PAS 38, *Intangible Assets*, or financial instruments under PFRS 9, respectively.

The Company also recognizes construction revenues and costs in accordance with PFRS 15, *Revenue from Contracts with Customers*. It measures contract revenue at the fair value of the consideration received or receivable. Given that the construction works have been subcontracted to outside contractors, the construction revenue recognized substantially approximates the construction costs. Construction revenue and costs recognized in the consolidated statements of income amounted to ₱22,747.6 million construction revenue and ₱22,747.6 million construction costs in 2020 and ₱23,368.2 million construction revenue and ₱23,368.2 million construction costs in 2019 (see Note 11).

Consolidation of CIC in which the Company Holds No Voting Rights. The Company considers that it controls CIC even though it does not own any voting rights by virtue of the MLA (see Note 1). Under the MLA, MPTC has the power to solely direct the entire operations, including the capital expenditure and expansion plans of CIC. MPTC shall then receive all the financial benefits from CIC's operations and all losses incurred by CIC are to be borne by MPTC.

Definition of Default and Credit-impaired Financial Assets. The Company defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when the borrower is more than 90 days past due on its contractual payments (i.e. principal and/or interest) or the borrower is experiencing financial difficulty.

The criteria above have been applied to all financial instruments held by the Company and are consistent with the definition of default used for internal credit risk management purposes. A financial instrument is no longer in default (i.e. to have cured) when it has exhibited a satisfactory track record.

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Company based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Company. Such changes are reflected in the assumptions when they occur.

Amortization of Service Concession Assets. The service concession assets are amortized using the UOP method, where the amortization is calculated based on the ratio of actual traffic volume of the underlying toll roads compared to the total expected traffic volume over the respective remaining concession periods of the concession agreements. Adjustments may need to be made to the carrying amounts of service concession assets should there be a material difference between the total expected traffic volume and the actual results. The Company's management has reviewed the total expected traffic volume and made appropriate adjustments to the assumptions of the expected traffic volume with reference to the latest traffic studies and/or actual traffic. The management of the Company considers that these are calculated by reference to the best estimates of the total expected traffic volumes of the underlying toll roads.

In 2020 and 2019, the Company recognized UOP amortization of service concession assets under intangible asset model amounting to ₱1,343.0 million and ₱1,657.3 million, respectively (see Notes 11 and 24). The total carrying values of service concession assets amortized using the UOP method amounted to ₱133,193.0 million and ₱109,709.0 million as at December 31, 2020 and 2019, respectively (see Note 11).

Impairment of Service Concession Assets not yet Available for Use. Service concession asset not yet available for use is subject to annual impairment testing. Impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its FVLCD and its value in use. The FVLCD calculation is based on available data from binding sales transactions, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a discounted cash flow (DCF) model. The cash flows are derived from the budget for the concession period and do not include restructuring activities that the Company is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. Risks related to the expected variations in the timing of cash flows have been incorporated in computing for the recoverable amounts of the relevant service concession asset. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to service concession assets not yet available for use recognized by the Company.

While it is believed that the assumptions used in the estimation of recoverable values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse impact on the results of operations.

No impairment loss was recognized for the years ended December 31, 2020 and 2019. The carrying values of the Company's service concession assets not yet available for use amounted to ₱61,763.2 million and ₱44,693.6 million as at December 31, 2020 and 2019, respectively (see Note 11).

Purchase Price Allocation in Business Combinations. The Company accounts for the acquired businesses using the acquisition method which requires extensive use of accounting judgments and estimates to allocate the purchase price to the fair market values of the acquiree's identifiable assets and liabilities and contingent liabilities, if any, at the acquisition date. Any difference in the purchase price and the fair values of the net assets acquired is recorded as either goodwill, a separate account in the consolidated balance sheet, or gain on bargain purchase in profit or loss. Thus, the numerous judgments made in estimating the fair value to be assigned to the acquiree's assets and liabilities can materially affect the Company's financial position and performance.

The Company's acquisitions of certain subsidiaries have resulted in recognition of goodwill. The carrying value of goodwill amounted to ₱9,601.5 million and ₱9,596.4 million as at December 31, 2020 and 2019, respectively (see Note 13).

Impairment of Goodwill. Goodwill is subject to annual impairment test. This requires an estimation of the value in use of CGUs to which the goodwill is allocated. Estimating the value in use requires the Company to make an estimate of the expected future cash flows from the CGU and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

While it is believed that the assumptions used in the estimation of recoverable values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse impact on the results of operations.

No impairment of goodwill was recognized in 2020 and 2019 (see Note 13).

Impairment of Investments in Associates. Impairment review is performed when certain impairment indicators are present. Determining the fair value of assets requires the estimation of cash flows expected to be generated from the continued use and ultimate disposition of such assets.

While it is believed that the assumptions used in the estimation of fair values reflected in the consolidated financial statements are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of recoverable values and any resulting impairment loss could have a material adverse impact on the results of operations.

No impairment loss on investment in associates was recognized in 2020 and 2019. No impairment tests were conducted in 2020 and 2019 as there were no indicators of impairment (see Note 10).

Recognition of Deferred Tax Assets. 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 income will be available to allow or part of the deferred tax assets to be utilized.

Deferred tax assets are recognized on deductible temporary differences and the carryforward benefits of NOLCO and MCIT to the extent that it is probable that taxable income will be available against which the deductible temporary differences and the carryforward benefits of NOLCO and MCIT can be utilized. The Company's assessment on the recognition of deferred tax assets on deductible temporary differences is based on the expected future financial performance.

Deferred tax assets amounted to ₱7,403.0 million and ₱6,771.2 million as at December 31, 2020 and 2019, respectively (see Note 31).

Temporary differences, NOLCO and MCIT for which no deferred tax assets were recognized, as management believes that it is more likely than not that there will be no sufficient taxable income to realize the benefits of the deferred tax, amounted to ₱4,115.7 million and ₱3,584.3 million as at December 31, 2020 and 2019, respectively (see Note 31).

Retirement Benefits. The cost of defined benefit retirement plan and the present value of retirement obligation is determined based on actuarial valuations. The actuarial valuations involve making various assumptions about discount rates, expected return on assets, future salary increases and mortality rates. Due to the complexity of the valuation, the underlying assumptions and long-term nature of the plan, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each balance sheet date. Further details about the assumptions used are given in Note 27 to the consolidated financial statements.

Pension asset under the defined benefit plan amounted to ₱1.7 million and ₱4.3 million as at December 31, 2020 and 2019, respectively. Accrued retirement costs under the defined benefit plan amounted to ₱429.4 million and ₱292.1 million as at December 31, 2020 and 2019, respectively (see Note 27).

Long-Term Incentives Benefits. The LTIP for key executives of the Company will be based on profit targets for the covered Performance Cycle. The cost of LTIP is determined using the projected unit credit method based on prevailing discount rates and profit targets. While management's assumptions are believed to be reasonable and appropriate, significant differences in actual results or changes in assumptions may materially affect the Company's other long-term incentives benefits.

Carrying value of the LTIP, recognized under "Other reserves" in the equity section of the consolidated balance sheets, amounted to ₱23.1 million as at December 31, 2020 and 2019 (see Notes 22 and 27). LTIP payable recognized as at December 31, 2020 and 2019 amounted to ₱357.2 million and ₱434.2 million, respectively. As discussed in Note 27, there is an ongoing discussion for extending the Performance Cycle from 2018-2020 to 2018-2021 and making 2020 a non-performance year. On the basis of this discussion, management recalculated the LTIP accrual based on estimate on expected payout (see Note 27).

Provisions. The Company recognizes provisions based on estimates of whether it is probable that an outflow of resources will be required to settle an obligation. Where the final outcome of these matters is different from the amounts that were initially recognized, such differences will impact the financial performance in the current period in which such determination is made.

The Company also recognizes its contractual obligations to restore the toll roads to a specified level of serviceability. The Company recognizes a provision following PAS 37 as the obligation arises which is a consequence of the use of the toll roads and therefore it is proportional to the number of vehicles using the roads and increasing in measurable annual increments.

The provision for the heavy maintenance requires an estimation of the periodic cost, generally estimated to be every seven (7) to nine (9) years or the expected heavy maintenance dates, to restore the assets to a level of serviceability during the concession term and in good condition before turnover to the Grantor. This is based on the best estimate of management to be the amount expected to be incurred to settle the obligation at every heavy maintenance date discounted using a pre-tax rate that reflects the current market assessment of the time value of money and the risk specific to the liability.

Provisions (current and noncurrent) amounted to ₱1,148.0 million and ₱1,106.3 million as at December 31, 2020 and 2019, respectively (see Note 18).

Determination of Fair Value of Financial Instruments. The Company initially records all financial instruments at fair value and subsequently carries certain financial assets and financial liabilities at fair value, which requires extensive use of accounting estimates and judgment. Valuation techniques are used particularly for financial assets and financial liabilities that are not quoted in an active market. Where valuation techniques are used to determine fair values (e.g., discounted cash flow and option pricing models), they are periodically reviewed by qualified personnel who are independent of the persons that initiated the transactions. All models are calibrated to ensure that outputs reflect actual data and comparative market prices. To the extent practicable, models use only observable data as valuation inputs. However, other inputs such as credit risk (whether that of the Company or the counterparties), forward prices, volatilities and correlations, require management to develop estimates or make adjustments to observable data of comparable instruments. The amount of changes in fair values would differ if the Company uses different valuation assumptions or other acceptable methodologies. Any change in fair value of these financial instruments would affect either the consolidated statement of comprehensive income or consolidated statement of changes in equity.

Fair values of financial assets and financial liabilities are presented in Note 34 to the consolidated financial statements.

Provision for expected credit losses (ECL) of receivables. The Company uses a provision matrix to calculate ECLs for receivables. The provision rates are based on days past due for groupings of various customer/counterparty segments that have similar loss patterns (i.e., by location, service type, customer type and rating).

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analyzed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Company's receivables is disclosed in Note 33 to the consolidated financial statements.

The carrying values of receivables, net of allowance for ECLs, amounted to ₱1,197.5 million and ₱1,095.9 million as at December 31, 2020 and 2019, respectively (see Notes 8 and 33).

Incorporation of Forward-looking Information. To capture the effect of changes to the economic environment in the future, the computation of Probability of Default (PD), Loss Given Default (LGD) and ECL, incorporates forward-looking information; assumptions on the path of economic variables that are likely to have an effect on the repayment ability of the Company's counterparties. The starting point for the projections of economic variables is based on management's view, which underlies the plan to deliver the Company's strategy and ensures it has sufficient capital over the medium term. Management's view covers a core set of economic variables required to set the strategic plan.

Contingencies. Certain subsidiaries of the Company are parties to certain lawsuits or claims arising from the ordinary course of business. However, the Company's management and legal counsels believe that the eventual liabilities under these lawsuits or claims, if any, will not have a material effect on the consolidated financial statements (see Note 35).

5. Business Combinations and Acquisition and Disposal of Non-controlling Interests

Acquisitions and Disposal in 2020

Acquisition of NCI in PT Inpola Meka Energi (IME). On February 24, 2020, MPTC, through EI, acquired additional 64,000 shares in IME amounting to IDR 6.4 billion (equivalent to approximately ₱21.9 million). This transaction resulted to an increase in ownership interest from 56.23% to 61.23%. This was accounted for as an equity transaction with a net premium of IDR 4,373.0 million (equivalent to approximately ₱4.3 million) recognized in equity under "Other reserves" account (see Note 22).

Acquisition of NCI in PT Margautama Nusantara (MUN). On April 29, 2020, MPTC, through PT Nusantara acquired additional 278 shares in MUN amounting to IDR 270.0 billion (equivalent to approximately ₱923.0 million). This transaction resulted to a dilution in effective ownership interest from 82.20% to 81.85% and was accounted for as an equity transaction with a net discount | IDR 12,079.1 million (equivalent to approximately ₱36.3 million) recognized in equity under "Other reserves".

Disposal of NCI in MUN. On May 8, 2020, MPTC, through its indirect subsidiaries, CIIF Infrastructure Holdings Sdn Bhd (CIIF) disposed 474 shares or 10.32% interest in MUN.

This transaction resulted to a decrease in MPTC's effective ownership interest from 81.85% to 71.53%. This was accounted for as an equity transaction with impact to "Non-controlling interest" and "Other reserves" accounts amounting to ₱1,425.8 million and net premium of ₱268.2 million (see Note 22).

	in Millions
Gross consideration	₱1,775
Transaction costs	(93)
Carrying value of the proportional interest in MUN	(1,414)
Other reserves (see Note 22)	₱268

Acquisition of Dibztech, Inc. (Dibztech). On November 27, 2020, MPTC acquired 1,980,000 shares of stock representing 100% ownership of Dibztech for a total consideration of ₱63.6 million, of which ₱55.1 million was paid outright and the remaining balance of ₱8.5 million is presented as part of "Trade payables" under "Accounts payable and other current liabilities" account as at December 31, 2020. The transaction was accounted for using the acquisition method under PFRS 3.

Dibztech is a tech mobility service provider engaged in operation and maintenance of parking facilities within Metro Manila.

The provisional fair values of the identifiable assets and liabilities as at the date of acquisition:

	Provisional Values
	(in Millions)
Assets	
Cash and cash equivalents	₱1.0
Receivables	0.6
Other current assets	0.1
Property and equipment	3.6
Intangible asset	–
	5.3
Liabilities	
Accounts payable and other current liabilities	15.7
Total identifiable net assets at fair value	(10.4)
Goodwill arising on acquisition (see Note 13)	74.0
Consideration transferred	63.6
Intercompany account settled	–
Total consideration on acquisition	₱63.6

The fair value of intangible asset (software) is provisional pending final valuation. The provisional goodwill arising from the acquisition is attributable to synergies and other benefits from combining the assets and activities of Dibztech to the Company. None of the goodwill recognized is expected to be deductible for income tax purposes.

From the date of acquisition, Dibztech has contributed ₱2.2 million to the consolidated revenue and net loss of ₱1.8 million to the consolidated net income. If the combination had taken place at the beginning of 2020, contributions to the consolidated revenue and consolidated net income would have been ₱14.4 million and ₱12.2 million, respectively, for the year ended December 31, 2020. Total transaction cost amounting to ₱0.9 million, has been expensed and is included as part of "Taxes and licenses" under "General and administrative expenses" account in the consolidated statement of income and is part of operating cash flows for the year ended December 31, 2020 (see Note 25).

Acquisition of NCI in NLEX Ventures Corporation (NVC). On December 29, 2020, MPTC acquired 2,000,000 shares of stock representing 100% ownership of NVC for a total consideration of ₱544.0 million from NLEX Corp, which is 75.13% owned by MPTC. In addition, NLEX Corp. assigned stock subscription rights for an additional 1,000,000 shares to MPTC for a total consideration of ₱200.0 million. NVC is primarily engaged to develop, fund, construct, operate and maintain any and all facilities and to provide services relating to the safety, comfort and convenience of its customers such as road users, and to undertake traffic management services.

This transaction resulted to an increase in ownership interest from 75.13% to 100% and was accounted for as an equity transaction with impact to "Non-controlling interest" and "Other reserves" accounts amounting to ₱144.1 million and ₱111.2 million (net of ₱32.9 million transaction costs) (see Note 22).

Acquisitions in 2019

Acquisition of Southbend Express Services Inc. (SESI). On February 26, 2019, MPT MSI, a wholly owned subsidiary of MPTC, acquired 100% of SESI for ₱93.0 million. SESI is engaged in providing manpower services to public and private offices, industrial, commercial and other establishments. The transaction was accounted for using the acquisition method under PFRS 3.

The final fair values of the identifiable assets and liabilities as at the date of acquisition:

	Fair Values
	(in Millions)
Assets	
Cash and cash equivalents	₱3
Receivables	36
Other current assets	3
Property and equipment	6
Other noncurrent assets	16
	64
Liabilities	
Accounts payable and other current liabilities (see Note 18)	21
Long-term debt and other long-term liabilities	24
	45
Total identifiable net assets at fair value	19
Goodwill arising on acquisition (see Note 13)	42
Consideration transferred	61
Intercompany account settled	32
Total consideration on acquisition	₱93

The fair value and gross amount of the receivables amounted to ₱35.8 million. None of the receivables have been impaired and it is expected that the full contractual amounts can be collected.

The goodwill of ₱41.9 million can be attributed to the expected synergies arising from the acquisition. None of the goodwill recognized is expected to be deductible for income tax purposes.

From the date of acquisition, SESI contributed consolidated revenue of ₱93.8 million after elimination. SESI derives most of its revenues from its services to NLEX Corp., CIC and MPT MSI and therefore eliminated at consolidated level. Meanwhile, the contribution to the consolidated net income amounted to ₱89.0 million net loss for the year ended December 31, 2019. If the combination had taken place at the beginning of 2019, SESI's contributions to the consolidated revenue and consolidated net income would have been ₱108.1 million of revenue and ₱110.0 million of net loss for SESI for the year ended December 31, 2019. Total transaction cost amounting to ₱0.2 million, has been expensed and is included as part of "Taxes and licenses" under "General and administrative expenses" account in the consolidated statement of income and is part of operating cash flows for the year ended December 31, 2019 (see Note 25).

Acquisition of NCI in IME. In May 2019, MPTC, through PT Energi Infranusantara (EI), an indirect subsidiary of PT MPTI, acquired additional 64,000 shares in IME amounting to IDR 22.8 billion (equivalent to approximately ₱84.4 million). This transaction resulted to an increase in ownership interest from 54.64% to 56.23%. This was accounted for as an equity transaction with a net premium of IDR 156.1 million (equivalent to approximately ₱0.6 million) recognized in equity under "Other reserves" account (see Note 22).

Acquisition of NCI in DCC. In July 2019, MPTC, through PT Potum Mundi Infranusantara (Potum), an indirect subsidiary of PT MPTI, acquired 24,000 shares of DCC from NCI amounting to IDR 3.8 billion (equivalent to approximately ₱13.6 million). This transaction resulted to an increase in ownership interest from 51.00% to 74.52%. This was accounted for as an equity transaction with a net discount of IDR 3.8 billion (equivalent to approximately ₱14.0 million) recognized in equity under "Other reserves" account (see Note 22).

Acquisition of NCI in MUN. On September 23, 2019, MPTC, through its Singaporean subsidiary, Metro Pacific Tollways Asia, Corporation Pte. Ltd. (MPT Asia), acquired 100% equity interest in each of CIIF of Infrastructure Holdings Sdn Bhd CIIF. CIIF and CAIF holds 20% and 4.98% (or an aggregate of 24.98%) equity interest in MUN, respectively. MUN is a private company in Indonesia engaged in the development and operation of toll roads. MUN currently manages four (4) strategic toll roads in Indonesia.

This indirect acquisition of equity interest in MUN through CIIF and CAIF III was in addition to the existing indirect equity interest of MPTC in MUN through PT MPTI, which holds an equity interest of 76.31% of PT Nusantara Infrastructure Tbk, which then holds 74.98% equity interest in MUN.

The resulting total equity interest of MPTC in MUN after the transaction is 81.88%. This was accounted for as an equity transaction with the net premium of ₱467.1 million recognized in equity (see Note 22).

The premium represents the difference between the carrying value of the additional interest acquired and the total consideration.

	in Millions
Total consideration in cash	₱3,473
Carrying value of the interest acquired MUN	(3,006)
Difference recognized in "Other reserves" account	₱467

Acquisition of NCI in PT Bosowa Marga Nusantara (BMN). In December 2019, MPTC, through MUN, acquired 390,000 shares of BMN amounting to IDR 390.0 billion (equivalent to approximately ₱1,428.1 million). This transaction resulted to an increase in ownership interest from 98.53% to 99.46%. This was accounted for as an equity transaction with a net discount of IDR 2.6 billion (equivalent to approximately ₱9.5 million) recognized in equity under "Other reserves" account (see Note 22).

Acquisition of NCI in PT Nusantara. In December 2019, PT MPTI acquired 72,219,200 million shares from the public representing 0.42% of PT Nusantara's issued capital. As at December 31, 2019, PT MPTI's ownership interest increased from 75.89% to 76.31% (on the basis of issued and outstanding shares). This was accounted for as an equity transaction with a net discount of IDR 0.3 billion (equivalent to approximately ₱1.1 million) recognized in equity under "Other reserves" account (see Note 22).

Events after the reporting period

Disposal of Indirect Interest in Don Muang Tollway Public Company Limited (DMT). On February 16, 2021, FPM Tollway (Thailand) Limited (FPM), a 100% indirect subsidiary of MPTC, entered into SPAs with several third parties for the sale of its 100% ownership in AIF Toll Roads Holdings (Thailand) Co., Ltd. (AIFT). The total price for shares amounted to USD 149.3 million (equivalent to approximately ₱7.2 billion) which was paid in cash by the buyers on February 19, 2021, the closing date of the transaction. The transaction resulted to a loss of control, upon which, the consolidation of these entities also ceases.

DMT is a major toll road operator in Bangkok, Thailand. The concession for DMT runs until 2034 for the operation of a 21.9-km six-lane elevated toll road from central Bangkok to Don Muang International Airport and further to the National Monument in the north of Bangkok. This investment is accounted for under "Investment in Associates" account in the Company's consolidated balance sheets (see Note 10).

6. Material Partly-Owned Subsidiary

In determining whether NCI is material to the Company, management employs both quantitative and qualitative factors to evaluate the nature of, and risks associated with, the Company's interests in these entities; and the effects of those interests on the Company's financial position. Factors considered include, but not limited to, carrying value of the subsidiary's NCI relative to the NCI recognized in the Company's consolidated financial statements, the subsidiary's contribution to the Company's consolidated revenues and net income, and other relevant qualitative risks associated with the subsidiary's nature, purpose and size of activities.

Based on management's assessment, the Company has concluded that NLEX Corp. and PT Nusantara and its subsidiaries are the subsidiaries with NCI that are material to the Company.

The ability of these subsidiaries to pay dividends or make other distributions or payments to their shareholders is subject to applicable laws and other restrictions contained in shareholder agreements and other agreements that prohibit or limit the payment of dividends or other transfers of funds. Such applicable restrictions are as follows:

- Under the financing agreements as disclosed in Note 19, which include satisfying certain financial ratios and other covenants to be able to declare or pay cash dividends;

- Under Philippine law, a corporation is permitted to declare dividends only to the extent that it has unrestricted retained earnings that represent the undistributed earnings of the corporation which have not been allocated for any managerial, contractual or legal purposes and which are free for distribution to the shareholders as dividends;

- Under Indonesian law, a corporation is permitted to declare dividends as long as their equity balance does not fall below its issued and paid-up capital plus the amount of the reserved fund. A reserved fund is a fund required to be set aside by the corporation equivalent to 20% of its issued and paid-up capital; and

- Under NLEX Corp.'s shareholders' agreement, unless otherwise agreed upon by the shareholders, no amounts shall be distributed by way of dividends until the PNCC fee for the year has been repaid in full.

As at December 31, 2020 and 2019, NLEX Corp. has unpaid dividends to non-controlling shareholders amounting to ₱472.5 million and ₱770.3 million, recorded under "Accounts payable and other current liabilities" account, which was fully paid on January 22, 2021. (see Notes 17 and 22).

The table below presents the summarized financial information of material partly owned subsidiaries as at December 31, 2020 and 2019:

	December 31, 2020		December 31, 2019	
	NLEX Corp.	**PT Nusantara**	NLEX Corp.	PT Nusantara
Equity share held by NCI	**24.9%**	**23.7%**	24.9%	23.7%
Summarized balance sheets				
Current assets	**₱4,256**	**₱2,300**	₱5,867	₱3,080
Non-current assets	**58,655**	**26,964**	52,209	24,719
Current liabilities	**12,817**	**1,694**	8,199	1,750
Non-current liabilities	**29,980**	**8,737**	30,349	7,521
Total equity	**20,114**	**18,833**	19,528	18,528
Attributable to:				
Equity holders of MPTC	**16,720**	**11,294**	16,220	14,426
NCI	**3,394**	**7,539**	3,308	4,102

	December 31, 2020		December 31, 2019	
	NLEX Corp.	**PT Nusantara**	NLEX Corp.	PT Nusantara
Summarized statements of comprehensive income				
Revenues	**₱11,060**	**₱1,839**	₱15,365	₱2,382
Net income	**3,581**	**352**	6,634	513
Total comprehensive income	**3,554**	**316**	6,560	515
Net income attributable to NCI	**845**	**186**	1,650	156
Dividends paid to NCI	**1,170**	**–**	1,170	36
Summarized statements of comprehensive income				
Net cash flows from operating activities	**₱5,662**	**₱4,538**	₱10,335	₱1,346
Net cash flows used in investing activities	**(7,119)**	**(9,215)**	(7,719)	(2,728)
Net cash flows from (used in) financing activities	**(601)**	**3,771**	(665)	1,117
Net increase (decrease) in cash and cash equivalents	**(2,058)**	**(906)**	1,951	(265)

7. Cash and Cash Equivalents and Restricted Cash Receivables

Cash and Cash Equivalents
Cash and cash equivalents consist of:

	2020	2019
	(in Millions)	
Cash on hand and in banks	**₱4,119**	₱1,868
Short-term deposits	**3,316**	6,784
	₱7,435	₱8,652

Cash in banks earn interest at the prevailing bank deposit rates. Short-term deposits as cash equivalents are made for varying periods of up to three (3) months depending on the immediate cash requirements of the Company and earn interest at the respective short-term deposit rates.

Restricted Cash
Restricted cash includes revenue and debt service reserve and payment accounts amounting to ₱813.8 million and ₱1,500.1 million as at December 31, 2020 and 2019, respectively, which are established and maintained for debt servicing of long-term debt. This debt service reserve and payment accounts are maintained and replenished in accordance with the provision of the loan agreements.

Interest earned from cash and cash equivalents and restricted cash amounted to ₱112.3 million and ₱316.0 million for the years ended December 31, 2020 and 2019, respectively (see Note 28).

8. Receivables

This account consists of:

	2020	2019
	(in Millions)	
Trade receivables from:		
Third parties	**₱435**	₱516
Related parties (see Note 21)	**4**	6
Advances to DPWH	**285**	238
Loan receivables	**225**	149
Dividend receivable	**91**	6
Advances to officers and employees (see Note 21)	**54**	48
Receivables from NLEX Road Warriors (NRW)	**37**	55
Interest receivables	**36**	49
Other receivables	**130**	134
	1,297	1,201
Less: allowance for ECL	**100**	105
	₱1,197	₱1,096

Trade receivables. Trade receivables are noninterest-bearing and are generally on terms of 30 to 45 days.

Loan receivables. Loan receivables are interest-bearing and generally on terms of twelve (12) months.

Receivable from NRW. Advances to NRW PBA players are noninterest-bearing and are normally collected through salary deductions within one (1) year from availment date.

Advances to DPWH. Advances to DPWH include (i) advances in order to fast track the acquisition of right-of-way for the construction of Segments 9 and 10, portions of Phase II of NLEX pursuant to the Reimbursement Agreement entered into by NLEX Corp. with DPWH in 2013; (ii) direct advances to certain Segment 9 landowners as consideration for the grant of immediate right-of-way possession to NLEX Corp. ahead of the expropriation proceedings. Under a Deed of Assignment (DOA) with Special Power of Attorney (SPA) agreement, these landowners agreed to assign their receivables from DPWH to NLEX Corp. in consideration for the direct advances received from NLEX Corp.; and (iii) advances and reimbursement agreement between MPCALA and DPWH where the parties have agreed that DPWH shall execute its power to acquire the necessary right-of-way while MPCALA shall advance the amounts negotiated for such and shall be later reimbursed by DPWH within 60 days from the receipt of the MPCALA's request for reimbursement. These advances to DPWH are noninterest-bearing and are collectible within a year.

Other receivables. Other receivables include (i) advances to officers and employees which are normally liquidated within a month, (ii) interest receivables which are collectible within three (3) to six (6) months, and (iii) receivables from motorists who caused accidental damage to NLEX property from day-to-day operations.

Movements in the allowance for individually assessed impaired receivables in 2020 and 2019 are as follows:

	Trade Receivables	Other Receivables	Total
		(in Millions)	
Balance at January 1, 2020	**₱54**	**₱51**	**₱105**
Provisions for ECL (see Note 25)	–	**27**	**27**
Write-off	–	**(32)**	**(32)**
Balance at December 31, 2020	**₱54**	**₱46**	**₱100**

	Trade Receivables	Other Receivables	Total
		(in Millions)	
Balance at January 1, 2019	₱54	₱43	₱97
Provisions for ECL (see Note 25)	–	8	8
Balance at December 31, 2019	₱54	₱51	₱105

9. **Other Current Assets**

This account consists of:

	2020	2019
	(in Millions)	
Input VAT (net of allowance of ₱14.8 million and ₱17.0 million as at December 31, 2020 and 2019, respectively)	**₱3,122**	₱2,153
Deferred financing costs	**348**	369
Creditable taxes (net of allowance of ₱15.4 million and ₱15.3 million as at December 31, 2020 and 2019, respectively)	**296**	270
Input VAT - deferred	**238**	128
Advances to contractors, consultants and suppliers (see Note 21)	**195**	218
Prepaid expenses	**190**	195
Inventories	**175**	119
Concession financial receivables - current (see Note 16)	**65**	12
Others	**59**	13
	₱4,688	₱3,477

Input VAT. Input VAT pertains to VAT imposed on purchases of goods and services. These are expected to be offset against output VAT arising from the Company's revenue subject to VAT in the future. The noncurrent portion, included under "Other noncurrent assets" account, pertains to input VAT that can be offset against output VAT beyond one year and those that can be claimed as tax credits (see Note 16).

Deferred financing costs. These pertain to debt issue costs of undrawn amounts of the loan facilities of CCLEC, CIC and MPCALA (see Note 19).

Creditable taxes. Creditable taxes are the amount withheld by the payees which the Company can claim as tax credits against income tax payable.

Advances to contractors, consultants and suppliers. Advances to contractors, consultants and suppliers mainly represent the advance payments for mobilization of the contractors, consultants and suppliers for various contracts. These are progressively reduced upon receipt of the equivalent amount of services rendered by the contractors, consultants and suppliers. Noncurrent portion presented in the consolidated balance sheets as at December 31, 2020 and 2019 amounted to ₱1,964.0 million and ₱4,576.0 million, respectively.

Prepaid expenses. Prepaid expenses include prepaid insurance covering the service concession assets of the Company, prepayments to National Telecommunications Commission (NTC) and Department of Environment and Natural Resources (DENR) with regards to permit and registration fees for the renewal of Restricted Radiotelephone Operator's (RLM) certificates and radio license, and prepaid maintenance for software and hardware systems.

10. **Investments in Associates**

This account consists of:

	Ownership interest			
	2020	2019	**2020**	2019
			(in Millions)	
Don Muang Tollway Public Ltd. (DMT)	**29.5%**	29.5%	**₱7,061**	₱7,266
PT Jakarta Lingkar Baratsatu (JLB)	**35.0%**	35.0%	**4,953**	5,255
CII Bridges and Roads Investment Joint Stock Company (CII B&R)	**44.9%**	44.9%	**2,707**	3,364
PT Tirta Kencana Cahaya Mandiri (TKCM)	**28.0%**	28.0%	**161**	167
PT Intisentosa Alam Bahtera (ISAB)	**39.0%**	39.0%	**89**	107
			₱14,971	₱16,159

Details of the Company's investments in associates are as follows:

	2020	2019
	(in Millions)	
Acquisition cost:		
Balance at beginning and end of year	**₱15,735**	₱15,735
	15,735	15,735
Accumulated equity in net loss:		
Balance at beginning of year	**(694)**	(987)
Equity in net earnings for the year	**297**	623
Dividends received	**(357)**	(330)
Balance at end of year	**(754)**	(694)
Share in cumulative translation adjustment (CTA):		
Balance at beginning of year	**1,118**	608
Share in CTA of associates during the year	**(1,128)**	510
Balance at end of year	**(10)**	1,118
	₱14,971	₱16,159

Material associates
In determining whether an equity method investee is material to the Company, management employs both quantitative and qualitative factors to evaluate the nature of, and risks associated with, the Company's interests in these entities; and the effects of those interest on the Company's financial position. Factors considered include, but not limited to, carrying value of the investee relative to the total equity method investments recognized in the Company's consolidated financial statements, the equity investee's contribution to the Company's consolidated net income, and other relevant qualitative risks associated with the equity investee's nature, purpose and size of activities.

CII B&R. CII B&R and its subsidiaries are primarily engaged in the construction, development and operation in urban infrastructure sector under the BOT contracts and Built-Transfer contracts.
CII B&R is incorporated in Vietnam and listed in Ho Chi Minh City Stock Exchange.

On September 1, 2020, CII B&R's BOD declared dividends amounted to VND 228.3 billion (₱476.8 million). The Company's share in the total dividends declared amounted to ₱214.3 million. No cash dividends were declared in 2019.

The fair value of CII B&R shares held by the Company (including the equivalent shares of the potential voting rights) amounted to VND 5,980 billion (₱12.4 billion) and VND 3,423.3 billion (₱7,483.2 million) as at December 31, 2020 and 2019, respectively.

JLB. JLB is a toll road company that operates in Jakarta, Indonesia. The Concession for JLB runs until 2042 for the operation of a 9.7-km length toll road that connects Kebon Jeruk (West Jakarta) with Penjaringan (Soekarno-Hatta International Airport area, Cengkareng).

In March 2020, JLB's BOD declared IDR 60 billion (₱204.8 million) cash dividends. The Company's share in total dividends declared amounted to IDR 21 million (₱71.7 million).

On May 22, 2019, JLB's BOD declared cash dividends amounting to IDR 100 billion (₱366.2 million) payable on September 23, 2019. The Company's share in the total dividends declared amounted to IDR 35 billion (₱128.2 million).

DMT. DMT is a major toll road operator in Bangkok, Thailand. The concession for DMT runs until 2034 for the operation of a 21.9-km six-lane elevated toll road from central Bangkok to Don Muang International Airport and further to the National Monument in the north of Bangkok.

On August 26, 2020, DMT's BOD declared cash dividends amounting to THB 156.2 million (₱242.3 million) payable on September 25, 2020. The Company's share in total dividends declared in 2020 amounted to ₱71.4 million.

On April 25 and November 12, 2019, DMT's BOD declared cash dividends amounting to THB 260.3 million (₱424.4 million) and THB 156.2 million (₱261.4 million), payable on May 24 and December 11, 2019, respectively. The Company's share in the total dividends declared in 2019 amounted to ₱202.0 million.

On February 19, 2021, MPTC, through its wholly owned subsidiary, FPM Tollway (Thailand) Limited, sold its shareholdings in AIFT, including its investment in DMT (see Note 5).

Summarized financial information in respect of JLB, DMT and CII B&R as at December 31, 2020 and 2019 are as follows:

	2020			2019		
	JLB	**DMT**	**CII B&R**	JLB	DMT	CII B&R
			(in Millions)			
Current assets	**₱2,274**	**₱1,034**	**₱1,372**	₱2,464	₱1,073	₱2,017
Noncurrent assets	**14,832**	**24,473**	**11,190**	16,070	25,385	16,454
Current liabilities	**(186)**	**(5,873)**	**(3,328)**	(201)	(6,092)	(4,894)
Noncurrent liabilities	**(6,597)**	**(992)**	**(6,125)**	(7,148)	(1,029)	(9,006)
Equity	**10,323**	**18,642**	**3,109**	11,185	19,337	4,571
Proportion of the Company's ownership	**35.00%**	**29.45%**	**44.94%**	35.00%	29.45%	44.94%
Share in equity of the investees	**3,613**	**5,490**	**1,397**	3,915	5,695	2,054
Goodwill	**1,340**	**1,571**	**1,310**	1,340	1,571	1,310
Carrying amount of the investment	**₱4,953**	**₱7,061**	**₱2,707**	₱5,255	₱7,266	₱3,364

	Years Ended December 31					
	2020			2019		
	JLB	**DMT**	**CII B&R**	JLB	DMT	CII B&R
			(in Millions)			
Operating revenues	**₱1,358**	**₱3,285**	**₱1,054**	₱1,919	₱4,668	₱1,109
Cost of services	**(306)**	**(848)**	**(655)**	(636)	(1,647)	(690)
General and administrative expenses	**(125)**	**(808)**	**(60)**	(135)	(1,044)	(66)
Other expenses – net	**(475)**	**(411)**	**(489)**	(421)	–	(488)
Income (loss) before income tax	**452**	**1,218**	**(150)**	727	1,977	(135)
Provision for income tax	**(135)**	**(314)**	**(11)**	(218)	(466)	(75)
Net income	**317**	**904**	**(161)**	509	1,511	(210)
Other comprehensive income	**(972)**	**(1,357)**	**(825)**	9	672	687
Total comprehensive income	**(₱655)**	**(₱453)**	**(₱986)**	₱518	₱2,183	₱477
Company's share of:						
Net income	**₱110**	**₱266**	**(₱72)**	₱178	₱445	(₱39)
Total comprehensive income	**(230)**	**(134)**	**(443)**	182	643	270

Individually immaterial associates

ISAB. ISAB is mainly engaged in the port services, warehousing, loading and unloading services, and storage tank rental services with its operations located in Lampung, Indonesia.

TKCM. TKCM owns a Water Treatment Plant at Cikokol, Tangerang, Banten, which operates at 1,275 liter per second capacity bulk water supplying clean water to PDAM Tirta Kerta Raharja (TKR) Tangerang, Indonesia.

Aggregate financial information of these associates is presented as follows:

	2020	2019
	(in Millions)	
Carrying amount of investment	**₱250**	₱274
Share in:		
Net income (loss)	**(7)**	39
Other comprehensive loss	**(18)**	(2)
Total comprehensive income (loss)	**(25)**	37
Current assets	**320**	480
Noncurrent assets	**596**	960
Current liabilities	**(332)**	297
Noncurrent liabilities	**(273)**	388

11. Service Concession Assets

The movements in the service concession assets follow:

	NLEX	SCTEX	NLEX-SLEX Connector Road	CALAX	CAVITEX[a]	CCLEX	Pondok Ranji & Pondok Aren	Soekarno Hatta Port-Pettarani	Tallo-Airport Hasanuddin	Seran, Banten (Water treatment)	Total
						(in Millions)					
Cost:											
At January 1, 2019	₱38,257	₱4,538	₱2,984	₱25,803	₱11,025	₱957	₱4,135	₱3,695	₱4,090	₱485	₱95,969
Additions (see Note 36)	7,848	169	393	4,855	931	8,102	40	3,438	49	26	25,851
Translation adjustment	–	–	–	–	–	–	4	3	3	–	10
At December 31, 2019	**46,105**	**4,707**	**3,377**	**30,658**	**11,956**	**9,059**	**4,179**	**7,136**	**4,142**	**511**	**121,830**
Additions (see Note 36)	**4,461**	**117**	**3,104**	**3,978**	**897**	**9,450**	**8**	**3,759**	**2**	**16**	**25,792**
Translation adjustment	**–**	**–**	**–**	**–**	**–**	**–**	**(268)**	**(453)**	**(266)**	**(33)**	**(1,020)**
At December 31, 2020	**₱50,566**	**₱4,824**	**₱6,481**	**₱34,636**	**₱12,853**	**₱18,509**	**₱3,919**	**₱10,442**	**₱3,878**	**₱494**	**₱146,602**
Accumulated amortization:											
At January 1, 2019	₱8,409	₱292	₱–	₱–	₱1,041	₱–	₱136	₱31	₱47	₱12	₱9,968
Amortization (see Note 24)	877	97	–	–	202	–	305	71	105	30	1,687
Translation adjustment	–	–	–	–	–	–	(2)	–	(1)	–	(3)
At December 31, 2019	**9,286**	**389**	**–**	**–**	**1,243**	**–**	**439**	**102**	**151**	**42**	**11,652**
Amortization (see Note 24)	**723**	**37**	**–**	**–**	**174**	**–**	**260**	**73**	**76**	**29**	**1,372**
Translation adjustment	**–**	**–**	**–**	**–**	**–**	**–**	**(1)**	**(28)**	**(9)**	**(3)**	**(41)**
At December 31, 2020	**₱10,009**	**₱426**	**₱–**	**₱–**	**₱1,417**	**₱–**	**₱698**	**₱147**	**₱218**	**₱68**	**₱12,983**
Carrying value:											
At December 31, 2020	**₱40,557**	**₱4,398**	**₱6,481**	**₱34,636**	**₱11,436**	**₱18,509**	**₱3,221**	**₱10,295**	**₱3,660**	**₱426**	**₱133,619**
At December 31, 2019	36,819	4,318	3,377	30,658	10,713	9,059	3,740	7,034	3,991	469	110,178

(a) Consists of R1 Expressway, R1 Expressway Extension and C5 South Link.

Service concession assets with ongoing construction and upgrade services amounting to ₱44,044.2 million and ₱34,178.1 million as at December 31, 2020 and 2019, respectively, are considered as contract assets under PFRS 15, *Revenue from Contracts with Customers* (see Note 3).

The Company also recognizes construction revenues and costs in accordance with PFRS 15. It measures contract revenue at the fair value of the consideration received or receivable. Given that the construction works have been subcontracted to outside contractors, the construction revenue recognized substantially approximates the construction costs. Construction revenue and costs recognized in the consolidated statements of income amounted to ₱22,747.6 million construction revenue and ₱22,747.6 million construction costs in 2020 and ₱23,368.2 million construction revenue and ₱23,368.2 million construction costs in 2019.

No amortization was recognized in 2020 and 2019 for NLEX-SLEX Connector Road, CALAX and CCLEX as these service concession assets are not yet available for use as at December 31, 2020 and 2019.

PT Nusantara's concession assets comprise of toll roads and water concession rights. Toll road concession rights cover the following toll road sections: (a) Tallo-Hasuddin Airport; (b) Soekarno Hatta Port - Pettarani; (c) Pondok Ranji and Pondok Aren. The water concession rights pertain to right to treat and distribute clean water in the Serang District, Banten in Indonesia.

As at December 31, 2020 and 2019, toll road concession rights under MUN are pledged as collateral for MUN's loans (see Note 19).

Impairment Testing of Service Concession Assets Not Yet Available for Use

	Growth rate	Average forecast period	Pre-tax discount rate
December 31, 2020:			
CIC – C5 South Link	**2.0% to 5.0%**	**26-28 years**	**11.2%**
NLEX Corp – NLEX-SLEX Connector Road	**1.2% to 2.9%**	**36 years**	**10.1%**
MPCALA – CALAX	**15.7%**	**30.5 years**	**11.2%**
CCLEC – CCLEX	**1.0% to 11.0%**	**32 years**	**11.2%**
December 31, 2019:			
CIC – C5 South Link	3.0% to 5.0%	27-29 years	11.8%
NLEX Corp – NLEX-SLEX Connector Road	1.2% to 2.3%	37 years	12.3%
MPCALA – CALAX	15.7%	31.5 years	11.8%
CCLEC – CCLEX	1.0% to 11.0%	33 years	11.0%

For the purposes of impairment testing of an intangible asset (service concession asset) not yet available for use under the requirements of PAS 36, *Impairment of Assets*, the Company has performed the analysis by comparing the recoverable amount and the carrying amount of the service concession assets as at balance sheet date.

As at December 31, 2020 and 2019, the total carrying amount of service concession assets not yet available for use amounted to ₱61,763.2 million and ₱44,693.6 million, respectively.

The recoverable amounts of these service concession assets have been determined based on a value in use computation using the cash flow projections from most recent financial budgets and forecast of the Company. Risks related to the expected variations in the timing of cash flows have been incorporated in computing for the recoverable amounts of the relevant assets.

Based on the impairment tests, management did not identify any impairment loss for these service concession assets. Management also believes that no reasonably possible change in any of the key assumptions used would cause the carrying values of the service concession assets not yet available for use to materially exceed their respective recoverable amounts.

12. Property and Equipment

The movements in this account follow:

	Building, Building Improvements and Leasehold Improvements	Transportation Equipment	Office Equipment and Others	Construction in Progress	Total
			(in Millions)		
Cost:					
At January 1, 2019	₱595	₱320	₱785	₱479	₱2,179
Acquisition of subsidiaries (see Note 5)	–	6	–	–	6
Additions	419	137	179	801	1,536
Disposals	(64)	(20)	(43)	–	(127)
Reclassifications	46	–	(17)	(5)	24
At December 31, 2019	996	443	904	1,275	3,618
Acquisition of subsidiaries (see Note 5)	**–**	**–**	**4**	**–**	**4**
Additions	**153**	**127**	**264**	**914**	**1,458**
Disposals	**(14)**	**(45)**	**–**	**–**	**(59)**
Reclassifications	**(130)**	**–**	**–**	**(1,500)**	**(1,630)**
Translation adjustment	**(27)**	**(6)**	**(21)**	**(73)**	**(127)**
At December 31, 2020	**₱978**	**₱519**	**₱1,151**	**₱616**	**₱3,264**
Accumulated depreciation:					
At January 1, 2019	₱75	₱161	₱361	₱–	₱597
Depreciation (see Notes 24 and 25)	80	65	173	–	318
Disposals	(1)	(18)	(41)	–	(60)
Translation adjustment	6	4	–	–	10
At December 31, 2019	160	212	493	–	865
Depreciation (see Notes 24 and 25)	**139**	**100**	**331**	**–**	**570**
Disposals	**(11)**	**(33)**	**(3)**	**–**	**(47)**
Translation adjustment	**(8)**	**(3)**	**(14)**	**–**	**(25)**
At December 31, 2020	**₱280**	**₱276**	**₱807**	**₱–**	**₱1,363**
Net book value:					
At December 31, 2020	**₱698**	**₱243**	**₱344**	**₱616**	**₱1,901**
At December 31, 2019	836	231	411	1,275	2,753

Building and building improvements include ROU assets as at December 31, 2020 and 2019 amounting to ₱108.3 million and ₱42.3 million, respectively. Accumulated depreciation of ROU assets as at December 31, 2020 and 2019 amounted to ₱42.08 million and ₱39.9 million, respectively.

Construction in progress pertains to the construction of a building as headquarters of toll operations of CAVITEX and CALAX and construction of a Minihydro Power Plant (PLTM) located in Lau Gung, Indonesia which was already completed on December 17, 2020 (see Note 32).

Gain on sale of property and equipment amounted to ₱7.6 million and ₱1.3 million in 2020 and 2019, respectively (see Note 30).

13. Goodwill and Other Intangible Assets

The movements in goodwill and other intangible assets are as follows:

	Goodwill	Franchise	Software	Total
		(in Millions)		
Cost:				
At January 1, 2019	₱9,554	₱100	₱158	₱9,812
Acquisition of a subsidiary	–	–	2	2
Additions (see Note 5)	42	–	34	76
Translation adjustments	–	–	(8)	(8)
At December 31, 2019	9,596	100	186	9,882
Acquisition of a subsidiary	**–**	**–**	**–**	**–**
Additions (see Note 5)	**74**	**–**	**33**	**107**
Translation adjustments	**(69)**	**–**	**–**	**(69)**
At December 31, 2020	**₱9,601**	**₱100**	**₱219**	**₱9,920**
Accumulated amortization:				
At January 1, 2019	₱–	₱–	₱117	₱117
Amortization (see Note 25)	–	–	8	8
Disposal	–	–	(8)	(8)
At December 31, 2019	–	–	117	117
Amortization (see Note 25)	**–**	**–**	**19**	**19**
At December 31, 2020	**₱–**	**₱–**	**₱136**	**₱136**
Carrying value:				
At December 31, 2020	**₱9,601**	**₱100**	**₱83**	**₱9,784**
At December 31, 2019	9,596	100	69	9,765

Goodwill. Goodwill is the difference between the cost of business combination and the fair values of identifiable assets and liabilities. The carrying amount of goodwill allocated to each of the CGU are as follows:

	2020	2019
	(in Millions)	
CIC	**₱4,979**	₱4,979
TMC/NLEX	**3,110**	3,110
PT Nusantara	**855**	914
ESC	**388**	388
RPSL	**153**	163
Dibztech (see Note 5)	**74**	–
SESI (see Note 5)	**42**	42
	₱9,601	₱9,596

Franchise. Franchise pertains to the Company's professional basketball team, NLEX Road Warriors, which participates in the PBA.

In 2020 and 2019, the Company earned income from franchise fee amounting to ₱2.7 million each year, presented under "Other income" account in the consolidated statements of income (see Note 30).

Software. Software costs pertain to computer software relating to the Company's accounting, reporting and asset management systems with estimated useful lives of five (5) years.

Impairment Testing of Goodwill

	Growth rate	Average forecast period	Pre-tax discount rate
December 31, 2020:			
CIC	**3%**	**28 years**	**11.2%**
NLEX Corp.	**2.5%**[a)] **2.8%**[(b)]	**17 years**	**10.2%**
ESC	**3%***	**5 years**	**11.2%**
PT Nusantara	**2.6% to 4.8%**	**8 to 23 years**	**11.3% to 12.0%**
RPSL	**1.2%-11.7%**	**17 years**	**12.3%**
SESI	**3%***	**5 years**	**9.4%**
Dibztech	**3%***	**5 years**	**8.3%**
December 31, 2019:			
CIC	6.0% to 23.0%	29 years	13.9%
NLEX Corp.	8.2% to 19.9%[(a)] 4.6% to 22.5%[(b)]	18 years	14.4%
ESC	2.6%*	5 years	11.6%
PT Nusantara	2.6% to 4.8%	9 to 24 years	12.4% to 12.9%
RPSL	1.2%-11.7%	18 years	12.2%
SESI	2.6%*	5 years	11.9%

** Terminal growth rate*
[(a)] Open system
[(b)] Closed System

In assessing the impairment for goodwill, the Company compares the carrying amounts of the underlying assets of the CGU to which the goodwill belong against their recoverable amounts (the higher of the assets' fair value less costs of disposal and their VIU).

The test for recoverability of the Company's goodwill from its acquisitions was applied at the CGU level, which represents the lowest level for which identifiable cash flows are largely independent of the cash inflows and outflows of other Company's assets and liabilities.

The discount rates applied to cash flow projections reflect the weighted average cost of capital. In the assessment of the recoverable amounts, the VIUs were calculated based on cash flow projections in the most recent financial budgets and forecasts, which management believes are reasonable and are management's best estimates of the ranges of economic conditions that will exist over the forecast period. The forecasted periods are more than five (5) years as management can reliably estimate the cash flows for their entire concession periods. The cash flows during the projection periods are derived using estimated average growth rates which do not exceed the long-term average growth rate of the industry where the businesses operate.

Based on the impairment tests, management did not identify impairment losses for these CGUs. Management also believes that no reasonably possible change in any of the key assumptions would cause the carrying values of the CGUs to materially exceed their respective recoverable amounts.

Impairment Testing of Franchise Cost
The intangible asset (franchise cost) acquired by the Company has been determined to have an indefinite useful life. As at December 31, 2020 and 2019, the intangible asset was tested for impairment.

The recoverable amount of the franchise cost has been determined using its FVLCD as of impairment testing date. The Company used market approach in determining the fair value of the intangible asset (franchise cost) in reference to prices generated in similar recent transactions from other market participants involving identical or comparable assets. The Company adjusted the price to account for costs of disposal to determine FVLCD as one of the measures of recoverable amount required by PAS 36. Based on the impairment testing, management did not identify any impairment loss for this intangible asset (franchise cost) as FVLCD exceeds the carrying amount of the intangible asset (franchise cost). The FVLCD of the franchise cost is classified under Level 2 of fair value hierarchy.

14. Investment Properties

Details of this account as at December 31, 2020 and 2019 are as follows:

	Land	Building and building improvements	Total
		(in Millions)	
Cost:			
At January 1, 2019	₱199	₱197	₱396
Additions	–	24	24
Disposal	(45)	–	(45)
Reclassification	(26)	–	(26)
Balance as at December 31, 2019	128	221	349
Additions	**220**	**18**	**238**
At December 31, 2020	**₱348**	**₱239**	**₱587**
Accumulated depreciation:			
At January 1, 2019	₱–	₱–	₱–
Depreciation	–	8	8
Balances as at December 31, 2019	–	8	8
Depreciation	**–**	**8**	**8**
At December 31, 2020	**₱–**	**₱16**	**₱16**
Net book value:			
At December 31, 2020	**₱348**	**₱223**	**₱571**
At December 31, 2019	128	213	341

In 2020, NVC purchased parcels of land in Apalit, Pampanga and Canumay, Valenzuela City. This will be utilized for the planned expansion of Drive & Dine.

Rental income earned from this investment property amounted to ₱43.4 million and ₱54.7 million in 2020 and 2019, respectively (see Notes 23 and 32).

Fair Value of Investment Properties
As at December 31, 2020 and 2019, the fair value of investment properties amounted to ₱665.8 million and ₱468.2 million, respectively, based on a recent valuation performed by an accredited independent appraiser in November 2020. A valuation model in accordance with that recommended by the International Valuation Standards Committee has been applied and there has been no significant movement in the investment properties between the recent valuation date and as at December 31, 2020.

The income capitalization approach is based on the premise that the value of a property is directly related to the income it generates. This approach converts anticipated future gains to present worth by projecting reasonable income and expenses for the subject property. The income capitalization approach is considered appropriate for valuing investment properties, as it mirrors the analysis of typical investors. This comparative approach considers income and expense data relating to the property being valued and estimates value through a capitalization process. Capitalization relates income (usually a net income figure) and a defined value type by converting an income amount into a value estimate. This process may consider direct relationships, yield of discount rates, or both. In general, the principle of substitution holds that the income stream which produces the highest return commensurate with a given level of risk leads to the most probable figure.

The determination of the fair value of land is categorized under Level 3 fair value hierarchy measurement.

The Company has no obligations to purchase, construct or develop, or an obligation for repairs, maintenance and enhancements in relation to these investment properties.

15. **Financial Assets at Fair Value**

The movements in UITFs classified as financial assets at FVTPL are as follows:

	2020	2019
	(in Millions)	
Balance at beginning of year	**₱808**	₱675
Additions	**5,710**	8,967
Sale of financial assets	**(4,938)**	(8,879)
Gain on fair value change during the year	**21**	45
Reclassification	**(24)**	–
Balance at end of year	**₱1,577**	₱808

UITFs are ready-made investments that allow the pooling of funds from different investors with similar investment objectives. These are managed by professional fund managers and are invested in various financial instruments such as money market securities, bonds and equities, which are normally available to bigger investors only. A UITF uses the mark-to-market method in valuing the fund’s securities. It is a valuation method which calculates the Net Asset Value (NAV) based on the estimated fair market value of the assets of the fund based on prices supplied by independent sources.

As at December 31, 2020 and 2019, financial assets at FVOCI consist of:

	2020	2019
	(in Millions)	
Current:		
Investment in quoted equity shares – PT Kawasan Industri Jababeka Tbk (PT Kawasan)	**₱150**	₱219
Investment in quoted treasury bonds	**–**	20
Investment in long-term negotiable certificate of deposits (LTNCD)	**–**	49
Investment in club shares	**–**	7
	150	295
Noncurrent:		
Investments in unquoted equity shares – Citra Metro Manila Tollways Corporation (CMMTC)	**777**	693
Investments in quoted LTNCD	**46**	46
Investment in quoted club shares - net of impairment loss amounting to nil and ₱1.0 million in 2020 and 2019, respectively	**8**	–
Investments in quoted treasury bonds and notes	**–**	49
	831	788
	₱981	₱1,083

PT Kawasan. This represents the Company's investments in shares of PT Kawasan Industri Jababeka Tbk which is listed in Indonesia. The fair value of the investment is determined based on market value issued by the Indonesia Stock Exchange.

As at December 31, 2020 and 2019, the fair value of the investment in PT Kawsan amounted to ₱150.0 million and ₱219.0 million, respectively. Changes in fair value of investment in PT Kawasan were recognized under consolidated statements of comprehensive income in 2020 and 2019 amounting to loss of ₱68.7 million and gain of ₱13.0 million, respectively.

CMMTC. Investment in CMMTC represents 2.0% interest in unquoted shares of stocks of CMMTC. CMMTC is engaged primarily in the design, construction and financing of the Metro Manila Skyway (in three stages) and the proposed Metro Manila Tollways projects. The 30-year franchise period for the Stage 1 of the South Metro Manila Skyway (SMMS) and for the integrated Stage 1 and Stage 2 of the SMMS commenced on October 10, 1999 and April 25, 2011, respectively. As at January 2021, Stage 3 was opened for motorists.

As at December 31, 2020 and 2019, the fair value of the investment in CMMTC amounted to ₱777.0 million and ₱693.0 million. Gain on changes in fair value of investment in CMMTC were recognized under consolidated statements of comprehensive income in 2020 and 2019 amounting to ₱84.8 million and ₱22.4 million, respectively (see Note 22).

The Company's share in the dividends declared by CMMTC's BOD in 2020 and 2019 amounted to ₱55.2 million and ₱66.2 million, respectively (see Note 30). As at December 31, 2020 and 2019, the unpaid dividends amounted to ₱13.8 million and nil, respectively.

Investments in Treasury Bonds and Notes, Corporate Bonds, LTNCD and club shares. Investment in quoted corporate bonds are fixed rate bonds of Manila Electric Company (Meralco), PLDT and First Metro Investment Corporation (FMIC) with interest rates ranging from 4.38% to 5.75% and maturing within August 2019 to February 2021.

On February 1, 2019, NLEX Corp. exercised its fifth year put option of Meralco corporate bonds at face amount of ₱200.0 million. Furthermore, on September 5, 2019, investment in corporate bonds of PLDT with a face value of ₱200.0 million was sold with proceeds amounting to ₱201.1 million.

Investments in quoted treasury bonds and notes are fixed rate bonds and notes of the ROP with interest rates ranging from 2.13% to 4.75% and maturing within May 2018 to August 2023.

On September 4 and 5, 2019, NLEX Corp sold an investment in retail treasury bonds with a face value of ₱515.1 million for proceeds of ₱498.3 million.

LTNCD are quoted certificates of deposits of various banks with interest rates ranging from 4.13% to 4.25% maturing from June 2020 to November 2021.

Investment in quoted club shares pertain to purchased club shares of Pico de Loro Beach and Country Club. In 2019, impairment loss included under the consolidated statement of income amounted to ₱1.0 million. The investment in quoted club shares was determined to be fully impaired as at December 31, 2019. Consequently, the impairment loss recognized in the consolidated statement of comprehensive income was reclassified to retained earnings (see Note 22).

The fair values of the investments in treasury bonds and notes, corporate bonds, LTNCD and club shares are based on quoted market price of the instruments as at December 31, 2020 and 2019.

The movements in financial assets at FVOCI for the years ended December 31, 2020 and 2019 follow:

	2020	2019
	(in Millions)	
Balance at beginning of year	**₱1,083**	₱1,964
Additions	**–**	7
Sale of investments in bonds and treasury notes	**(50)**	(915)
Recycling to profit or loss (Note 22)	**–**	96
Maturity of investments in bonds and treasury notes	**(70)**	(61)
Changes in fair value during the year (see Note 22)		
Debt	**2**	3
Equity	**16**	(11)
Balance at end of year	**₱981**	₱1,083

Interest earned from financial assets at FVOCI amounted to ₱29.6 million and ₱30.8 million for the years ended December 31, 2020 and 2019, respectively (see Note 28).

16. **Other Noncurrent Assets**

Other noncurrent assets consist of:

	2020	2019
	(in Millions)	
Concession financial receivables - net of current portion	**₱2,370**	₱1,105
Input VAT - deferred - net of current portion (see Note 9)	**252**	79
Sinking fund	**208**	185
Deferred project costs	**194**	142
Deferred financing costs	**80**	148
Refundable deposits	**8**	15
Others	**68**	48
	₱3,180	₱1,722

Concession financial receivables. On April 24, 2012, DCC, a subsidiary of PT MPTI, entered into a Cooperation Agreement for the supply of treated water to KIM for a period of 20 years (excluding construction phase). The concession financial receivables pertain to the guaranteed minimum payment that will be received by DCC from KIM the water supply agreement.

On September 5, 2016, RPSL entered into an Electrical Power Purchase Agreement with PLN for the construction and operation of a Biomass Power Plant for a period of 20 years from the start of operations. Under the agreement, RPSL will supply a portion of the generated power from the power plant to PLN in accordance with the terms and conditions of the agreement. The concession financial receivable pertains to the guaranteed minimum payment that will be received by RPSL from PLN under the electrical power purchase agreement.

Interest income earned from the accretion of concession financial receivables amounted to ₱145.3 million and ₱163.1 million in 2020 and 2019, respectively (see Note 28).

Input VAT – deferred. These costs pertain to 12% VAT on amount of retention and unpaid purchase of services which are incurred, and billings have been received as of reporting date.

Sinking fund. The sinking fund was established to finance the future major road repairs, re-pavements and other extraordinary costs and expenses of the R-1 Expressway (see Note 2).

Deferred project costs. These costs are directly attributable to the construction of service concession assets until establishment of formal ownership to the concession where the costs are subsequently reclassified to the "Service concession assets" account.

Deferred financing costs. These pertain to debt issue costs of undrawn amounts of the loan facilities of CCLEC and MPCALA (see Note 19).

17. **Accounts Payable and Other Current Liabilities**

This account consists of:

	2020	2019
	(in Millions)	
Trade payables (see Note 33)[a]:		
Third parties	**₱1,069**	₱560
Related parties (see Note 21)	**35**	–
Accrued expenses (see Notes 21 and 33)[a]	**5,353**	5,467
Retention payable[b] (see Note 21)	**1,731**	1,076
Customer deposits[c]	**1,207**	450
Interest payable[d]	**1,122**	704
Dividends payable (see Notes 6 and 22)	**509**	804
Output VAT	**315**	305
Withholding taxes payable	**267**	273
Payable to CHI[e]	**163**	163
Unearned toll revenue	**33**	21
Lease liability - current portion[f]	**22**	29
Others	**433**	363
	₱12,259	₱10,215

a. Trade payables and accrued expenses are noninterest-bearing and are normally settled within one (1) year.

b. Retention payable is a percentage of the amount certified as due to the contractor on an interim certificate, that is deducted from the amount due and retained by the Company. Retention payable is usually released upon completion of the relevant project.

c. Customer deposit represent amount received from postpaid customers of ESC. The amount serves as security in case of customer default and is refundable when the contract is terminated.

d. Interest payable is settled within three (3) to six (6) months.

e. Payable to CHI relates to noninterest-bearing advances obtained by CIC in 2012 for its debt service requirements. The amount is due and demandable.

f. The noncurrent portion of lease liabilities amounted to ₱16.2 million and ₱13.8 million as at December 31, 2020 and 2019, respectively, are included under "Other noncurrent liabilities" account in the consolidated balance sheets.

Accrued expenses consist of:

	2020	2019
	(in Millions)	
Construction costs	**₱3,958**	₱3,676
Concession fees	**401**	150
Repairs and maintenance	**227**	79
Advertising and marketing expenses	**171**	248
Taxes and licenses	**85**	49
PNCC fees (see Note 32)	**57**	743
Professional fees	**54**	176
Outside services	**51**	110
Insurance	**42**	10
Salaries and employee benefits (see Note 27)	**27**	37
Others	**280**	189
	₱5,353	₱5,467

18. **Provisions**

The movements in this account follow:

	Heavy Maintenance	Contingent Liabilities	Others	Total
		(in Millions)		
At January 1, 2019	₱446	₱168	₱623	₱1,237
Acquisition of a subsidiary (see Note 5)	–	21	–	21
Additions (see Notes 24 and 25)	333	–	228	561
Accretion (see Note 29)	12	–	–	12
Payments	(274)	(21)	(191)	(486)
Reversals	(6)	(95)	(138)	(239)
At December 31, 2019	511	73	522	1,106
Additions (see Notes 24 and 25)	**326**	**–**	**197**	**523**
Accretion (see Note 29)	**11**	**–**	**–**	**11**
Payments	**(98)**	**–**	**(84)**	**(182)**
Reversals	**–**	**–**	**(303)**	**(303)**
Translation adjustment	**(2)**	**(5)**	**–**	**(7)**
At December 31, 2020	**₱748**	**₱68**	**₱332**	**₱1,148**
At December 31, 2020:				
Current	**₱–**	**₱–**	**₱248**	**₱248**
Noncurrent	**748**	**68**	**84**	**900**
	₱748	**₱68**	**₱332**	**₱1,148**
At December 31, 2019:				
Current	₱–	₱–	₱478	₱478
Noncurrent	511	73	44	628
	₱511	₱73	₱522	₱1,106

Provision for Heavy Maintenance. Provision for heavy maintenance pertains to the present value of the estimated contractual obligations of the Company to maintain the service concession assets to a specified level of serviceability during the concession term and to restore the same assets in good condition prior to turnover of the assets to the Grantor. The amount of provision is reduced by the actual obligations paid for heavy maintenance of the service concession assets.

Contingent Liabilities. These pertain to contingent liabilities assumed as a result of acquisition of subsidiaries. In 2019, the Company reversed the contingent liability of CIC (see Note 30).

Other Provisions. These include estimated liabilities for losses on claims by a third-party. The information usually required by PAS 37 is not disclosed as it may prejudice the Company's negotiation with the third-party. This also include estimates of incentives to employees.

19. Long-term Debts and Short-term Loans

Short-term Loans

MPTC. The following table summarizes the short-term loans availed in 2020 and 2019:

Financial institution	Date of drawdown	Drawdown Amount	Interest rate per annum	Settlement date	Outstanding principal balance **2020**	2019
		(in Millions)			*(in Millions)*	
Peso-denominated:						
MBTC[(a)]	June 2019	₱400	6.2%	December 2019	**₱–**	₱–
MBTC	September 2019	1,500	5.4%	December 2019	**–**	–
RCBC[(b)]	September 2019	600	5.5%	March 2020	**–**	600
RCBC	October 2019	200	5.3%	February 2020	**–**	200
BDO[(c)]	October 2019	200	5.3%	January 2020	**–**	200
RCBC	November 2019	400	5.0%	February 2020	**–**	400
BDO	November 2019	300	5.0%	February 2020	**–**	300
RCBC	December 2019	300	5.0%	June 2020	**–**	300
RCBC	March 2020	2,100	5.0%	March 2021	**2,100**	–
		6,000			**2,100**	**2,000**
Foreign currency-denominated:						
SMBC[(d)]	September 2019	1,559	2.1%	September 2020	**–**	1,519
		₱7,559			**₱2,100**	₱3,519

(a) Metropolitan Bank and Trust Company (MBTC)
(b) Rizal Commercial Banking Corporation (RCBC)
(c) BDO Unibank, Inc. (BDO)
(d) Sumitomo Mitsui Banking Corporation (SMBC)

Bridge Loans
On March 17, 2020, the Company availed a 360-day short-term loan from RCBC amounting to ₱2,100.0 million with an interest rate of 5.0%. The proceeds were used as capital infusion to MPT South and funding for maturing short-term loans.

On June 28, 2019, MPTC availed a 175-days short-term loans from MBTC amounting to ₱400.0 million with an interest rate of 6.2%. The proceeds were fully used to finance the acquisition of MUN shares. This loan was settled in December 2019.

On September 13, 2019, MPTC availed a 180-day short-term loan from MBTC amounting to ₱1,500.0 million with an interest rate of 5.4%. The proceeds were used to finance the acquisition of MUN shares. This loan was pre-terminated in December 2019.

On September 27, 2019, MPTC availed a 180-day short-term loan from RCBC amounting to ₱600.0 million with an interest rate of 5.4%. The proceeds were partly used to finance the acquisition of MUN shares and advances to MPT South as capital infusion. This loan was settled in March 2020.

On October 30, 2019, MPTC availed a 120-day short-term loans from RCBC and BDO, each amounting to ₱200.0 million each, with interest rates of 5.3%. The proceeds of the loan were used as working capital of MPCALA through infusions to MPT South. Each of the loans was settled in February 2020

On November 28, 2019, MPTC availed a 90-day short-term loans from RCBC and BDO amounting to ₱400.0 million and ₱300.0 million, respectively, each with interest rates of 5.0%. The proceeds of the loans were infused to MPT South as working capital. Each of the was settled in February 2020.

On December 23, 2019, MPTC availed, a 180-day short-term loan from RCBC amounting to ₱300.0 million with an interest rate of 5.0%. The proceeds of the loan infused to MPT South were used payments of MPCALA's contractors. This loan was settled on June 20, 2020.

U.S Dollar Bonds – First Series
On September 20, 2019, MPTC issued 12-month U.S Dollar bonds – First Series for an aggregate principal amount of $30.0 million or ₱1,558.8 million for qualified institutional investors, with an interest rate of 2.1% payable upon maturity. The bond is guaranteed by SMBC with respect to the obligations regarding principal payment, interest and delinquency charges. The proceeds were used to finance the acquisition of MUN shares (see Note 5). The effect of changes in foreign exchange rates as at December 31, 2020 and December 31, 2019 amounted to ₱67.4 million and ₱31.9 million, respectively under "Foreign exchange gain - net" in the consolidated statements of income.

NLEX Corp. The following table summarizes the short-term loans availed in 2020 and 2019:

Financial institution	Date of drawdown	Drawdown Amount	Interest rate per annum	Settlement date	Outstanding principal balance	
					2020	2019
		(in Millions)			*(in Millions)*	
PNB[(a)]	March 2019	₱500	6.2%	December 2019	**₱–**	₱–
RCBC[(b)]	March 2020	2,000	5.4%	September 2020	–	–
RCBC	March 2020	2,012	5.5%	September 2020	–	–
PNB	September 2020	1,000	3.5%	November 2020	–	–
		₱7,559			**₱–**	₱–

(a) Philippine National Bank (PNB)
(b) Rizal Commercial Banking Corporation (RCBC)

On March 23, 2020, NLEX Corporation availed short-term loans from Rizal Commercial Banking Corporation (RCBC) in two tranches amounting to ₱2,012 million and ₱2,000.0 million, respectively, both with an annual interest rate of 5.0% and a maturity date of June 22, 2020. These were also renewed during the year with maturity dates of September 23, 2020 and September 21, 2020. The proceeds were used to bridge finance the Company's capital expenditures.

The ₱2,012.0 million and ₱2,000.0 short-term loans were paid on September 2020. The payment for the short-term loans was partially financed by a ₱1,000.0 million short-term facility from PNB with an interest rate of 3.5% per annum and a maturity date of November 17, 2020. As at December 31, 2020, all short-term loans were paid by the NLEX Corporation.

On March 28, 2019, NLEX Corp. availed a 180-day short-term loan from Philippine National Bank (PNB) amounting to ₱500.0 million with an annual interest rate of 6.25%. The proceeds were used to bridge finance the Company's capital expenditures that are intended to be permanently financed by term loans. The loan facility matured and was paid on September 24, 2019.

NVC. In 2020, NVC availed short-term loans from MBTC and RCBC amounting to ₱25.0 million and ₱50.0 million with an interest rate of 3.50% and 3.75% to be used for its working capital requirements. All short-term loans of NVC matured in February and March 2021.

On November 20, 2019, NVC availed a 90-day short term loan facility amounting to ₱25.0 million with an annual interest rate of 4.6%. The proceeds will be used by NVC for its working capital requirements. On February 18, 2020, the loan was renewed with an interest rate of 4.40% with a maturity date of March 15, 2021.

PT MPTI. On December 19, 2019 PT MPTI availed a 365-day short term loan from BCA amounting to IDR 8.5 million (₱31.4 million) subject to an interest rate of 13% per annum. The loan was settled on December 2020.

Interest expense from these short-term loans, which includes the interest on the US Dollar Bonds - First Series, amounted to ₱152.2 million and in ₱76.5 million in 2020 and 2019, respectively, presented as part of "Interest expense and other finance costs" in the consolidated statements of income (see Note 29).

Long-term Debt

The long-term debts of the Company consist of:

	2020	2019
	(in Millions)	
Peso-denominated Notes, Loans and Bonds:		
Term Loan Facilities	**₱58,454**	₱44,321
Fixed-rate Bonds	**12,957**	12,957
Corporate Notes	**5,000**	–
Series A Notes	**910**	920
	77,321	58,198
Foreign currency-denominated Loans:		
Indonesian Rupiah:		
Term Loan Facilities	**2,540**	2,629
Syndicated Loan Facility	**4,364**	2,247
Loan from a non-financial institution	–	123
Thailand Baht -		
Term Loan Facility	–	1,519
	84,225	64,716
Less unamortized debt issue costs	**664**	479
	83,561	64,237
Less current portion of long-term debt - net of unamortized debt issue costs of ₱63.6 million and ₱38.4 million as at December 31, 2020 and 2019, respectively	**7,820**	2,390
	₱75,741	₱61,847

The movements in debt issue costs are as follows:

	2020	2019
	(in Millions)	
Balance at beginning of year	**₱479**	₱345
Amortization during the year* (see Note 29)	**(90)**	(75)
Debt issue costs incurred during the year	**275**	209
Balance at end of year	**₱664**	₱479

**Includes amortization of debt issue costs capitalized to service concession assets amounting to ₱33.9 million and ₱14.7 million in 2020 and 2019, respectively.*

Interest charged to operations from these long-term debt presented as part of "Interest expense and other finance costs" in the consolidated statement of income amounted to ₱2,564.2 million and ₱2,256.7 million for the years ended December 31, 2020 and 2019, respectively (see Note 29).

MPTC

Term Loan Facilities

Details of MPTC's term loan facilities are as follows:

Financial institution	Date of drawdown	Facility	Drawdown Amount	Interest rate per annum	Maturity date	Outstanding principal balance 2020	2019
		(in Millions)				*(in Millions)*	
BDO	May 2015	₱2,100	₱2,100	5.4%*	2025	**₱1,596**	₱1,743
BDO	October 2017	4,000	4,000	5.4%	2027	**3,700**	3,900
MBTC	October 2017	4,000	4,000	5.4%	2027	**3,700**	3,900
BDO	March 2018	1,500	900	6.1%	2028	**855**	900
MBTC	March 2018	1,000	940	6.1% - 6.3%	2028	**893**	940
BDO	March 2019	2,800	2,800	6.98%	2029	**2,748**	2,783
MBTC	December 2019	2,000	2,000	5.06%	2021	**2,000**	2,000
						₱15,492	₱16,166

**Repriced to 5.4% in 2020 from 5.3% in 2019.*

Compliance with Loan Covenants

The Term Loan Facility Agreements provide, among others, that for as long as the loans remain outstanding, MPTC is subject to certain affirmative and negative covenants requiring prior approval of the creditors for specified corporate acts. In addition, MPTC is required to maintain ratios such as debt-to-equity ratio (DER) and debt service coverage ratio (DSCR). Under the Term Loan Facility Agreements, MPTC shall provide collateral security which consists of debt service reserve and payment accounts.

As at December 31, 2020, MPTC has maintained the required DER and has obtained the necessary waivers from the banks for its compliance with the DSCR.

As at December 31, 2019, MPTC is in compliance with its loan covenants.

MPT North

Term Loan Facilities

BDO - ₱3.25 Billion Term Loan Facility
On January 9, 2014, the Company entered into Term Loan Facility Agreement with BDO for a ₱3,250.0 million loan for the purpose of financing its acquisition of approximately 8.5% of the total issued and outstanding capital stock of NLEX Corp. from EROSA and for other corporate purposes. The notes are payable semi-annually, up to a maximum term of ten (10) years from initial drawdown date. The facility was fully drawn with an interest rate of 5.3%. The interest is payable semi-annually.

In March 2019, MPT North prepaid the BDO loan with a carrying value of ₱2.8 billion. Total payments made amounted to ₱2.9 billion, including principal and accrued interest. The difference of ₱31.6 million between the carrying value and the total payments made was recognized as loss on extinguishment of debt under "Interest expense and other finance costs" account (see Note 29).

BDO - ₱1.4 Billion Term Loan Facility
On March 27, 2017, the Company entered into another Term Loan Facility Agreement with BDO for up to ₱1.4 billion for the purpose of financing its acquisition of TMC from EROSA. The loan is payable semi-annually up to a maximum term of ten (10) years from initial drawdown date. On March 30, 2017, the facility was fully drawn with an interest rate of 5.4%. The interest is payable semi-annually.

As at December 31, 2020 and 2019, the outstanding principal balance on the loan amounted to ₱1,260.0 and ₱1,330.0 million, respectively.

Compliance with Loan Covenants
The Term Loan Facility Agreements provide, among others, that for as long as the loans remain outstanding, MPT North is subject to certain negative covenants requiring prior approval of the creditors for specified corporate acts. In addition, MPT North is required to maintain certain financial ratios and shall provide collateral security which consist of debt service reserve and payment accounts.

As at December 31, 2020 and 2019, MPT North is in compliance with the required financial ratios and other loan covenants.

NLEX Corp.

Series A Notes
On April 15, 2011, NLEX Corp. entered into a Corporate Notes Facility Agreement with various local financial institutions for fixed-rate unsecured notes amounting to ₱6.2 billion, with tenors ranging from five (5) years, seven (7) years and ten (10) years ("Series A Notes"). Weighted average fixed interest rate on the Series A Notes is 7.22% per annum. Debt issue costs incurred in the availment of the Series A Notes amounted to ₱141.9 million in 2011.

On April 19, 2018, the Company paid ₱4.0 billion of Series A Notes with tenor of seven (7) years. As at December 31, 2020 and 2019, the outstanding fixed rate unsecured notes amounting to ₱910.0 million and ₱920.0 million, respectively, pertain to Series A Notes with tenor of ten (10) years.

Fixed-rate Bonds

Name of Security	Date of issuance	Issued amount	Interest rate per annum	Maturity date	Outstanding principal balance 2020	2019
		(in Millions)			*(in Millions)*	
7-year bonds due 2021	March 2014	₱4,400	5.1%	2021	**₱4,357**	₱4,357
10-year bonds due 2024	March 2014	2,600	5.5%	2024	**2,600**	2,600
7-year bonds due 2025	July 2018	4,000	6.6%	2025	**4,000**	4,000
10-year bonds due 2028	July 2018	2,000	6.9%	2028	**2,000**	2,000
					₱12,957	₱12,957

The proceeds for bonds issued in March 2014 were used by NLEX Corp. to partially fund the construction cost of Segment 10 while the proceeds for bonds issued in July 2018 were used to partially fund the construction cost of Segment 10 - C3-R10 Ramp Project and other general corporate purposes.

Term Loan Facilities

Details of NLEX Corp.'s term loan facilities are as follows:

Financial institution	Date of drawdown	Facility	Drawdown amount	Interest rate per annum	Maturity date	Outstanding principal balance 2020	2019
		(in Millions)				*(in Millions)*	
Sunlife[(a)]	October 2013	₱800	₱800	5.3%	2023	**₱800**	₱800
Insular[(b)]	November 2013	200	200	5.0%	2023	**200**	200
Philam[(c)]	December 2013	1,000	1,000	5.8%	2028	**1,000**	1,000
PNB[(d)]	December 2015	5,000	5,000	5.3%	2025	**4,000**	4,250
Unionbank[(e)]	January 2016	5,000	2,000	5.5%	2025	**1,600**	1,700
BDO	September 2019	5,000	5,000	5.2%	2029	**5,000**	5,000
						₱12,600	₱12,950

[(a)] Sun Life of Canada (Philippines) Inc. (Sun Life)
[(b)] The Insular Life Assurance Company, Ltd. (Insular)
[(c)] Philippine American Life and General Insurance Company (Philam)
[(d)] Philippine National Bank (PNB)
[(e)] Unionbank of the Philippines (Unionbank).

On September 19, 2019, NLEX Corp. entered into a term loan facility agreement with BDO Unibank Inc. for a 10-year fixed-rate loan amounting to ₱5.0 billion. The proceeds of the loan will be used to partially finance the Company's capital expenditure projects. On September 23, 2019, the Company made an initial drawdown of ₱1.0 billion with an annual interest rate of 5.21%.

On December 27, 2019, the Company made its second and final drawdown amounting to ₱4.0 billion with an annual interest rate of 4.73%.

2020 Corporate Notes Facility

On November 4, 2020, NLEX Corp. entered into a Corporate Notes Facility Agreement with various financial institutions for an unsecured note amounting to ₱20.0 billion (₱11.0 billion for Tranche A Facility and ₱9.0 billion for Tranche B Facility), with tenors ranging from seven (7) years (Tranche A) and ten (10) years (Tranche B). Initial drawdown was made on November 11, 2020 amounting to a total of ₱5.0 billion which ₱2.75 billion refers to Tranche A while ₱2.25 billion refers to Tranche B.

For the Tranche A, the applicable interest rate is higher of the (i) benchmark rate plus 100 basis points and (ii) floor rate of 4.00% per annum, then divided by an interest premium factor of 0.99.

On November 11, 2023, the interest rate shall be the prevailing rate divided by an interest premium factor of 0.95.

For the Tranche B, the applicable interest rate is higher of the (a) benchmark rate plus 100 basis points and (ii) floor rate of 4.25% per annum, then divided by an interest premium factor of 0.99.

On November 11, 2025, the interest rate shall be determined as higher of the (i) benchmark rate plus 100 basis points and (b) weighted average of the base rates for the period prior to the November 11, 2025, divided by an interest premium factor of 0.95.

The initial drawdown was priced at 4.040% for the 7-year tranche and 4.293% for the 10-year tranche. Remaining drawdowns are schedule within 2021. The proceeds will be primarily used to finance the NLEX Connector Road Project and other capital expenditures.

Compliance with Loan Covenants
As at December 31, 2020 and 2019, NLEX Corp. is in compliance with the required financial ratios and other loan covenants. NLEX Corp.'s long-term debts are unsecured as at December 31, 2020 and 2019.

CIC

Term Loan Facility
On March 26, 2018, CIC obtained a ₱16.2 billion term loan facility agreement, with tenor of ten (10) years with BDO. The facility consists of Tranche A and Tranche B as follows:
(a) The proceeds of Tranche A shall be used exclusively to finance the prepayment of the Company's outstanding loan obligations under the RCBC/BDO Loan and for general corporate purposes; and
(b) The proceeds of Tranche B shall be used to finance up to 70% of the total costs of the C5 South Link Expressway Project.

					Outstanding principal balance	
Tranche	Date of drawdown	Drawdown amount	Interest rate per annum	Maturity date	**2020**	2019
		(in Millions)			*(in Millions)*	
A	March 2018	₱5,500	6.3%	2028	**₱4,444**	₱4,881
B-1	April 2019	246	7.7%	2028	**240**	240
B-1	March 2020	254	6.2%	2028	**254**	-
B-2	April 2019	406	7.7%	2028	**406**	406
B-2	July 2019	250	6.5%	2028	**250**	250
B-2	March 2020	126	6.2%	2028	**126**	-
B-4	March 2020	970	6.2%	2028	**970**	-
B-5	March 2020	150	6.2%	2028	**150**	-
					₱6,840	₱5,777

On March 26, 2018, the Company entered into a ₱16.2 billion loan facility agreement, with tenor of ten (10) years. The loan facility consists of Tranche A and B, with BDO as the Lender and BDO - Trust and Investment Group as the Facility Agent.

The Facility consists of Tranche A and Tranche B as follows: (a) The proceeds of Tranche A shall be used exclusively to finance the prepayment of the Company's outstanding loan obligations under the 2013 Term Loan and for general corporate purposes; (b) The proceeds of Tranche B shall be used to finance up to 70% of the total costs of the C5 South Link Expressway Project.

In March 2018, the Company made a drawdown from Tranche A of the loan facility with principal amount of ₱5.5 billion. The proceeds of the Tranche A loan were used to refinance or to prepay the Company's existing long-term debt with outstanding principal balance of ₱5,413.8 million as discussed above.

The Tranche A loan is subject to interest rate of the 6.31%. The interest rate is subject to repricing after five (5) years from drawdown, which shall be the higher of (i) 5-year PDST-R2 rate plus 1% spread divided by 0.95; and (ii) interest rate applicable for Tranche B prior to repricing date. The interest shall be payable semi-annually.

In April 2019 and July 2019, the Company made a drawdown from Tranche B1 and Tranche B2 amounting to ₱246.0 million and ₱656.0 million, respectively. The proceeds of Tranche B1 and Tranche B2 were used to facilitate the financing of R1 Bridge widening project and C5 Segment 3A-1. The Tranche B1 and B2 are subject to interest rate of the 7.73% and 6.49%, respectively.

In March 2020, the Company made a drawdown from Tranche B1, Tranche B2, Tranche B4 and Tranche B5 amounting to ₱254 million, ₱126 million, ₱970 million, and ₱150 million, respectively. The proceeds of Tranche B1 and Tranche B2 were used to facilitate the financing of R1 Bridge widening project and C5 Segment 2 and 3A-2. These drawdowns are subject to an interest rate of 6.24%.

The interest rates for Tranche B loans are subject to repricing after 5 years from initial drawdown, which shall be the higher of (i) 5-year PDST-R2 rate plus 1.75% spread divided by 0.95; and (ii) interest rate applicable for Tranche B prior to repricing date. The interest shall be payable semi-annually.

Compliance with Loan Covenants
As at December 31, 2020 and 2019, CIC is in compliance with its loan covenants.

MPCALA

Term Loan Facility
On December 21, 2018, MPCALA signed an Omnibus Agreement for a total consideration of ₱24.2 billion, with a 15-year tenor. For the ₱24.2 billion financing, the allocation among the lenders is as follows: (1) BDO - ₱9.2 billion; (2) Unionbank - ₱4.0 billion; (3) Bank of the Philippine Islands (BPI) - ₱3.5 billion; (4) RCBC - ₱3.5 billion; (5) Land Bank of the Philippines (LBP) - ₱3.0 billion; and (6) Security Bank Corporation (SBC) - ₱1.0 billion. The total loan proceeds will be used for the construction cost of the CALAX and concession fees payable for the government.

The table below summarizes the drawdowns made by CCLEC in 2020 and 2019:

Date of drawdown	Drawdown amount	Interest rate per annum	Maturity date	Outstanding principal balance 2020	2019
	(in Millions)			*(in Millions)*	
January 2, 2019	₱805	8.9%	January 4, 2034	**₱805**	₱805
April 2, 2019	1,963	7.5%	January 4, 2034	**1,963**	1,963
June 30, 2020	2,908	6.1%	January 4, 2034	**2,908**	–
July 2, 2020	4,342	6.1%	January 4, 2034	**4,342**	–
October 22, 2020	924	6.1%	January 4, 2034	**924**	–
				₱10,942	₱2,768

As at December 31, 2020 and 2019, the outstanding principal from the loan amounted to ₱10,942.0 million and ₱2,768.0 million, respectively. The outstanding loan is secured by MPCALA shares held by MPT North, Collared Wren Holdings, Inc (CWHI) and Larkwing Holdings, Inc. (LHI).

On February 26, 2021, the sixth drawdown was made amounting to Php1,267.0 million at interest rate of 6.06% that will mature on January 4, 2034.

Compliance with Loan Covenants
As at December 31, 2020 and 2019, MPCALA is in compliance with its loan covenants.

CCLEC

Term Loan Facility
On December 27, 2018, CCLEC signed an Omnibus Agreement for a total consideration of ₱19.0 billion, with a 15-year tenor. For the ₱19.0 billion financing, the allocation among the lenders is as follows: (1) RCBC - ₱6.0 billion; (2) Development Bank of the Philippines - ₱5.0 billion; (3) Robinsons Bank Corporation - ₱3.0 billion; (4) Unionbank - ₱3.0 billion; (5) SBC - ₱1.0 billion; and (6) BPI - ₱1.0 billion. The total loan proceeds will be used for the construction cost of the CCLEX.

The table below summarizes the drawdowns made by CCLEC in 2020 and 2019:

Date of drawdown	Drawdown amount	Interest rate per annum	Maturity date	Outstanding principal balance 2020	2019
	(in Millions)			*(in Millions)*	
January 2019	₱2,020.0	8.2%	2029	**₱2,020**	₱2,020
May 2019	925	7.6%	2029	**925**	925
July 2019	1,035	6.7%	2029	**1,035**	1,035
November 2019	1,350	6.1%	2029	**1,350**	1,350
January 2020	1,650	6.3%	2030	**1,650**	–
April 2020	1,340	6.1%	2030	**1,340**	–
July 2020	1,700	6.2%	2030	**1,700**	–
October 2020	1,300	8.2%	2030	**1,300**	–
				₱11,320	₱5,330

All proceeds will be used for the ongoing construction of CCLEX.

As at December 31, 2020 and 2019, the outstanding principal from the loan amounted to ₱11,320.0 million and ₱5,330.0 million, respectively.

On January 21, 2021, the ninth drawdown was made amounting to 2,820.0 million with an interest rate of 6.3%.

Compliance with Loan Covenants
As at December 31, 2020 and 2019, CCLEC is in compliance with its loan covenants.

AIF

Term Loan Facilities

Mizuho Bank, Ltd. (Mizuho) and SMBC
On March 30, 2017, AIF entered into a Term Loan Facility Agreement with Mizuho and SMBC for up to THB 1.7 billion (₱2.5 billion) loan due in 2022.

On May 2, 2017, AIF made its first drawdown amounting to THB 1.6 billion from the loan and applied the proceeds to prepay its existing THB 2.1 billion Term Loan Facility Agreement with Thanachart (including interest accrued thereon, outstanding principal and other related costs).

Interest is to be paid quarterly while the principal is to be paid semi-annually in ten (10) installments with the final installment due April 2022. The loan is subject to a floating interest rate which is the aggregate of the applicable BIBOR and margin of 1.65% and is secured by a pledge over all the AIF shares owned by MPT Thailand and substantially all the DMT shares owned by AIF.

On August 27, 2020, AIF prepaid its outstanding loan from Mizuho and SMBC amounting to THB 0.7 billion (₱1.1 million). Total payments made amounted to THB 0.7 billion (₱1.1 million). The difference amounting to ₱7.1 between carrying value and the total payments made was recognized as loss on extinguishment of debt under "Interest expense and other finance costs" (see Note 29).

On September 11, 2020, AIF received a confirmation letter from SMBC stating that all the secured indebtedness of AIFT by the security documents have been fully discharged and or have been released.

Compliance with Loan Covenants
All dividend proceeds in respect of the investment in DMT shall be applied to repay Mizuho and SMBC loan. The loan agreement also contains, among others, covenants regarding the maintenance of certain financial ratios such as debt-to-equity ratio and Debt Service Coverage Ratio (DSCR), maintenance of ownership in DMT of at least 29.45%, and maintenance of debt-service reserve account.

On December 17, 2019, AIF requested a waiver for its compliance with the required DSCR for the year 2019 due to lower dividends from DMT. On December 27, 2019, Mizuho and SMBC expressed their agreement to the waiver.

Except as discussed above, AIF is in compliance with the required financial ratios and other loan covenants as at December 31, 2019.

PT Nusantara

Term Loan Facilities

Details of PT Nusantara and its subsidiaries' term loan facilities are as follows:

Financial institution	Date of drawdown	Facility	Drawdown amount	Interest rate per annum	Maturity date	Outstanding principal balance 2020	2019
		(in Millions)				*(in Millions)*	
PT Nusantara							
Panin[a]	June 2014	₱223	₱162	11.0% - 11.5%	2024	**₱101**	₱131
MUN							
BCA[b]	October 2017	2,373	2,179	8.8%	2022	**818**	874
BMN							
BCA	April 2017	254	223	10.8%	2024	**144**	169
JTSE							
BCA	February 2012	93	93	10.6%	2020	–	2
BCA	December 2015	440	433	8.75%	2023	**227**	308
BSD							
BCA	September 2012	81	81	10.0%	2020	–	11
BCA	April 2017	34	34	8.75%	2024	**20**	25
DCC							
BCA	June 2013	164	91	10.3%	2020	–	11
SCTK							
ICBC[c]	April 2015	372	367	12.5%	2023	**201**	271
IME							
BCA	December 2019	1,015	466	6.8%	2028	**466**	466
BCA	December 2020	1,015	312	8.8%	2029	**312**	–
RPSL							
BCA	November 2016	506	506	10.0%	2023	**251**	361
						₱2,540	₱2,629

[a] *PT Bank Pan Indonesia Tbk*
[b] *PT Bank Central Asia Tbk*
[c] *PT Bank ICBC Indonesia*
[d] *PT Bank Pembangunan Daerah Sulawesi Selatan dan Sulawesi Barat*

Other relevant information PT Nusantara's term loan facilities are provided below:

- The outstanding loan of PT Nusantara is secured by the office space purchased through the proceeds of the loan.

- Outstanding loan of the MUN is secured by all shares of JLB, debt service payment and reserve accounts, dividend settlement accounts and all operating cash accounts. The loan is also subject to unlimited corporate guarantees from BMN, JTSE and BSD.

- The outstanding loans of BMN, JTSE, and BSD are secured by their respective concession rights, all revenues derived therefrom, and any indemnity insurance receivable from the Indonesian Government.

- The outstanding loan of DCC is secured by its concession right, receivables from the Grantor, and all assets of the concession financed by BCA.

- The outstanding loan of IME is secured by shares of EI in the debtor, fixed asset's financed by BCA and other operating accounts.

- The outstanding loan if RPSL is secured by its biomass power plant, consisting of land, building, machineries and equipment. The loan facility obtained by RPSL with BCA in 2017 ended in March 2019.

Syndicated Loan
On July 30, 2018, BMN obtained Credit Investment from syndication BCA and Sulselbar with a maximum amount of IDR 1,547.5 billion (₱5.6 billion) with component of principal Investment Credit with a maximum of IDR 1,451,4 billion and Investment Credit-Interest During Construction with a maximum of IDR 96.1 billion.

The facility aims to finance the construction of elevated toll road Pettarani. This facility has a maximum period of twelve years, with loan interest rates calculated based on the one-month weighted average of time deposit rate of 5.1% during construction and 4.9% upon commencement of operations. Payment of Credit Facilities is carried out every month, with the percentage of payment of the Credit Facility principal in accordance with the agreed installment schedule.

In 2020, the Company made total loan drawdowns amounting to IDR 692.8 billion (₱2,368.4 million) with an interest rate ranging from 8.52% to 9.74%. There were no drawdowns in 2019.

The loan is secured by the toll road concession rights, all revenues from toll road section I and II, Subsidiary shares owned by BMN, receipt of indemnity insurance from Government or new Toll Road in accordance with PPJT, Escrow Account, the Operating Account and Debt Service Account and a Letter of Undertaking (LoU) of BMN.

Loan from a non-financial institution
On February 13, 2018, IME obtained additional export contract financing facilities from Landesbank Baden-Württemberg (LBBW) for the purchase of turbines from Global Hydro Energy GmbH (GHE). The loan bears interest at EUROBOR plus a margin of 2.5% per year. This loan was settled on October 27, 2020.

Compliance with Loan Covenants
As at December 31, 2020 and 2019, MPTI Group is in compliance with its loan covenants.

20. Service Concession Fees Payable

The movements in the service concession fees payable are as follows:

	CALAX	NLEX-SLEX Connector Road	Total
		(in Millions)	
At January 1, 2019	₱18,083	₱2,701	₱20,784
Accretion	1,013	193	1,206
At December 31, 2019	**19,096**	**2,894**	**21,990**
Accretion	**957**	**178**	**1,135**
Payment	**(4,368)**	**–**	**(4,368)**
At December 31, 2020	**₱15,685**	**₱3,072**	**₱18,757**
At December 31, 2020			
Current	**₱4,368**	**₱–**	**₱4,368**
Noncurrent	**11,317**	**3,072**	**14,389**
	15,685	**3,072**	**18,757**
At December 31, 2019			
Current	₱4,368	₱–	₱4,368
Noncurrent	14,728	2,894	17,622
	₱19,096	₱2,894	₱21,990

CALAX
As discussed in Note 2 to the consolidated financial statements, MPCALA will pay DPWH a total bid premium for the CALAX amounting to ₱27.3 billion. On July 10, 2015, MPCALA paid DPWH an upfront fee of ₱5.5 billion representing 20% of the concession fee. The remaining concession fee amounting to ₱21.8 billion is payable on installment basis at the rate of 16% annually beginning on the fifth year from the contract signing date (July 10, 2015) up to the ninth year from the contract signing date of the Concession Agreement.

The service concession fees payable is based on the discounted value of future cash flows using the prevailing peso interest rates on July 10, 2015. On July 7, 2020, MPCALA paid the first installment amounting to ₱4,368.0 million.

NLEX-SLEX Connector Road
As discussed in Note 2 to the consolidated financial statements, NLEX Corp. shall pay DPWH periodic payments in consideration for the grant of the basic right of way. The periodic payments are computed using the rate of four percent (4%) per annum applied to the agreed valuation of such portion of the basic right of way assigned for the use by the NLEX-SLEX Connector Road. The payment will commence on the first anniversary of the construction completion deadline, as extended, until the expiry of the concession period and will be subject to an agreed escalation every two (2) years based on the prevailing CPI for the two-year period immediately preceding the adjustment or escalation.

The service concession fees payable is based on the discounted value of future fixed cash flows using the prevailing peso interest rates on November 23, 2016. The undiscounted estimated future periodic payments, excluding the effect of the CPI, is ₱8,510.4 million.

The total interest accretion for MPCALA and NLEX Corp. were capitalized in 2020 and 2019 (see Note 36).

21. **Related Party Disclosures**

Enterprises and individuals that directly, or indirectly through one or more intermediaries, control, or are controlled by, or under common control with the Company, including holding companies, subsidiaries and fellow subsidiaries are related parties of the Company. Associates and individuals owning, directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the enterprise, key management personnel, including directors and officers of the Company and close members of the family of these individuals and companies associated with these individuals also constitute related parties.

The following table provides the total amount of significant transactions with related parties for the relevant years:

Related Party	Relationship		Management fees (see Note 30)	Income from utility facilities (see Note 23)	Income from advertising (see Note 23)	Repairs and maintenance (see Notes 24 and 25)	IT services (see Notes 24 and 25)	Communication, light and water (see Notes 24 and 25)	Rentals (see Note 25)	Outside services (see Notes 24 and 25)
						(in Millions)				
SMART Communications, Inc. (SMART)	Associate of FPC	**2020**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱12**	**₱–**	**₱–**
		2019	–	–	–	–	–	4	–	–
PLDT	Associate of FPC	**2020**	**–**	**2**	**–**	**–**	**3**	**10**	**1**	**11**
		2019	–	2	2	–	–	16	–	–
Maynilad Water Services Inc. (Maynilad)	Subsidiary of MPIC	**2020**	**–**	**–**	**–**	**–**	**–**	**16**	**–**	**–**
		2019	–	54	–	–	–	6	–	–
Metro Pacific Investment Corporation (MPIC)	Parent Company	**2020**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
		2019	–	2	–	–	–	–	–	–
Meralco	Associate of MPIC	**2020**	–	**5**	–	–	–	**89**	–	–
		2019	–	–	–	–	–	76	–	–
Indra Philippines Inc. (Indra)	Associate of MPIC	**2020**	**–**	**–**	**–**	**36**	–	**–**	**–**	**–**
		2019	–	–	–	62	–	–	–	–
TKCM	Associate of PT Nusantara	**2020**	**10**	–	–	–	–	–	–	–
		2019	10	–	–	–	–	–	–	–
Total		**2020**	**₱10**	**₱7**	**₱–**	**₱36**	**₱3**	**₱127**	**₱1**	**₱11**
		2019	10	58	2	62	–	102	–	–

Outstanding balances of receivables from/payables to related parties are carried in the consolidated balance sheets under the following accounts:

Related Party	Relationship		Receivables (see Note 8)	Advances to contractors and consultants (see Note 9) [(a)]	Accounts payable and other current liabilities (see Note 17)	Due from related parties	Due to related parties	Terms	Conditions
					(in Millions)				
MPIC	Parent Company	**2020**	**₱–**	**₱–**	**₱–**	**₱2**	**₱–**	On demand; noninterest-bearing	Unsecured; no impairment
		2019	–	–	–	–	–		
PLDT[(b)]	Associate of FPC	**2020**	**4**	**–**	**1**	**–**	**1**	30-45 days; noninterest-bearing	Unsecured; no impairment
		2019	3	–	1	–	–		
SMART	Associate of FPC	**2020**	**–**	**–**	**1**	**–**	**–**	30-45 days; noninterest-bearing	Unsecured; no impairment
		2019	3	–	–	–	–		
Indra	Associate of MPIC	**2020**	**–**	**26**	**92**	**–**	–	Within one year; noninterest-bearing	Unsecured; no impairment
		2019	–	28	29	–	–		
Meralco[(b)]	Associate of MPIC	**2020**	**–**	**22**	**35**	**6**	**3**	Within one year; noninterest-bearing	Unsecured; no impairment
		2019	–	22	20	–	–		
Maynilad[(b)]	Subsidiary of MPIC	**2020**	**–**	**–**	**–**	**11**	**1**	On demand; noninterest-bearing	Unsecured; no impairment
		2019	–	–	–	–	–		
ISAB[(b)]	Associate of PT Nusantara	**2020**	**–**	**–**	**–**	**104**	**1**	Terms up to May 2022; Interest-bearing (USD LIBOR plus 3.5% per annum)	Unsecured; no impairment
		2019	–	–	–	122	–		
TKCM	Associate of PT Nusantara	**2020**	**–**	**–**	**–**	**20**	**–**	On demand; noninterest-bearing	Unsecured; no impairment
		2019	–	–	–	22	–		
CHI[(c)]	Shareholder of CIC	**2020**	**–**	**–**	**–**	**–**	**257**	On demand; noninterest-bearing	Unsecured
		2019	–	–	–	–	257		
Others[(c)]	Other Related Party	**2020**	**–**	**–**	**–**	**6**	**359**	On demand; noninterest-bearing	Unsecured
		2019	–	–	–	7	–		
Total		**2020**	**₱4**	**₱48**	**₱129**	**₱149**	**₱622**		
		2019	6	50	50	151	257		

[(a)] *Included in "Other current assets" account in the consolidated balance sheets (see Note 9).*
[(b)] *Included in "Due to related parties" account under current liabilities in the consolidated balance sheets.*
[(c)] *Included in "Due to related parties" account under noncurrent liabilities in the consolidated balance sheets.*

Settlement of outstanding balances at year-end occurs in cash for the outstanding receivables from/payables to related parties, while advances to contractors and consultants will be applied to future services rendered.

Transactions with Associates

- In 2012, PT Portco Infranusantara, a wholly owned subsidiary of PT Nusantara, made advances to ISAB for the latter's working capital. The nontrade receivables are interest bearing with interest computed at USD LIBOR plus 3.5% per annum. The term of the receivable is up to May 2022.

- Revenue from management fee represents fee for management services provided by PT Tirta Bangun Nusantara (TBN), indirect subsidiary through PT Nusantara, to TKCM, an associate.

Transactions with Other Related Parties

Indra

- In 2020 and 2019, Indra billed NLEX Corp. for various repairs and maintenance services rendered to ETC facilities installed along NLEX.

PLDT, SMART and Digitel

- On March 17, 2010, NLEX Corp. and PLDT entered into an agreement with respect to the commercial aspect of the Utility Facilities Contract for the Fiber Optic Overlay along Phase I of the NLEX, the contract of which was signed on February 18, 2013. Pursuant to the agreement, PLDT shall pay NLEX Corp. an annual fee of ₱1.3 million starting in the year 2010 which shall then be escalated annually by 9% on the succeeding years. The contract shall be effective for a period of 20 years from April 15, 2010 and may be renewed or extended upon mutual agreement by NLEX Corp. and PLDT.

- NLEX Corp. and PLDT entered into an agreement in relation to the installation of Fiber Optic Cable (FOC) along SFEX on August 24, 2016. Pursuant to the agreement, PLDT shall pay an annual fee of ₱0.2 million starting September 3, 2016 which shall be escalated annually using the inflation rate as determined by the National Economic and Development Authority but in no case lower than 5%. The contract shall be effective for a period of 5 years from the date of its execution and may be renewed or extended upon mutual agreement by NLEX Corp. and PLDT.

- On January 5, 2011, NLEX Corp. and Smart (a subsidiary of PLDT) signed a Utility Facilities Contract where NLEX Corp. provides Smart an access for the construction, operation and maintenance of a cell site inside the NLEX right of way for an annual fee of ₱0.3 million which shall then be escalated annually to 4.5% starting on the fourth year of the contract and every year thereafter. The contract is effective from April 26, 2010 for a period of five (5) years which may be renewed or extended upon mutual agreement by NLEX Corp. and Smart.

- On September 19, 2016, NLEX Corp. and Smart renewed its Utility Facilities Contract. The renewed contract shall be for a period of 5 years from April 27, 2015 to April 26, 2020. The annual fee shall be ₱0.3 million which shall be subject to 4.5% increase annually starting at the second year of the new contract period.

- On March 26, 2012, NLEX Corp. and Smart agreed on the terms of the grant to Smart of exclusive rights to name the NLEX-Mindanao Avenue Cloverleaf as a Smart Connect Interchange and put up outdoor advertising structures near the interchange. The annual package is based on a predetermined timetable of when the official road signs are progressively built. The base price is from ₱175.0 million to ₱228.2 million and may increase depending on the final features and characteristics of the cloverleaf. This agreement shall take effect from April 1, 2012 until April 30, 2017, unless pre-terminated or renewed by mutual written agreement of the parties. The agreement was terminated on April 30, 2017.

- In 2020 and 2019, NLEX Corp. entered into advertising arrangements with Smart and Digitel (a subsidiary of PLDT) related to various advertising mediums, which include rental, material production, installation and maintenance at several locations along NLEX.

- In 2020 and 2019, PLDT and Smart billed NLEX Corp. for its communication expenses.

- In 2020 and 2019, PLDT paid DPWH on behalf of the Company for the relocation of affected utilities for the construction of CALAX project.

- NLEX Corp has investment in corporate notes of PLDT with fair value of ₱192 million as at December 31, 2018. Investment was sold in September 2019.

Meralco

- As at December 31, 2020 and 2019, NLEX Corp. has advances to MERALCO amounting to ₱22 million and ₱18 million, respectively, which was included as part of "Advances to contractors and consultants" presented under "Other current assets" in the consolidated balance sheets. The advances relate to electric line applications for Segment 9 of the NLEX, portion of Phase II of NLEX, and the Balintawak and Valenzuela drainage system. These advances are either refundable or consumable upon activation of the electric lines in Segment 9 and Balintawak and Valenzuela drainage system.

- In 2020 and 2019, the Company was billed by Meralco for its electric consumption in its head office; in Segment 9, portion of Phase II of MNEP, and for its drainage system in Balintawak and Valenzuela.

- In 2020 and 2019, Meralco paid DPWH on behalf of the Company for the relocation of affected utilities for the construction of CALAX project.

- NLEX Corp has investment in corporate notes of MERALCO with fair value of ₱193 million as at December 31, 2018. The investment was redeemed in 2019.

Maynilad

- In 2020 and 2019, the Company was billed by Maynilad for its water consumption in its head office.

Other Transactions

- Compensation of key management personnel of the Company are as follows:

	2020	2019
	(in Millions)	
Short-term employee benefits	**₱338**	₱462
LTIP expense (see Note 27)	**30**	149
Retirement costs (see Note 27)	**93**	10
	₱461	₱621

- The Company acts as a surety or co-obligor with certain Company officers for the payment of valid corporate expenses through the use of corporate credit cards at specified approved amounts ranging from ₱0.04 million to ₱0.4 million.

- The Company paid its directors amounting to ₱5.0 million and ₱1.7 million in 2020 and 2019 recorded under "General and administrative expenses" account in the consolidated statement of income (see Note 25).

- Total advances to officers and employees amounted to ₱54.4 million and ₱47.8 million as at December 31, 2020 and 2019, respectively (see Note 8).

- In the normal course of business, the Company also grants and avails noninterest-bearing advances to/from subsidiaries, associates and other related parties.

22. **Equity**

Capital Stock
As at December 31, 2020 and 2019, the capital stock of the Parent Company consists of:

	2020	2019
	(in Millions)	
Issued capital stock:		
Common shares	**₱6,678**	₱6,146
7% Preferred shares	–	6,772
	6,678	12,918
Subscribed capital stock	–	364
	₱6,678	₱13,282

Movements in shares of stock of the Parent Company are as follows:

	2020		2019	
	Number of Shares			
	Common Shares	**Preferred Shares**	Common Shares	Preferred Shares
Authorized:				
Balance at beginning of the year	**75,000,000**	**70,000,000**	–	–
Retirement of shares	**(870,202)**	**(67,716,000)**	–	–
Effect of reverse stock split - one (1) share per three (3) shares held; ₱100 to ₱300 par value	**(49,419,865)**	**(1,522,667)**	–	–
Balance at end of year	**24,709,933**	**761,333**	75,000,000	70,000,000
Issued:				
Balance at beginning of year	**65,105,050**	**67,716,000**	63,780,228	67,716,000
Issuance at ₱100 par value	**1,336,667**	–	1,324,822	–
Retirement of shares	**(870,202)**	**(67,716,000)**	–	–
Effect of reverse stock split - one (1) share per three (3) shares held; ₱100 to ₱300 par value	**(43,714,328)**	–	–	–
Issuance at ₱300 par value	**404,762**	–	–	–
Balance at end of year	**22,261,949**	–	65,105,050	67,716,000
Treasury shares:				
Balance at beginning of year	**870,202**	**67,716,000**	870,202	67,716,000
Retirement of shares	**(870,202)**	**(67,716,000)**	–	–
Purchase of treasury shares	**114**	–	–	–
Balance at end of year	**114**	–	870,202	67,716,000
Issued and outstanding at end of year	**22,261,835**	–	64,234,848	–
Subscribed:				
Balance at beginning of year	–	–	4,957	–
Write-off	–	–	(4,957)	–
Balance at end of year	–	–	–	–
Par value per share at end of year	**₱300**	**₱300**	₱100	₱100

a. On July 23, 2008, the BOD of the Company made a call for the payment of unpaid subscriptions and stockholders were given until August 29, 2008 to fully pay their subscriptions. The long-outstanding subscriptions amounting to ₱0.4 million which remain unpaid in 2018, were written off in 2019.

b. Features of the Preferred Shares follow:

   - The Preferred Shares shall have the full voting rights as common shares of the Parent Company.

   - Subject to and upon declaration by the Parent Company's BOD, the holders of Preferred shares shall be entitled to receive out of the unrestricted retained earnings of the Parent Company, yearly cumulative dividends at 7% of the issue value of the Preferred Shares, before any dividends shall be set apart and paid to the holders of common shares. The holders of Preferred Shares shall not be entitled to participate with the holders of common shares in any further dividends payable by the Parent Company.

   - The Preferred Shares shall not be convertible to common shares or any stock of the Parent Company.

- The Preferred Shares shall be redeemable at any time at the option of the Parent Company by paying the issue value of the Preferred Shares and all outstanding dividends due on the Preferred Shares at the time of redemption. Once redeemed, the Preferred Shares shall become treasury shares.

- In the event of any dissolution, liquidation or winding up of the Parent Company, the holders of the Preferred Shares shall be entitled to be paid in full, or pro rata insofar as the assets and properties of the Parent Company will permit, the issue value of the Preferred Shares and any accrued but unpaid dividends, in respect of such Preferred Shares before any distribution shall be made to the holders of common shares. The holders of Preferred Shares shall not be entitled to any other distribution.

c. In 2020 and 2019, the Company issued a total of 1,741,429 and 1,324,822, respectively, new common shares to MPIC out of the unissued portion of the existing authorized capital stock at a subscription price of ₱2,100 per share or a total subscription price of ₱3,656.5 million and ₱2,782.1 million, respectively, partially paid by offsetting deposits for stock subscriptions.

d. On August 31, 2018, the BOD resolved to decrease in the authorized capital stock of the Company from ₱14.5 billion divided into 75,000,000 common shares with par value of ₱100 each and 70,000,000 preferred shares with par value of ₱100 each to ₱7.6 billion divided into 74,129,798 common shares with par value of ₱100 each and 2,284,000 preferred shares with par value of ₱100 each.

e. On January 14, 2020, the decrease in capital stock was approved by the SEC, causing the retirement of the 870,202 common and 67,716,000 preferred shares held in treasury as at December 31, 2019.

f. In December 2020, the Company purchased 114 fractional shares of the Company caused by the reverse stock split for a consideration of ₱741.

<u>APIC</u>
In 2020, the excess of consideration received over the par value on issuance of 1,741,429 common shares to MPIC amounted to ₱3,401.9 million.

In 2019, the excess of consideration received over the par value on issuance of 1,324,822 common shares to MPIC amounted to ₱2,649.6 million.

The transaction costs on the issuance of the common shares amounting to ₱2.6 million and ₱1.3 million in 2020 and 2019, respectively were deducted against APIC.

As at December 31, 2020 and 2019, APIC amounted to ₱32,157.9 million and ₱28,865.1 million, respectively.

<u>Deposit for Future Stock Subscription</u>
Deposit for future stock subscription represents funds received by the Company from MPIC intended for subscription for an increase in investment in the Company. Deposits for future stock subscription are stated at cost. The deposit of future stock subscription as of December 31, 2020 amounted to ₱524,027.

Equity Adjustment on Reverse Acquisition

Equity adjustment on reverse acquisition resulted from the transaction involving the transfer of the then shareholders of MPT North of all their shares in MPT North (regarded as the accounting acquirer) in exchange for the shares of MPTC (regarded as the legal acquirer and accounting acquiree), which was accounted for as a reverse acquisition in the consolidated financial statements of MPTC in 2007.

Cash Dividends

The Parent Company's BOD declared the following cash dividends to common stockholders in 2020 and 2019:

Declaration Date	Record Date	Payment Date	Cash Dividend per Share	Total
				(in Millions)
February 20, 2020	**March 6, 2020**	**April 1, 2020**	**₱17.50**	**₱1,124**
July 29, 2020	**August 12, 2020**	**September 9, 2020**	**30.86**	**675**
February 14, 2019	March 1, 2019	March 27, 2019	₱18.64	₱1,174
July 30, 2019	August 13, 2019	September 10, 2019	18.66	1,174

As at December 31, 2020 and 2019, the unpaid cash dividends to common stockholders of the Parent Company amounted to ₱13.2 million and ₱11.8 million, respectively (see Note 17).

On February 11, 2021, the Company declared dividends amounting to ₱30.47 per share or a total of ₱678.3 million to stockholders on record as of March 1, 2021 payable on or before March 26, 2021.

Cash dividends declared to non-controlling stockholders amounted to ₱768.8 million and ₱1,459.0 million in 2020 and 2019, respectively. Cash dividends paid to non-controlling stockholders amounted to ₱1,065.1 million and ₱1,688.0 million in 2020 and 2019, respectively. As at December 31, 2020 and 2019, unpaid dividends to non-controlling stockholders amounted to ₱495.8 million and ₱792.1 million, respectively (see Note 17).

Scrip Dividends

On October 16, 2008, the BOD of MPTC declared scrip dividends to all stockholders of record as at October 30, 2008, giving the stockholders the right to receive a proportionate share in the amounts that may be received by MPTC, through MPT North, from Leighton International Limited (LIL) under Section 8.04.02 of the ARSA with, among others, LIL dated September 30, 2004. Under the agreement, MPT North has the right to 50% of the difference between the selling price of LIL and US$19.4 million provided that any payment of LIL to MPT North shall not exceed US$4.4 million.

On November 12, 2009, LIL sold the shares to a third-party and thereby paid the amount of US$4.4 million (₱203.9 million) to MPT North. In view of this, in 2009, the Company recognized the scrip dividends declared in 2008 payable to all stockholders of record as at October 30, 2008 amounting to US$3.9 million (₱181.5 million) giving the stockholders the right to receive a proportionate share in the amounts received by MPTC, through MPT North, from LIL pursuant to the ARSA. As at December 31, 2020 and 2019, unpaid scrip dividends amounted to ₱0.3 million and were included under "Accounts payable and other current liabilities" account (see Note 17).

<u>Retained Earnings Not Available for Dividend Distribution</u>

The Parent Company's retained earnings includes undistributed earnings of subsidiaries and, associates amounting to ₱15,277.0 million and ₱13,642.2 million as at December 31, 2020 and 2019, respectively, which are not currently available for dividend distribution.

<u>Other Comprehensive Income Reserve</u>

	Cumulative Translation Adjustment (CTA)	FVOCI Financial Assets	Income Tax Related to FVOCI Financial Assets	Re-measurement of Defined Benefit Plan	Income Tax Related to Defined Benefit Plan	Share in OCI of an associate	Total	Attributable to Parent Company Owners	Non-controlling Interest
Balance at January 1, 2020	**(₱848)**	**₱400**	**(₱89)**	**(₱99)**	**₱42**	**₱1,103**	**₱509**	**₱526**	**(₱17)**
Net movement in CTA	**(889)**	**–**		**–**		**(1,128)**	**(2,017)**	**(1,335)**	**(682)**
Change in fair value of financial assets at FVOCI (see Note 15)	**–**	**18**	**–**	**–**	**–**	**–**	**18**	**45**	**(27)**
Derecognition of OCI due to disposal of NCI in MUN (see Note 5)	**–**	**(11)**	**–**	**–**	**–**	**–**	**(11)**	**(11)**	**–**
Remeasurement loss (see Note 27)	**–**	**–**	**–**	**(48)**	**7**	**–**	**(41)**	**(28)**	**(13)**
Balance at December 31, 2020	**(₱1,737)**	**₱407**	**(₱89)**	**(₱147)**	**₱49**	**(₱25)**	**(₱1,542)**	**(₱803)**	**(₱739)**
Balance at January 1, 2019	(₱770)	₱325	(₱59)	₱8	(₱3)	₱593	₱94	₱103	(₱9)
Net movement in CTA	(78)	–	–	–	–	510	432	432	–
Change in fair value of financial assets at FVOCI (see Note 15)	–	(8)	–	–	–	–	(8)	(8)	–
Recycling to profit or loss (see Note 15)	–	96	(34)	–	–	–	62	62	–
Remeasurement loss (see Note 27)	–	–	–	(107)	45		(62)	(54)	(8)
Reclassification	–	(13)	4	–	–	–	(9)	(9)	–
Balance at December 31, 2019	(₱848)	₱400	(₱89)	(₱99)	₱42	₱1,103	₱509	₱526	(₱17)

<u>Other Reserves</u>

As at December 31, 2020 and 2019 other reserves of the Company consists of:

	2020	2019
	(in Millions)	
Premium paid on acquisition of NCI - net (see Note 5)	**(₱2,905)**	(₱3,177)
Acquisition of a subsidiary	**67**	67
Dilution of ownership interest in subsidiaries without loss of control, including sale of ownership and effect of rights issuance of a subsidiary (see Note 5)	**(46)**	(10)
Long-term incentive plan reserves (see Note 27)	**23**	23
Other transactions with NCI (see Note 5)	**126**	15
	(₱2,735)	(₱3,082)

23. Non-toll Revenues

Details of non-toll revenues follow:

	2020	2019
	(in Millions)	
Revenue from electricity sales	**₱331**	₱424
Treated water sales	**174**	200
Income from advertising (see Note 21)	**129**	223
Income from utility facilities (see Note 21)	**79**	94
Rental income (see Notes 14 and 32)	**43**	55
Income from toll service facility	**29**	45
Service revenue	**26**	36
Others	**43**	93
	₱854	₱1,170

Revenue from electricity sales pertain to revenue from sale of electricity of RPSL.

Treated water sales pertain to revenue generated by SCTK for the sale and distribution of water.

Service revenue pertains to the traffic management services, supply and application of pavement markings of NVC to various customers.

24. Cost of Services

This account consists of:

	2020	2019
	(in Millions)	
Amortization of service concession assets (see Note 11)	**₱1,372**	₱1,687
Salaries and employee benefits (see Note 27)	**979**	946
Concession fees (see Note 2)	**898**	1,299
PNCC fee (see Note 32)	**534**	733
Repairs and maintenance (see Note 21)	**373**	459
Provision for heavy maintenance (see Note 18)	**326**	333
Outside services	**291**	201
Direct cost of energy	**218**	280
Transportation and travel	**168**	96
Insurance	**156**	110
Communication, light and water (see Note 21)	**123**	153
General services	**119**	124
Operator's fee	**109**	105
Cost of water treatment	**79**	41
Depreciation of property and equipment (see Note 12)	**57**	17
Toll collection and medical services	**38**	31
Cost of advertising	**35**	35
Taxes and licenses	**31**	35
TRB share in non-toll revenues	**23**	34
Professional fees	**13**	17
Cost of inventories	**–**	8
Others	**81**	98
	₱6,023	₱6,842

25. General and Administrative Expenses

This account consists of:

	2020	2019
	(in Millions)	
Salaries and employee benefits (see Notes 26 and 27)	**₱1,057**	₱769
Depreciation (see Notes 12 and 14)	**521**	301
Provisions (see Note 18)	**197**	228
Taxes and licenses	**142**	217
Donations and contributions	**117**	52
Professional fees	**90**	217
Advertising and marketing expenses	**70**	354
Office supplies	**42**	32
Outside services	**32**	69
Provisions for ECL (see Note 8)	**27**	8
Representation and travel	**26**	98
Rentals (see Note 21)	**26**	17
Communication, light and water (see Note 21)	**23**	23
Repairs and maintenance (see Note 21)	**22**	16
Amortization of other intangible assets (see Note 13)	**19**	8
Training and development costs	**7**	22
Directors' fees (see Note 21)	**5**	2
Others	**70**	72
	₱2,493	₱2,505

26. Share-based Payments

On June 24, 2007, the stockholders of MPIC approved a share option scheme (the Plan) under which MPIC's directors may, at their discretion, invite executives of MPIC upon the regularization of employment of eligible executives, to take up share option of MPIC to obtain an ownership interest in MPIC and for the purpose of long-term employment motivation. The scheme became effective on June 14, 2007 and is valid for ten (10) years. An amended plan was approved by the stockholders of MPIC on February 20, 2009.

As amended, the overall limit on the number of shares which may be issued upon exercise of all options to be granted and yet to be exercised under the Plan must not exceed 5% of the shares in issue from time to time.

The exercise price in relation to each option shall be determined by MPIC's Compensation Committee, but shall not be lower than the highest of: (i) the closing price of the shares for one or more board lots of such shares on the PSE on the option offer date; (ii) the average closing price of the shares for one or more board lots of such shares on the PSE for the five (5) business days on which dealings in the shares are made immediately preceding the option offer date; and (iii) the par value of the shares.

On October 14, 2013, MPIC has granted options in respect of 120,000,000 common shares of MPIC to its directors and senior management officers of MPIC and to selected management committee members of MPTC and subsidiaries. Of the total shares granted, 14,000,000 common shares were allocated to MPTC and subsidiaries. The stock options expired on October 15, 2018. With respect to the stock options granted to MPIC subsidiaries, said stock options vested as follows: 50.0% on October 14, 2014 and 50.0% on October 14, 2015. Given the market conditions, the exercise price may be out of the money and there was certain black-out period which prohibits the executives/directors from exercising the option. Hence, the exercise period was extended by the MPIC's Compensation Committee to October 14, 2019. As at December 31, 2019, the exercise period had lapsed and the remaining options expired, hence, there were no outstanding options as at December 31, 2020 and 2019.

A summary of the Company's stock option activity received from MPIC and related information for the year ended December 31, 2019 follows:

	2013 Grant	
	Number of Shares	Exercise Price
Outstanding at January 1, 2019	12,050,000	4.60
Expired in 2019	12,050,000	4.60
Outstanding at December 31, 2020 and 2019	₱–	₱–

The fair value of the options granted is estimated at the date of grant using Black-Scholes-Merton formula, taking into account the terms and conditions upon which the options were granted.

The following tables list the inputs to the model used for the ESOP in 2013:

	50.0% vested on October 14, 2014	50.0% vested on October 14, 2015
Grant date	October 14, 2013	
Spot price	₱4.59	₱4.59
Exercise price	₱4.60	₱4.60
Risk-free rate	0.66%	2.40%
Expected volatility*	35.23%	33.07%
Term to vesting (in days)	365	730
Call price	₱0.63	₱0.89

* *The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may also not necessarily be the actual outcome.*

Due to the expiration of executive stock option plan in 2019, the executive stock option plan reserves under "Other reserves" account was reclassified to retained earnings. Carrying value of the ESOP, recognized under "Other reserves" in equity, amounted to nil as at December 31, 2020 and 2019 (see Note 22).

27. **Salaries and Employee Benefits**

This account consists of:

	2020	2019
	(in Millions)	
Salaries expense	**₱1,582**	₱1,247
LTIP expense (see Note 21)	**163**	149
Retirement costs	**167**	117
Other employee benefits	**124**	202
	₱2,036	₱1,715
Cost of services (see Note 24)	**₱979**	₱946
General and administrative expenses (see Note 25)	**1,057**	769
	₱2,036	₱1,715

LTIP

On December 16, 2010, MPIC's BOD approved the broad outline of MPIC's strategic plans for 2010 to 2012 focusing on the development of new revenue streams to drive future growth while protecting the existing core business. To ensure the proper execution of the three-year plan, particularly with respect to the manpower resources being committed to such plans, the 2010 to 2012 LTIP, upon endorsement of MPIC's Compensation Committee, was approved by MPIC's BOD to cover the period from January 1, 2010 to December 31, 2012, or the 2010 to 2012 Performance Cycle.

Carrying value of the 2010 to 2012 LTIP cost recognized under "Other reserves" in the consolidated balance sheets amounted to ₱23.1 million as at December 31, 2020 and 2019, representing MPIC's share in the LTIP cost of the Company as per 2010 to 2012 LTIP (see Note 22).

On April 27, 2012, the Company's BOD approved the implementation of LTIP of the MPTC Group which became effective on January 1, 2012. The MPTC Group's LTIP is a cash plan that is intended to provide meaningful and contingent financial incentive compensation for eligible executives and officers of the MPTC Group, who are consistent performers and contributors to the achievement of the long-term financial targets, strategic plans and objective, as well as the functional strategy and goals of the MPTC Group. Likewise, the MPTC Group LTIP is intended to attract and retain talented employees to ensure the sustained growth and success of the MPTC Group. Total amount of LTIP is fixed upon achievement of the target core income and is not affected by changes in future salaries of the employees covered. The payment under the 2012 to 2014 LTIP was intended to be made at the end of the 2012 to 2014 Performance Cycle (without interim payments) and contingent upon the achievement of an approved target core income of the MPTC Group by the end of the 2012 to 2014 Performance Cycle.

In 2015, MPTC's management implemented the 2015-2017 LTIP of MPTC Group effective January 1, 2015. Subsequently on April 21, 2016, MPTC's BOD and its Compensation and Remuneration Committee approved the implementation of MPTC Group LTIP effective January 1, 2015.

In 2018, MPTC's management implemented the 2018-2020 LTIP of MPTC Group effective January 1, 2018 while waiting for the BOD to formally approve the 2018-2020 LTIP.

The total cost of the LTIP recognized by the Company in 2020 and 2019, included in "Salaries and employee benefits" account under "General and administrative expenses" account in the consolidated statements of income, amounted to ₱162.7 million and ₱149.2 million, respectively (see Note 21).

As at December 31, 2020, in view of the COVID-19 pandemic, discussions are ongoing for extending the Performance Cycle from 2018-2020 to 2018-2021 and making 2020 a non-performance year. Hence, payout which was originally expected in 2021 is now expected to be made in 2022. Given this, management reversed portion of LTIP accruals amounting to ₱239.7 million and included under "Other income" account (see Note 30).

As at December 31, 2020 and 2019, the LTIP payable presented in the non-current section of the consolidated balance sheets is as follows:

	2020	2019
	(in Millions)	
Balance at beginning of year	**₱434**	**₱285**
LTIP expense (see Note 25)	**163**	**149**
Reversal (see Note 30)	**(240)**	−
	₱357	**₱434**

Defined Contribution Retirement Plan

Retirement benefits of the employees of the Parent Company, MPT North and MPT MSI are provided through a defined contribution scheme as approved by the BOD of the Parent Company on June 21, 2011 and MPT North and MPT MSI on April 1, 2010. The Parent Company, MPT North and MPT MSI operate a retirement plan which is a contributory plan wherein these entities undertake to contribute a predetermined amount to the individual account of each employee and employee gets whatever is standing to his credit upon separation from the Parent Company, MPT North and MPT MSI. The plan is managed and administered by a Retirement Committee and a trustee bank had been appointed to hold and invest the assets of the retirement fund in accordance with the provisions of the plan.

The contributions of Parent Company, MPT North and MPT MSI to the plan are made based on the employee's monthly basic salary which is at 10.0%. Additionally, an employee has an option to make a personal contribution to the fund, at an amount not exceeding 40.0% of his monthly salary. The Parent Company, MPT North and MPT MSI then provide an additional contribution to the fund which aims to match the employee's contribution but only up to a maximum of 5.0% of the employee's monthly salary.

Under the existing regulatory framework, RA No. 7641 requires a provision for retirement pay to qualified private sector employees in the absence of any retirement plan in the entity, provided however that the employee's retirement benefits under any collective bargaining and other agreements shall not be less than those provided under the law. The law does not require minimum funding of the plan.

Although the plan has a defined contribution format, the Parent Company, MPT North and MPT MSI regularly monitor compliance with RA No. 7641.

As discussed in Note 3 to the consolidated financial statements, the Parent Company, MPT North and MPT MSI maintain defined contribution plans which are accounted for as defined benefit plans with minimum guarantee. The details of defined benefit obligation for the defined benefit minimum guarantee of the Parent Company, MPT North and MPT MSI are provided below.

Defined Benefit Retirement Plan
NLEX Corp., MPT SMC, ESC, SESI and MPTI Group have noncontributory defined benefit retirement plans covering all of their regular and full-time employees. The plans provide for lump sum benefit payments upon retirement. Contributions and costs are determined in accordance with the actuarial study made for the plan. The most recent actuarial valuation of plan assets and the present value of the defined benefit obligation were carried out as at December 31, 2020 by certified actuaries.

The funds of NLEX Corp. and MPT SMC are administered by trustee banks. Subject to the specific instructions provided by NLEX Corp. and MPT SMC in writing, NLEX Corp. and MPT SMC direct the trustee banks to hold, invest, and reinvest the funds and keep the same invested, in its sole discretion, without distinction between principal and income in, but not limited to, certain government securities and bonds, term loans, short-term fixed income securities and other loans and investments.

As at December 31, 2020 and 2019, the retirement plans of ESC, SESI and PT Nusantara and its subsidiaries are unfunded.

Under the Indonesian Labor Law, companies are required to pay separation, appreciation and compensation benefits to their employees if the conditions specified in the Indonesian Labor Law are met. PT Nusantara and its subsidiaries has recognized an unfunded employee benefits liability in accordance with the Indonesian Labor Law.

The following tables summarize the components of provision for retirement costs, included in "Salaries and employee benefits" under "Cost of services" and "General and administrative expenses" accounts in the consolidated statements of income and "Pension asset" and "Accrued retirement costs" accounts in the consolidated balance sheets, which are based on the latest actuarial valuation.

Changes in accrued retirement costs (pension asset) of the Company in 2020 are as follows:

	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Accrued Retirement Costs (Pension Asset)
		(in Millions)	
At January 1, 2020	**₱753**	**₱465**	**₱288**
Net benefit cost in consolidated statement of income:			
Current service cost	**129**	**–**	**129**
Net interest	**35**	**2**	**33**
Past service costs	**24**	**19**	**5**
	188	**21**	**167**
Benefits paid	**(15)**	**(8)**	**(7)**
Remeasurements in OCI:			
Return on plan assets (excluding amount included in net interest)	**–**	**4**	**(4)**
Actuarial changes in demographic assumptions	**(14)**	**–**	**(14)**

(Forward)

	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Accrued Retirement Costs (Pension Asset)
		(in Millions)	
Actuarial changes arising from changes in financial assumptions	**₱69**	**₱–**	**₱69**
Actuarial changes due to experience adjustments	**(3)**	**–**	**(3)**
	52	**4**	**48**
Contributions	**–**	**62**	**(62)**
Translation adjustment	**(7)**	**–**	**(7)**
At December 31, 2020	**₱971**	**₱544**	**₱427**
Pension asset			**(₱2)**
Accrued retirement costs			**429**
			₱427

Changes in accrued retirement costs (pension asset) of the Company in 2019 are as follows:

	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Accrued Retirement Costs (Pension Asset)
		(in Millions)	
At January 1, 2019	₱520	₱382	₱138
Acquisition of a subsidiaries (see Note 5)	5	–	5
Net benefit cost in consolidated statement of income:			
Current service cost	86	–	86
Net interest	44	28	16
Past service costs	9	–	9
Others	(1)	(7)	6
	138	21	117
Benefits paid	(25)	(18)	(7)
Remeasurements in OCI:			
Return on plan assets (excluding amount included in net interest)	–	8	(8)
Actuarial changes in demographic assumptions	(3)	–	(3)
Actuarial changes arising from changes in financial assumptions	124	–	124
Actuarial changes due to experience adjustments	(6)	–	(6)
	115	8	107
Contributions	–	72	(72)
At December 31, 2019	₱753	₱465	₱288
Pension asset			(₱4)
Accrued retirement costs			292
			₱288

The maximum economic benefit available is a combination of expected refunds from the plan and reductions in future contributions.

The actual return on plan assets amounted to ₱3.4 million and ₱36.7 million in 2020 and 2019, respectively.

MPTC, MPT North, MPT MSI, NLEX Corp. and MPT SMC expect to contribute a total of ₱77.1 million on their defined benefit retirement plans in 2021.

The major categories of plan assets follow:

	2020		2019	
	Amount	**Percentage**	Amount	Percentage
		(in Millions)		
Investments in:				
Government securities	**₱402**	**73.9%**	₱314	67.5%
Debt securities	**56**	**10.3%**	57	12.3%
UITF	**28**	**5.1%**	31	6.7%
Equity securities	**43**	**7.9%**	44	9.5%
Cash and cash equivalents	**11**	**2.0%**	13	2.8%
Receivables and others	**4**	**0.8%**	6	1.3%
	₱544	**100.0%**	₱465	100.0%

The plan asset's carrying amount approximates its fair value since these are short-term in nature or marked-to-market.

As at December 31, 2020 and 2019, the plan assets consist of the following:

- Investments in government securities consist primarily of fixed-rate treasury notes and retail treasury bonds that bear interest ranging from 1.25% to 8.63% per annum and have maturities from 2021 to 2027.

- Investments in debt instruments consist of quoted, unsecured, long-term corporate bonds and subordinated notes, which bear interest ranging from 2.47% to 8.01% per annum and have maturities from 2021 to 2026.

- Investment in equity securities consist of non-voting perpetual preferred shares. Loss on change in the fair value of the equity securities amounted to ₱5.87 million in 2020 and ₱22,600 in 2019.

- As at December 31, 2020 and 2019, cash and cash equivalents include regular savings, time deposits and special savings deposit, which bear interest of ranging 0.01% to 0.90% per annum, respectively.

- Other financial assets held by the plan are primarily accrued interest income from cash and cash equivalents, investments in UITFs, investments in debt securities, and loans receivable.

The principal assumptions used to determine accrued retirement costs as at December 31, 2020 and 2019 are as follows:

	2020	2019
Discount rate	**3.53%-6.55%**	4.89%-7.65%
Salary increase rate	**3.00%-7.00%**	3.00%-10.00%

For subsidiaries with defined benefit retirement plans, the sensitivity analysis below has been determined based on reasonably possible changes of each significant assumption on the defined benefit obligation as at December 31, 2020 and 2019, assuming if all other assumptions were held constant:

		Increase (Decrease) in the Defined Benefit Obligation	
		2020	2019
		(in Millions)	
Discount rate	(Actual + 1.00%)	**(₱747)**	(₱48)
	(Actual - 1.00%)	**899**	56
Salary increase rate	(Actual + 1.00%)	**899**	57
	(Actual - 1.00%)	**(752)**	(50)

For the Parent Company, MPT North and MPT MSI, which have defined contribution retirement plans, the retirement benefit obligation is the higher of the defined contribution accumulation and the legal minimum benefit. Both amounts are projected to retirement date and compared. Under the current assumptions used in the latest valuation, the defined contribution accumulation turns out to be higher. In such a case, the recognized retirement benefit obligation is the sum of the personal retirement balances at balance sheet date. When the assumptions in discount rate and salary rate increase or decrease to reasonably possible changes (+/-100 basis points), the same conclusion and therefore, the retirement benefit obligation will still be the personal retirement balances.

The management performed an Asset-Liability Matching Study annually. The overall investment policy and strategy of the Company's defined benefit plan is guided by the objective of achieving an investment return which, together with contributions, ensures that there will be sufficient assets to pay pension benefits as they fall due while also mitigating the various risk of the plans. The Company's current strategic investment strategy consists of 99.56% of debt instruments and 0.44% cash.

The average duration of the defined benefit obligation at December 31, 2020 and 2019 is 15.53 years and 15.80 years, respectively.

Shown below is the maturity analysis of the undiscounted benefit payments:

	2020	2019
	(in Millions)	
Less than 1 year	**₱284**	₱152
More than 1 year to 5 years	**149**	233
More than 5 years to 10 years	**395**	344
More than 10 years to 15 years	**483**	614
More than 15 years to 20 years	**633**	532
More than 20 years	**2,095**	946

On February 20, 2020, the Company's BOD approved the MPTC Multi Employer Retirement Plan (the Plan) which aims to establish harmonized retirement benefits for all employees within the MPTC Group. The plan would also accommodate possible transfer of employees from and to Participating Companies within the MPTC Group. Eligible Employees under the Plan will be entitled to the higher of benefits under the new Defined Benefit or their benefit under the Defined Contribution. As at December 31, 2020, the set-up of the plan is not yet complete.

28. **Interest Income**

Sources of interest income follow:

	2020	2019
	(in Millions)	
Concession financial receivables (see Note 9 and Note 16)	**₱145**	₱163
Cash and cash equivalents and restricted cash (see Note 7)	**112**	316
Debt instruments at FVOCI (see Note 15)	**30**	31
	₱287	₱510

29. **Interest Expense and Other Finance Costs**

Details of interest expense and other finance costs follow:

	2020	2019
	(in Millions)	
Interest expense on:		
Long-term debt (see Notes 19 and 34)	**₱2,564**	₱2,257
Short-term loans (see Note 19)	**152**	77
Provision for heavy maintenance (see Note 18)	**11**	12
Lease liabilities (see Note 17)	**3**	4
Other finance costs:		
Amortization of debt issue costs (see Note 19)	**56**	60
Bank charges	**28**	8
Penalties on extinguishment of debt (see Note 19)	**7**	32
Derecognition of unamortized debt issue costs	**3**	–
	₱2,824	₱2,450

30. **Other Income**

Details of other income follow:

	2020	2019
	(in Millions)	
Reversal of provision and contingent liability (see Note 18)	**₱303**	₱95
Reversal of LTIP (see Note 27)	**240**	–
Dividend income (see Note 15)	**55**	66
Gain on FV changes of financial assets (see Note 15)	**21**	45
Management fees (see Note 21)	**10**	10
Gain on sale of property and equipment (see Note 12)	**8**	1
Income from PBA franchise (see Note 13)	**3**	3
Others	**17**	8
	₱657	₱228

31. **Income Taxes**

The provision for current income tax consists of:

	2020	2019
	(in Millions)	
Regular corporate income tax (RCIT)	**₱1,429**	₱2,373
Final tax on interest income	**11**	58
MCIT	**9**	3
	₱1,449	₱2,434

The components of the Company's net deferred tax liabilities follow:

	2020	2019
	(in Millions)	
Deferred Tax Liabilities		
Present value of concession fees capitalized as service concession asset	**₱6,937**	₱6,597
Excess of fair values over book values arising from business combinations	**2,246**	2,867
Difference in method of amortization of service concession assets	**1,278**	955
Unamortized realized foreign exchange losses capitalized	**15**	16
Fair value changes on financial assets at FVOCI	**–**	77
Pension asset	**–**	53
Others	**11**	6
	10,487	10,571
Deferred Tax Assets		
Service concession fees payable	**6,976**	6,597
Provision for heavy maintenance	**215**	73
Accrued retirement costs	**83**	–
Provisions and accruals	**66**	34
Allowance for impairment loss	**32**	–
Unamortized past service cost	**12**	15
Long-term incentive plan payable	**12**	3
Allowance for ECL	**6**	19
NOLCO	**–**	9
Excess of fair values over book values arising from business combinations	**–**	7
Others	**1**	14
	7,403	6,771
Deferred tax liabilities - net	**₱3,084**	₱3,800

Deferred tax assets and deferred tax liabilities reflected in the consolidated balance sheets are as follows:

	2020	2019
	(in Millions)	
Deferred tax assets - net	**₱97**	₱162
Deferred tax liabilities - net	**(3,181)**	(3,962)
	(₱3,084)	(₱3,800)

For tax purposes, NLEX Corp. used the UOP method of amortization for the civil work component of the service concession assets as approved by the BIR. CIC used the double declining balance method of amortization for R-1 Expressway while straight-line method for R-1 Expressway Extension as approved by the BIR. PT Nusantara used the straight-line method of amortization for the service concession assets as approved by the Directorate General of Taxes (DGT).

Certain subsidiaries under the Company have the following temporary differences, NOLCO and MCIT for which no deferred tax assets have been recognized since management believes that it is more likely than not that these will not be realized in the future:

	2020	2019
	(in Millions)	
NOLCO	**₱4,007**	₱3,258
Accrued expenses and provisions	**99**	160
MCIT	**7**	8
Retirement costs and past service costs	**3**	2
Unrealized foreign exchange loss	**–**	143
Fair value changes on financial assets	**–**	13
	₱4,116	₱3,584

As at December 31, 2020, the Company have excess MCIT that can be applied as tax credit against future income tax due under RCIT.

Year Paid/Incurred	Expiration Date	MCIT
		(in Millions)
2018	December 31, 2021	–
2019	December 31, 2022	3
2020	December 31, 2023	4
		₱7

MCIT incurred in 2017 amounting to ₱5.0 million have expired in 2020.

The movements in MCIT are as follows:

	2020	2019
	(in Millions)	
Balance at beginning of year	**₱8**	₱10
Additions	**4**	3
Expirations	**(5)**	(5)
Balance at end of year	**₱7**	₱8

On September 30, 2020, the BIR issued Revenue Regulations No. 25-2020 implementing Section 4(bbbb) of "Bayanihan to Recover As One Act" which states that the NOLCO incurred for taxable years 2020 and 2021 can be carried over and claimed as a deduction from gross income for the next five (5) consecutive taxable years immediately following the year of such loss.

As at December 31, 2020, certain subsidiaries under the Company operating in the Philippines have MCIT that can be applied as tax credit against future income tax due under RCIT and NOLCO before taxable year 2020 which can be claimed as deduction from the regular taxable income for the next three (3) consecutive taxable years, as follows:

Year Incurred	Availment Period	Amount	NOLCO Expired/Utilized	NOLCO Unapplied
			(in Millions)	
2017	2018-2020	₱341	₱341	₱–
2018	2019-2021	1,161	30	1,131
2019	2020-2022	1,008	–	1,008
		₱2,510	₱371	₱2,139

As at December 31, 2020, the Company has incurred NOLCO in taxable year 2020 which can be claimed as deduction from the regular taxable income for the next five (5) consecutive taxable years pursuant to the Bayanihan to Recover As One Act, as follows:

Year Incurred	Availment Period	Amount	NOLCO Expired/Utilized	NOLCO Unapplied
			(in Millions)	
2020	2021-2025	₱1,322	₱–	₱1,322

In 2018, the Company acquired PT Nusantara, which has incurred NOLCO in prior years. Under Indonesian Tax Laws, NOLCO may be carried forward for a maximum period of five (5) years. PT Nusantara's NOLCO that can be claimed as deduction from future taxable income as follows:

Year Incurred	Availment Period	Amount	NOLCO Expired/Utilized	NOLCO Unapplied
			(in Millions)	
2015	2016-2020	₱202	₱202	₱–
2016	2017-2021	229	–	229
2017	2018-2022	317	–	317
		₱748	₱202	₱546

The movements in NOLCO are as follows:

	2020	2019
	(in Millions)	
Balance at beginning of year	**₱3,228**	₱2,903
Additions	**1,322**	1,008
Expirations	**(543)**	(653)
Application of NOLCO	–	(30)
Balance at end of year	**₱4,007**	₱3,228

The reconciliation of provision for income tax computed at the statutory income tax rate to provision for income tax as shown in the consolidated statements of income as follows:

	2020	2019
	(in Millions)	
Income before income tax	**₱4,300**	₱9,296
Income tax computed at statutory tax rate of 30%	**₱1,290**	₱2,789
Add (deduct) tax effects of:		
Effect of optional standard deduction (OSD)	**(237)**	(642)
Nondeductible expenses and others	**224**	60
Equity in net earnings of associates	**(89)**	(68)
Interest income subjected to final tax	**(86)**	(98)
Dividend income not subject to tax	**(17)**	(20)
Effect of difference in tax rate of foreign operations	**(10)**	(38)
Movement in NOLCO	**169**	280
Write-off of deferred tax assets	**161**	37
MCIT	**4**	3
Change in unrecognized deferred tax assets	**29**	73
Final tax on interest income	**11**	58
	₱1,449	₱2,434

On December 18, 2008, the BIR issued Revenue Regulation (RR) 16-2008, which implemented the provisions of RA No. 9504 on OSD, which allowed both individual and corporate tax payers to use OSD in computing their taxable income. For corporations, they may elect a standard deduction in an amount equivalent to 40% of gross income, as provided by law, in lieu of the itemized allowed deductions. NLEX Corp. opted to avail of the OSD for the taxable years 2020 and 2019.

The reconciliation of net deferred tax liabilities is summarized as follows:

	2020	2019
	(in Millions)	
Balance at beginning of year	**₱3,800**	₱3,665
Provision for deferred income tax during the year recognized in the profit or loss	**537**	76
Income tax effect during the year recognized in OCI	**(7)**	(45)
Translation adjustment	**(1,246)**	104
Balance at end of year	**₱3,084**	₱3,800

Registration with the Board of Investments (BOI)

On August 3, 2017, the CALAX project was registered with the BOI as a new project on a non-pioneer status under the Omnibus Investment Code of 1987. Under this registration, MPCALA will enjoy certain tax and nontax incentives including a four-year Income Tax Holiday (ITH) on the income arising the CALAX project starting from July 2020 or actual start of commercial operations, whichever is earlier and subject to certain conditions among others, (i) MPCALA shall submit proof of upgraded service quality as result of the implementation of the modernization project; (ii) the ITH's entitlement shall be based on the project's ability to contribute to the economy's development based on certain parameter indicated in Certificate of Registration; and (iii) MPCALA shall endeavor to undertake meaningful and sustainable corporate social responsibility activities.

In January 2021, BOI granted a Certificate for ITH Entitlement to MPCALA for the year 2020. MPCALA has started the availment of ITH upon start of commercial operation in February 2020.

32. Significant Contracts and Commitments

PNCC Fee

In consideration of the assignment by PNCC of its usufructuary rights, interests and privileges under its franchise, PNCC is entitled to receive payment equivalent to 6% and 2% of the toll revenues from the NLEX 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. This entitlement, as affirmed in the Amended and Restated Shareholders' Agreement (ARSA) dated September 30, 2004, shall be subordinated to operating expenses and the requirements of the financing agreements and shall be paid out subject to availability of funds. In December 2006, NLEX Corp. entered into a letter agreement with PNCC to set out the detailed procedure for payment.

The PNCC franchise expired in May 2007. However, since the payment is a continuing obligation under the ARSA, NLEX Corp. continues to accrue and pay the PNCC entitlement.

On December 2, 2010, NLEX Corp. received a letter from the TRB dated November 30, 2010, citing a decision of the Supreme Court (SC) dated October 19, 2010 directing NLEX Corp. to remit forthwith to the National Treasury, through TRB, all payments representing PNCC's percentage share of the toll revenues and dividends, if any, arising out of PNCC's participation in the NLEX. In the said decision, the SC ruled, among others, that after the expiration of the franchise of PNCC, its share/participation in the JVAs and STOAs, inclusive of its percentage share in toll fees collected by joint venture companies currently operating the expressways, shall accrue to the Philippine Government.

On April 12, 2011, the SC issued a resolution directing NLEX Corp. to remit PNCC's share in the net income from toll revenues to the National Treasury and the TRB, with the assistance of the Commission on Audit (COA), was directed to prepare and finalize the implementing rules and guidelines relative to the determination of the net income remittable by PNCC to the National Treasury.

In accordance with the TRB directive, 90% of the PNCC fee and dividends payable are to be remitted to the TRB, while the balance of 10% to PNCC.

NLEX Corp. recorded PNCC fee amounting to ₱533.7 million and ₱732.7 million in 2020 and 2019, respectively (see Note 24).

Construction of Segment 10 of Phase II of NLEX

On April 28, 2014, NLEX Corp. signed a target cost construction contract with Leighton Contractors (Asia) Ltd. (LCAL) for the construction of NLEX Segment 10. The target cost is approximately ₱10.0 billion (inclusive of VAT), with a completion period of 24 months from start date. The contract structure is collaborative in nature and provides a pain-sharing or gain-sharing mechanism if the actual construction cost exceeds or falls below the agreed target. LCAL's performance obligation under the contract is backed up by: (i) a bank-issued irrevocable stand-by letter of credit, (ii) cash retention, and (iii) a parent company guarantee issued by Leighton Asia Limited.

On May 8, 2014, NLEX Corp. issued the notice to proceed to LCAL, signaling the start of the pre-construction activities. Pursuant to the contract, NLEX Corp. placed a reserve amount of ₱889.0 million in an escrow account on July 28, 2014 to cover payment default leading to suspension of works.

On January 12, 2017, pursuant to the escrow agreement, NLEX Corp. exercised its option to reduce the escrow account balance to the new minimum balance of ₱669.0 million. The balance was further reduced to ₱321.0 million on May 12, 2017. The new minimum balance is the amount equal to the forecast of LCAL's maximum committed costs over any given seven (7) weeks from the relevant calculation date until the forecast completion date plus a reasonable contingency allowance as agreed upon by both parties.

Construction of the 5.65-km fully-elevated segment was completed on February 28, 2019, and officially opened to the public on March 1, 2019. Accordingly, the balance of the escrow account was already released in 2019 and was used to pay the gain share of LCAL.

NLEX Harbor Link Segment C3-R10 and Port Extension
On June 15, 2020, NLEX Corp opened the Harbor Link C3-R10 Section to public. The extension will boost the government's traffic decongestion efforts in Metro Manila, especially in the CAMANAVA area.

On October 19, 2020, the recommendation of the DPWH to TRB to implement the proposed Harbor Link Port Extension to Anda Circle Project of NLEX Corp has been approved. This project is within the scope of the existing NLEX-Main concession. NLEX Corp has been advised to proceed on the preparation, completion and submission of requirements, documents and processes that are necessary on the implementation of the project. As at March 12, 2021, NLEX Corp is still waiting for the approval of the project's investment scheme by TRB.

NLEX Widening Project
On February 22, 2016, NLEX Corp. signed a construction contract with First Balfour, Inc. and Haidee Construction and Development Corporation/4B Construction Corporation for the NLEX lane widening covering the construction of an additional lane on each direction in Segment 2, portion of Phase 1 of NLEX (from Sta. Rita to San Fernando), and the expansion of the carriageway in Segment 3, portion of Phase 1 of NLEX (from Dau to Sta. Ines) from one (1) by two (2) to two (2) by two (2) lanes. It also covers the lane configuration of Candaba Viaduct from 2 to 3 lanes. The total project costs including civil works, independent design checking services, detailed engineering design and financing cost amounted to ₱2.4 billion for both Segment 2 and Segment 3. On December 2, 2016, the Segment 3 of the project has started commercial operations, while Segment 2 of the project was completed and has started commercial operations in May 2017.

As part of Phase 2 of the NLEX Widening Project, the Company has also finalized the construction contract for the NLEX Segment 7 ("SFEX") Capacity Expansion Project with Sta. Clara International Corporation on May 3, 2019. The SFEX Capacity Expansion Project is estimated to cost around ₱1.6 billion, inclusive of VAT, and will be sourced through internally generated cash and term loans. The SFEX Capacity Expansion Project was opened temporarily to serve motorists coming in and out of the Subic Bay Freeport Zone during the holiday season on December 28, 2020 until January 15, 2021. As at December 31, 2020, the advances to contractor after the application of the advances to billing from contractor, recorded under "Advances to contractors and consultants - net of current portion" in the consolidated balance sheets, amounted to ₱156.0 million. The project was completed and formally opened last February 19, 2021.

Construction of NLEX-SLEX Connector Road
On November 5, 2019, NLEX Corp. awarded an ₱8.0 billion contract to DM Consunji Inc. (DMCI) for the construction of the first section of the Connector Road.

The contract covers the main civil works for the Caloocan-España section. The NLEX Connector Road will continue the NLEX southward from NLEX Harbor Link Segment 10 of the New Caloocan Interchange. The project will utilize portions of the existing right of way of the Philippine National Railways (PNR).

As at March 12, 2021, the construction of the NLEX-SLEX Connector Road Section 1 is on-going while pre-construction works for Section 2 has started.

Toll Collection Interoperability Agreement
On September 15, 2017, MPTC, NLEX Corp, CIC and MPCALA, together with San Miguel Holdings Corporation (SMHC), Private Infra Development Corporation, CMMTC, Skyway O&M Corporation, Citra Central Expressway Corporation, Vertex Tollways Development Incorporation, South Luzon Tollways Corporation, Manila Toll Expressway Systems Incorporated, Star Infrastructure Development Corporation, Star Tollway Corporation, BCDA, Ayala Corporation, MCX Tollway, Inc., Department of Transportation, DPWH, and Land Transportation Office, has signed the MOA for Toll Collection Interoperability with TRB; whereby the concessionaires or facility operators agreed to timely, smoothly, and fairly implement the interoperability of the electronic toll collection systems and cash payment systems of the covered expressways and of future toll expressways, consistent with and subject to the concessionaires and operators' respective concession agreements, toll operations agreements, and supplemental toll operations agreement, as applicable.

The agreement will be implemented in two (2) phases and to be operationalized within twelve (12) months from signing of the MOA. The first phase covers electronic collection interoperability, while the second phase covers cash collection interoperability.

MPTC's toll collection lanes (NLEX, SCTEX, CAVITEX and portion of the CALAX) are currently accepting Autosweep tags enrolled to the Easytrip system. The enrolment of the Autosweep tags started last December 20, 2017.

An interoperability validation test procedure has been developed and finalized by MPTC and SMHC. The interoperability test activities were conducted for 14 consecutive days from January 29 to February 11, 2021. The test routes are within NLEX, SCTEX and TPLEX with evaluation of more than 10,000 passages during the testing.

The second phase that covers the cash collection interoperability will no longer be implemented in line with the recent developments on the mandate of the Government to implement 100% cashless and contactless transactions in all expressways.

Signing of NLEX Angeles City Interchange Traffic Management Memorandum of Agreement
On November 23, 2020, the officials of NLEX Corp and City of Angeles Pampanga entered into a MOA to address the traffic situation within the Angeles Interchange. Under the MOA, both parties shall implement measures around the traffic management zone which include the deployment of traffic personnel, improvement of service time at the toll plaza, clearing of sidewalks, and prohibition of illegal parking, loading/unloading and jaywalking affecting the NLEX traffic flow.

Lease Contract
NLEX Corp. entered into various lease agreements covering its leased commercial spaces. The lease agreements have lease terms of five (5) to 20 years and a rental fee that is based on a minimum guaranteed rent for the first two (2) or three (3) years depending on the agreement with the lessee, or a percentage of gross sales, whichever is higher.

Upon signing of the lease contract, the lessees shall pay an advance rent and rental deposit amounting which shall be returned to the lessee after the expiration or termination of the lease contract.

Rental income earned from this investment property amounted to ₱43.4 million and ₱54.7 million in 2020 and 2019 respectively (see Notes 14 and 23).

As at December 31, 2020 and 2019, the minimum lease receivables are as follows:

	2020	2019
	(in Millions)	
Within one year	**₱19**	₱43
After one year but not more than five years	**179**	220
After five years	**321**	321
	₱519	₱584

Construction of Feeder Roads
On October 20, 2011, CIC and CHI executed a MOA, wherein, CHI shall grant CIC a right-of-way to certain segments of the property CHI plans to reclaim to allow CIC to construct four (4) feeder roads. The four (4) feeder roads are estimated to cost ₱520.0 million where CHI shall be liable for approximately 50% of construction costs. Actual contribution of CHI amounting to ₱256.7 million was received by CIC in 2012 and presented as "Other noncurrent liabilities" account as at December 31, 2020 and 2019. As at March 12, 2021, the construction of the feeder roads has not yet started.

Construction of the CALAX
Laguna Segment. On February 14, 2017, MPCALA awarded the contract to DMCI amounting to ₱7.2 billion (inclusive of VAT) for the construction of the 18.15 km Laguna segment of the CALAX project. A formal groundbreaking ceremony was held last June 19, 2017 and construction officially commenced last July 3, 2017.

Sub-sections 6 to 8, portion of the Laguna Segment, commenced operations in October 2019. The remaining section of the Laguna Segment is expected to be completed in 2021.

Cavite Segment. In July 2017, MPCALA signed a contract with Leighton Contractors (Asia) Limited (LCAL) for the construction of the 26.48 km Cavite segment of the CALAX project. The construction cost covering Civil Works amounted to ₱7.0 billion (exclusive of VAT). The Cavite Segment is expected to be completed in 2023.

Grant of Original Proponent Status to MPT South for Cavite Tagaytay Batangas Expressway (CTBEx)
On July 26, 2018, Metro Pacific Tollways South Corp. (MPT South), a subsidiary of MPTC, was granted Original Proponent Status by the DPWH in relation to its unsolicited proposal for the CTBEx Project.

The CTBEx Project, a 50.42-km toll facility, is intended to connect seamlessly with the CALAX and CAVITEX of MPTC and is expected to provide congestion relief to Aguinaldo Highway and Tagaytay-Nasugbu road. It is currently configured to have eight (8) main interchanges and two (2) spur roads, and is estimated to cost approximately ₱25 billion and if awarded, will be funded through a combination of internally-generated funds and debt.

The final award of the CTBEx Project to MPT South will be subject to completion of all regulatory approvals and the Swiss Challenge under existing laws. The final award of the CTBEx Project will be subject to Swiss Challenge expected within 2021.

Design-and-Build Contract for the CCLEX
The Engineering, Procurement and Construction (EPC) contract amounting to ₱22.6 billion was signed on December 19, 2017 with the Cebu Link Joint Venture (CLJV) as the contractor. CLJV is composed of Acciona Construction Philippines, Inc., First Balfour Inc., and D. M. Consunji, Inc. The EPC contract involved the design, engineering, procurement and construction of CCLEX. Commencement date of the EPC contract is on January 8, 2018 until August 8, 2021 or a period of 1,308 days.

The Detailed Engineering Design is currently being undertaken by CLJV which started on January 8, 2018. Expected completion of construction of CCLEX project is in 2022.

Contract with Technical Consultants
On August 16, 2016, CCLEC signed an agreement with COWI A/S (Sweden) and DCCD Engineering Corporation (Philippines) for the technical assistance necessary for developing an alternative design of the main bridge, preparation of tender documents, procurement of a suitable contractor, and design and construction of the CCLEX project. The contract price is split in Philippine Peso (₱) and in Euro (€), amounting to ₱92.2 million and €5.7 million, respectively.

Unapplied advance payment to COWI and DCCD amounting to ₱11.9 million and ₱20.3 million as at December 31, 2020 and 2019, respectively, is presented as part of "Advances to contractors, consultants and suppliers - net of current portion" account in the consolidated balance sheets.

Agreement to Purchase Land
On July 20, 2017, CCLEC entered into an option agreement with an individual with respect to a parcel of land in Cordova, Cebu. Under the terms of the agreement, CCLEC may purchase all or part of the subject land, measuring 41,098 square meters, for ₱5,000/sq. m on or before the option period of 120 days. CCLEC paid an option money amounting to ₱10.0 million which will be applied as part of the agreed purchase price.

On November 23, 2017, the parties entered into a supplemental agreement extending the option period from 120 days to 150 days, which ended on April 22, 2018. On the same date, CCLEC made an advance payment amounting to ₱20.0 million which will also be applied as part of the agreed purchase price. Under the provisions of the supplemental agreement, CCLEC may exercise the option to buy a portion of the land equivalent to the total amount of ₱30.0 million in the event that the CCLEX project does not materialize. In 2018, the Company paid an additional ₱20.0 million for the purchase of the parcel of land. As at March 12, 2021, the title to the parcel of land has not been transferred under the name of CCLEC. The purchase costs of the parcels of land are recorded under the "Service concession assets" account in the consolidated balance sheets.

In May 2019, CCLEC entered into a Deed of Sale with certain individuals for the acquisition of parcel of land with an area of 13,770 square meters located in Municipality of Cordova, Province of Cebu for a total consideration of ₱68.9 million. Likewise, MPT Vizmin entered into a Deed of Sale with certain individuals for the acquisition of parcel of land with an area of 16,230 square meters located in Municipality of Cordova, Province of Cebu for a total consideration of ₱81.2 million.

In May 2019, the MPT South entered into a Deed of Sale with Donidale Holdings, Incorporated for the acquisition of parcel of land located in Imus Estate Subdivision, Province of Cavite, for a total consideration of ₱180.0 million, inclusive of VAT and withholding tax. The land to be acquired is intended for the construction of the Company's headquarters.

In December 2019, CCLEC entered into a Deed of Sale with certain individuals for the acquisition of parcel of land with an area of 8,293 square meters located in Municipality of Cordova, Province of Cebu for a total consideration of ₱33.6 million, inclusive of all taxes and expenses for the execution and registration of the sale transaction.

Agreement for the Design, Supply, Installation, Testing and Commissioning of Fixed Operating Equipment (FOE)
On December 14, 2020, CCLEC entered into an agreement with Indra Philippines, Inc. for the design, supply, installation, testing and commissioning of CCLEX FOE specifically the traffic management and telecommunication systems. The period of the contract is 14 months from the issuance of the Notice to Proceed.

Construction of CAVITEX C5 South Link Expressway
On July 10, 2020, a groundbreaking ceremony for CIC's C5 South Link Expressway Segment 2 and 3A-2 was conducted. Contract was awarded to A.M. Oreta & Co. Inc. and China Harbour Engineering Co. on May 4, 2020 with an accepted contract amount of ₱6.62 billion. Construction officially commenced on July 22, 2020. The C5 Link is expected to be fully operational by the first quarter of 2023.

Human Capital Management (HCM) Software License and Service Agreement of MPTC
In November 2019, MPTC signed a Software License and Service Agreement with RAMCO System, Inc. with a contract price of ₱155.3 million, in which MPTC is granted the license to use RAMCO's software for HCM including related professional and support services for ten (10) years.

A.P. Pettarani Elevated Toll Road
On April 2, 2018, BMN entered into agreement for the Contract of Design and Construction of A.P. Pettarani Elevated Toll Road (Section III) Makassar (Pettarani toll road) with PT Wijaya Karya Beton Tbk. The 4.4-km Pettarani toll road will connect Soekarno-Hatta Port (Makassar) and Sultan Hasanuddin Airport to Makassar's business district and city center. Construction of the toll road started in April 2018.

As at March 12, 2021, the construction of the Pettarani toll road is still ongoing and is expected to be completed within 2021.

Electrical Power Sales Agreement and Construction of Minihydro Power Plant (PLTM) at Lau Gunung
On December 28, 2009, IME entered into Electrical Power Sales Agreement with PLN for Minihydro Power Plant (PLTM) at Lau Gunung, North Sumatera. In the agreement, IME shall build PLTM Lau Gunung with installed capacity of 2x5 MW which includes design, engineering, cost of construction, testing and commissioning as well as operation and maintenance. Furthermore, IME agree to sell the entire power which is generated by PLTM Lau Gunung to PLN in accordance with the agreed terms and conditions. This co-operation will take place until 20 years, valid from the first time the power is channelled from PLTM Lau Gunung to PLN.

On May 5, 2014, IME entered into a Project Construction Services Agreement with PT PP (Persero) Tbk, for the construction of PLTM Lau Gunung. On December 17, 2020, the construction of PLTM Lau Gunung is completed.

33. Financial Risk Management Objectives and Policies and Capital Management

The Company's principal financial instruments consist mainly of borrowings from third-party creditors, proceeds of which were used for the acquisition of investments and in financing operations. The Company has various other financial instruments such as cash and cash equivalents, receivables from trade debtors and payables to trade creditors and DPWH, which arise directly from its operations. The Company also holds financial assets at FVTPL and FVOCI in 2020 and 2019.

The main risks arising from the Company's financial instruments are interest rate risk, foreign currency risk, credit risk and liquidity risk which are discussed in detail below. The BOD reviews and approves policies of managing each of these risks and they are enumerated below:

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's exposure to interest rate risk relates primarily to the Company's long-term debt obligations with floating interest rates. To minimize interest rate risk, the Company manages interest cost by evaluating market rate trends. Management conducts assessments among interest rates offered by banks to obtain the most favorable interest rates before making decisions on its placements and prior to entering loan agreements. The Company also continuously monitors fluctuations of interest rates to manage interest rate risks.

The following tables set out the principal amount, by maturity, of the Company's interest-bearing financial assets and liabilities:

		December 31, 2020				
	Interest Rate	Within the Year	2-3 Years	4-5 Years	More than 5 Years	Total
			(in Millions)			
Fixed-rate financial assets:						
Cash and cash equivalents and restricted cash[(a)]	0.10%–4.00%	₱8,233	₱–	₱–	₱–	₱8,233
Financial assets at FVOCI	2.13%–5.75%	₱–	50	–	–	50
		₱8,233	₱50	₱–	₱–	₱8,283
Fixed-rate financial liabilities:						
Short-term loans	4.60%–6.20%	₱2,200	₱–	₱–	₱–	2,200
Term-loan facilities	4.83%–8.87%	1,971	2,328	14,130	40,025	58,454
Series A-10	7.70%	910	–	–	–	910
Fixed-rate bonds	5.07%-6.90%	4,357	–	6,600	2,000	12,957
Corporate Notes	4.04%-4.29%	25	592	1,134	3,249	5,000
Foreign currency-denominated loans						
Term-loan facilities	5.25%	29	75	205	469	778
Syndicated loan facility	10.75%	–	18	284	4,062	4,364
		9,492	3,013	22,353	49,805	84,663
Floating-rate loans -						
Term-loan facilities	6.07%–8.18%	549	664	501	48	1,762
		₱14,409	₱8,045	₱27,222	₱55,506	₱105,182

(a) Excluding cash on hand amounting to ₱15.6 million as at December 31, 2020.

	Interest Rate	Within the Year	2-3 Years	4-5 Years	More than 5 Years	Total
			December 31, 2019			
			(in Millions)			
Fixed-rate financial assets:						
Cash and cash equivalents and restricted cash[(a)]	0.10%–3.50%	₱9,960	₱–	₱–	₱–	₱9,960
Financial assets at FVOCI	2.13%–5.75%	70	50	50	–	170
		₱10,030	₱50	₱50	₱–	₱10,130
Fixed-rate financial liabilities:						
Short-term loans	4.60%–6.20%	₱2,026	₱–	₱–	₱–	₱2,026
Term-loan facilities	4.83%–8.87%	1,519	2,616	12,942	27,228	44,305
Series A-10	5.07%–6.90%	10	910	–	–	920
Fixed-rate bonds	7.70%	–	4,400	6,600	1,957	12,957
Foreign currency-denominated loans						
Short-term loans	2.10%–13.00%	1,550	–	–	–	1,550
Term-loan facilities	5.25%	–	91	123	262	476
Syndicated loan facility	10.75%	–	19	303	1,925	2,247
		5,105	8,036	19,968	31,372	59,151
Floating-rate loans -						
Mizuho and SMBC term loan	3.53%	614	682	223	–	1,519
Various PT Nusantara term loans	10.25%–12.50%	289	395	1,485	–	2,169
Loan from a non-financial institutions	2.73%	–	123	–	–	123
		903	1,200	1,708	–	9,141
		₱10,376	₱18,458	₱30,898	₱38,910	₱98,642

(a) Excluding cash on hand amounting to ₱192.1 million as at December 31, 2019.
(b) Included under "Restricted cash" account in the consolidated balance sheet.

Interest on financial instruments classified as floating rate is repriced semi-annually on each interest payment date. Interest on financial instruments classified as fixed rate is fixed until the maturity of the instrument, except for certain term-loan facilities which will be repriced after five (5) or seven (7) years from their initial drawdown dates. Should the interest rate on the repricing date be significantly higher than the current fixed rate, the Company has an option to prepay or refinance the loan.

The other financial instruments of the Company that are not included in the above table are noninterest-bearing and are therefore not subject to cash flow interest rate risk.

The following table demonstrates the sensitivity of income to changes in interest rates with all other variables held constant. The management expects that interest rates will move by ±50 basis points within the next reporting period. There is no other impact on the Company's equity other than those already affecting the consolidated statement of income:

	Increase/Decrease in Basis Points	Effect on Income Before Income Tax
		(in Millions)
2020	**+50**	**(₱20)**
	-50	**20**
2019	+50	(₱19)
	-50	19

Foreign Currency Risk
Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Company consolidates PT Nusantara, an infrastructure company based in Indonesia. Payment for PT Nusantara's loans which are denominated in Rupiah is to be sourced from cash generated from operations, also denominated in Rupiah.

In 2019, MPTC and AIFT has foreign currency denominated loans to be paid in USD and THB, respectively. In 2020, the company has settled its foreign currency denominated financial instruments.

The Company aims to minimize economic and material transactional exposures arising from currency movements against the peso.

The following table demonstrates the sensitivity of income to changes in foreign exchange rates with all other variables held constant. The estimates in the movement of the foreign exchange rates were based on the management's annual financial forecast. There is no other impact on the Company's equity other than those already affecting the consolidated statements of income:

	Increase/Decrease in Foreign Exchange Rates	Effect on Income Before Income Tax
		(in Millions)
2020	**+4%**	**₱8**
	-4%	**(8)**
2019	+4%	(₱233)
	-4%	233

Credit Risk
Credit risk is the risk that the Company will incur loss arising from customers, clients or counterparties that fail to discharge their contracted obligations. Exposure to credit risk is managed through a credit review where an analysis of the obligors to meet their obligations is considered.

Receivables arose mainly from electronic toll card service providers of PT Nusantara motorists ply on its toll roads. Trade receivables also come from energy sales and treated water sales from the respective customers of RPSL and DCC which are instrumentalities of the government of Indonesia.

Trade receivables also arose from non-toll revenues in the form of advertising services particularly from SMART and manpower services provided by SESI to its external customers. These receivables are considered as low-risk as these came from a well-established company. Receivables also arose from motorists who cause accidental damage to NLEX property from day-to-day operations. Property damage claims are initially processed by TMC and are eventually turned over to NLEX Corp. The Company also has advances to DPWH, a Philippine government entity, which is covered by a Reimbursement Agreement.

The Company also generates non-toll revenues in the form of service fees collected from business locators, generally called TSF, along the stretch of the NLEX. The collection of such fees is provided in the STOA and is based on the principle that these TSF derive benefit from offering goods and services to NLEX motorists. The fees range from one-time access fees to recurring fees calculated as a percentage of sales. The arrangements are backed by a service facility contract between the Company and the various locators. The credit risk on these arrangements is minimal because the fees are collected on a monthly basis mostly from well-established companies. The exposure is also limited given that the recurring amounts are not significant and there are adequate safeguards in the contract against payment delinquency. Nevertheless, the Company closely monitors receivables from the TSF.

The Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to carrying amount of these financial assets. The Company does not require any collateral for its financial assets.

The table below shows the maximum exposure to credit risk for the Company's financial assets, without taking account of any collateral, credit enhancements and other credit risk mitigation techniques:

	2020	2019
	(in Millions)	
Cash and cash equivalents[(a)]	**₱7,419**	₱8,460
Restricted cash	**814**	1,500
Financial assets at FVTPL	**1,577**	808
Receivables[(b)]	**1,243**	1,153
Due from related parties	**149**	151
Financial assets at FVOCI[(c)]	**46**	164
Concession financial receivables[(d)]	**2,435**	1,117
Refundable deposits[(d)]	**8**	15
	₱11,693	₱13,368

[(a)] *Excluding cash on hand amounting to ₱15.6 million and ₱192.1 million as at December 31, 2020 and 2019, respectively.*
[(b)] *Amount is gross of allowance for ECL and excluding advances to officers and employees amounting to ₱54.0 million and ₱47.8 million as at December 31, 2020 and 2019, respectively.*
[(c)] *Excluding equity investments in club shares, PT Kawasan, CMMTC and PGOACI amounting to ₱928 million and ₱919 million as at December 31, 2020 and 2019.*
[(d)] *Included in "Other noncurrent asset" account in the consolidated balance sheets.*

The Company's cash and cash equivalents, restricted cash and financial assets at FVTPL are placed with reputable local and international banks and companies and the Philippine government which meet the standards of the Company's BOD.

The table below shows the gross carrying amount of financial assets and the loss allowances:

	Not Credit-impaired		**Credit-impaired**		**Total**	
			(in Millions)			
	Gross Carrying Amount	**Allowance for ECL**	**Gross Carrying Amount**	**Allowance for ECL**	**Gross Carrying Amount**	**Allowance for ECL**
December 31, 2020						
Cash and cash equivalents	**₱7,419**	**₱–**	**₱–**	**₱–**	**₱7,419**	**₱–**
Financial assets at FVTPL	**1,577**	**–**	**–**	**–**	**1,577**	**–**
Receivables	**1,143**	**–**	**100**	**100**	**1,243**	**100**
Due from related parties	**149**	**–**	**–**	**–**	**149**	**–**
Financial assets at FVOCI – Investment in quoted treasury bonds and notes	**46**	**–**	**–**	**–**	**46**	**–**
Concession financial receivable	**2,435**	**–**	**–**	**–**	**2,435**	**–**
Refundable deposits	**8**	**–**	**–**	**–**	**8**	**–**
	₱12,760	**₱–**	**₱100**	**₱100**	**₱12,860**	**₱100**

(Forward)

	Not Credit-impaired		Credit-impaired		Total	
			(in Millions)			
	Gross Carrying Amount	Allowance for ECL	Gross Carrying Amount	Allowance for ECL	Gross Carrying Amount	Allowance for ECL
December 31, 2019						
Cash and cash equivalents	₱8,460	₱	₱	₱	₱8,460	₱
Financial assets at FVTPL	808	–	–	–	808	–
Receivables	1,048	–	105	105	1,153	105
Due from related parties	151	–	–	–	151	–
Financial assets at FVOCI – Investment in quoted treasury bonds and notes	164	–	–	–	164	–
Concession financial receivable	1,117	–	–	–	1,117	–
Refundable deposits	15	–	–	–	15	–
	₱3,354	₱–	₱105	₱105	₱3,459	₱105

Set out below is the information about the credit risk exposure on the Company's receivables:

	Current	Days past due				Total
		<30	31-60	61-90	>90	
		(In Millions except for expected loss rates)				
December 31, 2020:						
Expected loss rate	**–%**	**–%**	**–%**	**–%**	**15%**	**8%**
Gross carrying amount	**₱427**	**₱86**	**₱20**	**₱55**	**₱655**	**₱1,243**
Loss allowance	–	–	–	–	**100**	**100**
December 31, 2019:						
Expected loss rate	–%	–%	–%	37%	15%	9%
Gross carrying amount	₱500	₱61	₱44	₱59	₱489	₱1,153
Loss allowance	–	–	–	22	83	105

The closing loss allowance for receivables as at December 31 reconcile to the opening loss allowances as follows:

	2020	2019
	(in Millions)	
Opening loss allowance as at beginning of year	**₱105**	₱97
Increase in loan loss allowance recognized in profit or loss during the year:	**27**	8
Write-off	**(32)**	–
Balance as at December 31	**₱100**	₱105

With the exception of the impaired portion and past due accounts, all of the Company's financial assets are considered high-grade receivables since these are receivables from counterparties who are not expected to default in settling their obligations. These counterparties include reputable local and international banks and companies and the Philippine government. Other counterparties also have corresponding collectibles from the Company for certain contracted services. The first-layer of security comes from the Company's ability to offset amounts receivable from these counterparties against payments due to them.

Liquidity Risk
Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company is not exposed to significant liquidity risk because of the nature of its operations which provides daily inflows of cash from toll collections. The Company is able to build up sufficient cash from operating revenues prior to the maturity of its payment obligations. The Company has arranged additional short-term lines to boost its ability to meet short-term liquidity needs. The Company has short-term credit lines amounting to ₱23,400.0 million and ₱10,369.0 million as at December 31, 2020 and 2019, respectively, and cash and cash equivalents amounting to ₱7,435.0 million and ₱8,652.0 million as at December 31, 2020 and 2019, respectively, that are allocated to meet the Company's short-term liquidity needs.

The table below summarizes the maturity profile of the Company's financial assets and financial liabilities as at December 31, 2020 and 2019 based on undiscounted payments:

	December 31, 2020				
	Within the Year	**2-3 Years**	**4-5 Years**	**More than 5 Years**	**Total**
			(in Millions)		
Financial Assets					
Cash and cash equivalents	**₱7,435**	**₱–**	**₱–**	**₱–**	**₱7,435**
Restricted cash	**814**	**–**	**–**	**–**	**814**
Financial assets at FVTPL	**1,577**	**–**	**–**	**–**	**1,577**
Receivables[(a)]	**1,243**	**–**	**–**	**–**	**1,243**
Due from related parties	**149**	**–**	**–**	**–**	**149**
Financial assets at FVOCI[(b)]	**–**	**48**	**–**	**–**	**48**
Refundable deposits[(c)]	**8**	**–**	**–**	**–**	**8**
	₱11,226	**₱46**	**₱–**	**₱–**	**₱11,274**
Financial Liabilities					
Accounts payable and other current liabilities[(d)]	**₱11,677**	**₱–**	**₱–**	**₱–**	**₱11,677**
Dividends payable	**509**	**–**	**–**	**–**	**509**
Long-term debt[(e)]	**7,884**	**3,421**	**24,870**	**48,050**	**84,225**
Service concession fees payable	**4,368**	**8,979**	**4,854**	**7,781**	**25,982**
	₱24,438	**₱12,400**	**₱29,724**	**₱55,831**	**₱120,606**

[(a)] *Excluding advances to officers and employees amounting to ₱54.0 million as at December 31, 2020.*
[(b)] *Including interest to be received.*
[(c)] *Included in "Other noncurrent assets" account in the consolidated balance sheets as at December 31, 2020.*
[(d)] *Excluding statutory liabilities amounting to ₱582.0 million as at December 31, 2020.*
[(e)] *Including interest to be paid.*

	December 31, 2019				
	Within the Year	2-3 Years	4-5 Years	More than 5 Years	Total
			(in Millions)		
Financial Assets					
Cash and cash equivalents	₱8,652	₱–	₱–	₱–	₱8,652
Restricted cash	1,500	–	–	–	1,500
Financial assets at FVTPL	808	–	–	–	808
Receivables[(a)]	1,048	–	–	–	1,048
Due from related parties	151	–	–	–	151
Financial assets at FVOCI[(b)]	77	55	51	–	183
Refundable deposits[(c)]	–	10	–	5	15
	₱12,236	₱65	₱51	₱5	₱12,357
Financial Liabilities					
Accounts payable and other current liabilities[(d)]	₱9,637	₱–	₱–	₱–	₱9,637
Dividends payable	804	–	–	–	804

(Forward)

	December 31, 2019				
	Within the Year	2-3 Years	4-5 Years	More than 5 Years	Total
			(in Millions)		
Long-term debt[e]	₱5,909	₱14,876	₱29,684	₱40,748	₱91,217
Service concession fees payable	4,368	9,222	9,222	7,538	30,350
	₱20,718	₱24,098	₱38,906	₱48,286	₱132,008

[a] *Excluding advances to officers and employees amounting to ₱47.8 million as at December 31, 2019.*
[b] *Including interest to be received.*
[c] *Included in "Other noncurrent assets" account in the consolidated balance sheets as at December 31, 2019.*
[d] *Excluding statutory liabilities amounting to ₱577.6 million as at December 31, 2019.*
[e] *Including interest to be paid.*

Capital Management

The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholder value while complying with the financial covenants required by the lenders.

NLEX Corp. Under the loan agreements, NLEX Corp. is required a Maintenance DSCR of not less than 1.15 times and maintain a Debt to Equity Ratio (DER) not exceeding 3.0 times until the loan maturity. For the Fixed Rate Bonds, NLEX Corp. is required to maintain a DER of not exceeding 3.0 times for the first three (3) years after the date of the loan agreement and not exceeding 2.5 times after such period. The loan agreement provides that NLEX Corp. may incur new loans or declare dividends as long as the pro-forma DSCR for the relevant year is not less than 1.3 times.

As at December 31, 2020 and 2019, NLEX Corp. has the capacity to incur additional long-term debt to build up its capital and in preparation for the financing of expansion projects.

CIC. Under the Omnibus Agreement, CIC is required a Maintenance DSCR of not less than 1.05 times and maintain a DER not exceeding 3.0 times until the loan maturity. These shall be calculated every calendar quarter following the occurrence of the First Commercial Operations Date, which is the date on which CIC has:

i. Completed a subsection or segment as evidenced by Certificate of Subsection Completion or Certificate of Segment Completion issued by the DPWH;
ii. Authorized to operate and maintain a subsection or segment as evidenced by a Toll Operation Permit (TOP) issued by TRB for such subsection or segment; and
iii. Received a notice to start collection issued by TRB for such subsection or segment.

MPT North. Under the loan agreement, MPT North is required to maintain a DER not exceeding 70:30 and a DSCR of not less than 1.3 times during the term of the loan.

MPTC. Under the loan agreement, MPTC is required to maintain a DER not exceeding 70:30 and a DSCR of not less than 1.3 times during the term of the loan.

PT Nusantara. PT Nusantara and its subsidiaries are parties to various loan agreements. Under the loan agreements, PT Nusantara is required a Maintenance DSCR of not less than 1.0 and maintain a DER not exceeding 2.0 times to 4.0 times until the loan maturity (DER requirement varies per subsidiary).

AIF. Under the loan agreement, AIF is required to maintain a DER not exceeding 1:1 and a DSCR of not less than 1.1 times during the term of the loan.

MPTC Group. As also discussed in Note 19 to the consolidated financial statements, the Company is in compliance with the above capital ratios and financial covenants, except for the DSCR required under MPTC loans but for which appropriate waivers were obtained. The Company manages its capital structure and adjusts to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may obtain additional advances from shareholders, return capital to shareholders, issue new shares or issue new debt or redemption of existing debt. No changes were made in the objectives, policies or processes in 2020 and 2019. The Company monitors capital on the basis of DER. DER is calculated as long-term debt over equity.

In 2020, the Company's strategy, which was unchanged from 2019, was to maintain a sustainable DER. The DER as at December 31, 2020 and 2019 are:

	2020	2019
	(in Millions)	
Long-term debt (see Note 19)	**₱83,561**	₱64,237
Total equity	**58,820**	54,732
DER	**1.42**	1.17

The Company continuously evaluates whether its capital structure can support its business strategy.

34. Financial Assets and Financial Liabilities

Fair Values

A comparison of carrying and fair values of all of the Company's financial instruments, other than those with carrying amounts that are reasonable approximations of fair values, by category as at December 31, 2020 and 2019 follows:

	2020		2019	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
		(in Millions)		
Financial Assets				
Financial assets at FVTPL	**₱1,577**	**₱1,577**	₱808	₱808
Financial assets at FVOCI:				
Investments in quoted equity shares	**150**	**150**	219	219
Investments in unquoted equity shares	**777**	**777**	693	693
Investment in treasury bonds and notes	**–**	**–**	69	69
Investment in LTNCD	**46**	**46**	95	95
Investment in club shares	**8**	**8**	7	7
	₱2,558	**₱2,558**	₱1,891	₱1,891
Financial Liabilities				
Financial liabilities at amortized cost:				
Long-term debt	**₱83,851**	**₱93,019**	₱64,237	₱67,563
Service concession fees payable	**18,757**	**18,423**	21,990	22,861
	₱102,608	**₱111,442**	₱86,227	₱90,424

The management assessed that the fair values of cash and cash equivalents, restricted cash, receivables, due from related parties, accounts payable and other current liabilities, dividends payable, short-term loans and due to related parties approximate their carrying amounts largely due to the short-term maturities of these instruments.

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value:

Financial Assets at Fair Value
The fair value of the UITF and quoted equity shares are based on the estimated fair market value of the assets of the fund based on prices supplied by independent sources as at December 31, 2020 and 2019.

The fair value of investment in treasury bonds and notes, LTNCD and club shares are based on the quoted market price of the financial instruments as at December 31, 2020 and 2019.

To estimate the fair value of the unquoted equity shares, the Company uses the guideline public company method. This valuation model is based on published data regarding comparable companies' quoted prices, earnings, revenues and EBITDA expressed as a multiple, adjusted for the effect of the non-marketability of the equity securities. The estimate is adjusted for the net debt of the investee, if applicable. Adjusted market multiple ranges from 6 to 12 and 6 to 12 and discount for lack of marketability of up to 30% in 2020 and 2019, respectively.

Long-term Debts
Except for the fixed-rate bonds where the fair value is based on its quoted market price as at December 31, 2020 and 2019, estimated fair value is based on the discounted value of future cash flows using the prevailing credit adjusted THB and IDR risk-free rates and prevailing peso interest rates. In 2020 and 2019, the prevailing credit adjusted THB, IDR and peso interest rates ranged from 1.1% to 4.6% and 3.2% to 12.5%, respectively.

Service Concession Fees Payable
The estimated fair value of the service concession fees payable is based on the discounted value of future cash flows using the prevailing peso interest rates. In 2020 and 2019, the prevailing peso interest rates ranged from 3.1% to 5.5% and 3.0% to 6.7%, respectively.

Fair Value Hierarchy
The following table provides the fair value measurement hierarchy of the Company's assets and liabilities:

	December 31, 2020	Level 1	Level 2	Level 3
		(in Millions)		
Assets measured at fair value:				
Financial assets at FVTPL	**₱1,577**	**₱–**	**₱1,577**	**₱–**
Financial assets at FVOCI:				
Investments in quoted equity shares	**150**	**150**	**–**	**–**
Investments in unquoted equity shares	**777**	**–**	**–**	**777**
Investment in LTNCD	**46**	**46**	**–**	**–**
Investment in club shares	**8**	**–**	**8**	**–**
	₱2,558	**₱196**	**₱1,585**	**₱777**
Liabilities for which fair values are disclosed:				
Financial liabilities at amortized cost:				
Long-term debt	**₱93,019**	**₱12,458**	**₱80,561**	**₱–**
Service concession fees payable	**18,423**	**–**	**–**	**18,423**
	₱111,442	**₱12,458**	**₱80,561**	**₱18,423**

	December 31, 2019	Level 1	Level 2	Level 3
		(in Millions)		
Assets measured at fair value:				
Financial assets at FVTPL	₱808	₱–	₱808	₱–
Financial assets at FVOCI:				
Investments in quoted equity shares	219	219	–	–
Investments in unquoted equity shares	693	–	–	693
Investment in treasury bonds and notes	69	20	49	–
Investment in LTNCD	95	95	–	–
Investment in club shares	7	–	7	–
	₱1,891	₱334	₱864	₱693
Liabilities for which fair values are disclosed:				
Financial liabilities at amortized cost:				
Long-term debt	₱67,563	₱13,741	₱53,822	₱–
Service concession fees payable	22,861	–	–	22,861
	₱90,424	₱13,741	₱53,822	₱22,861

Portion of investment in treasury bonds and notes amounting to ₱49.0 million in December 31, 2019 was classified as Level 2 since these were proven to be inactively traded due to the lower average daily trading volume as well as no availability of bid-offer on value date. In 2020, these investments were sold (see Note 15).

35. Contingencies

a. VAT

On various dates, NLEX Corp. received VAT assessments from the BIR covering taxable years 2006 – 2009 totaling ₱3,830.9 million including penalties. The assessments are at various stages. On June 11, 2010, NLEX Corp. filed its Position Paper with the BIR reiterating its claim that it is not subject to VAT on toll fees.

On April 3, 2014, the BIR accepted and approved NLEX Corp.'s application for abatement and issued a Certificate of Approval for the cancellation of the basic output tax, interest and compromise penalty amounting to ₱1,010.5 million and ₱584.6 million for taxable years 2006 and 2007, respectively.

Notwithstanding the foregoing, management believes, in consultation with its legal counsel, that in any event, the STOA amongst NLEX Corp., ROP, acting by and through the TRB, and PNCC, provides NLEX Corp. with legal recourse in order to protect its lawful interests in case there is a change in existing laws which makes the performance by NLEX Corp. of its obligations materially more expensive. As at March 12, 2021, the VAT assessments for taxable years 2008 and 2009 remain pending with the BIR and there were no abatements made for these assessments.

b. NLEX Corp. and MPT North are also parties to certain claims and assessments relating to real property taxes (RPT) as follows:

   i. In 2004, MPT North has received RPT assessments covering Segment 7 located in the province of Bataan for the period from 1997 to June 2005 amounting to ₱98.5 million for alleged delinquency property tax. MPT North appealed before the Local Board of Assessment Appeals (LBAA) of Bataan and prayed for the cancellation of the assessment. In the said appeal, MPT North invoked that the property is owned by the ROP, hence, exempt from RPT. The case is still pending before the LBAA of Bataan.

   ii. In July 2008 and April 2013, NLEX Corp. filed Petitions for Review under Section 226 of the Local Government Code with the Local Board of Assessment Appeals (LBAA) of the Province of Bulacan seeking to declare as null and void tax declarations issued by the Provincial Assessor of the Province of Bulacan. The said tax declarations were issued in the name of NLEX Corp. as owner/administrator/beneficial user of the NLEX and categorized the NLEX as a commercial property subject to RPT. The LBAA has yet to conduct an ocular inspection to determine whether the properties, subject of the tax declarations, form part of the NLEX, which NLEX Corp. argues is property of the public dominion and exempt from RPT.

   iii. In September 2013, NLEX Corp. received notices of realty tax delinquencies for the years 2006 to 2013 issued by the Provincial Treasurer of Bulacan stating that if NLEX Corp. fails to pay or remit the alleged delinquent taxes, the remedies provided for under the law for the collection of delinquent taxes shall be applied to enforce collection. In September 27, 2013, the Bureau of Local Government Finance of the Department of Finance (DOF-BLGF) wrote a letter to the Province of Bulacan advising it to hold in abeyance any further course of action pertaining to the alleged real property tax delinquency. In October 2013, the Provincial Treasurer of Bulacan has respected the directive from the DOF-BLGF to hold the enforcement of any collection remedies in abeyance. In January 2017, the Provincial Treasurer of Bulacan issued a notice of realty tax delinquencies for the years 2006 to 2017 stating that it could apply the remedies provided under the law for the collection of delinquent taxes.

   The outcome of the claims on RPT cannot be presently determined. Management believes that these claims will not have a significant impact on the Company's consolidated financial statements. Management and its legal counsel also believe that the STOA also provides NLEX Corp. with legal recourse in order to protect its lawful interests in case there is a change in existing laws which makes the performance by NLEX Corp. of its obligations materially more expensive.

c. Toll Rate Adjustments

   i. NLEX Corp., as petitioner-applicant, filed the following Petitions for Approval of Periodic Toll Rate Adjustment with the Toll Regulatory Board (TRB) praying for the adjustment of the toll rates for the NLEX, as follows:

Petition	Date Filed	Effectivity
2012 Petition	June 2012	January 1, 2013
2014 Petition	September 2014	January 1, 2015
2016 Petition	September 2016	January 1, 2017
2018 Petition	September 2018	January 1, 2019
2020 Petition	September 2020	January 1, 2021

On October 27, 2015, NLEX Corp. has been granted the right and obligation to manage, operate, and maintain the SCTEX under the terms of the BA between the Company and BCDA. Under the agreements covering the SCTEX, toll rate adjustment petitions shall be filed with the TRB yearly. Prior to October 27, 2015, the BCDA filed petitions for toll rate adjustment effective in 2012, 2013, 2014, and 2016. Thereafter, on September 29, 2016 and September 30, 2020, NLEX Corp., as petitioner-applicant, filed a petition for toll rate adjustment effective January 1, 2017 and January 1, 2021, respectively.

On June 6, 2020, NLEX Corp. as petitioner-applicant, filed an Amended Petition for Implementation of Approved Adjustment to Authorized Toll Rates with Application for Provisional Relief with the TRB praying for the adjustment of the toll rate for the substantially completed Segment 10: C3-R10 Section (C3-R10 Add-on Toll Rate Petition).

<u>2012 and 2014 Petitions and Segment 10 Add-on Toll Rate Petition</u>
On January 22, 2019, NLEX Corp. as petitioner-applicant, filed a Petition for Implementation of Approved Adjustment to Authorized Toll Rates with Application for Provisional Relief with the TRB praying for the adjustment of the toll rate for the NLEX Open System effective February 15, 2019 upon completion of the NLEX Harbor Link Project (NLEX Segments 9 and 10).

On February 15, 2019, NLEX Corp received a Consolidated Resolution dated October 2018 issued by the TRB which approved and allowed NLEX Corp. to implement the toll rate adjustment indicated therein on a staggered basis in 2018, 2020, 2021, and 2023. Likewise, on February 15, 2019, the TRB issued an Order finding NLEX Corp.'s subject Petition to be sufficient in form and directed NLEX Corp. to publish in full the contents of the Petition in a newspaper of general circulation, in accordance with applicable rules and laws, with a notice that all interested tollway users may file a petition for review of the proposed adjusted toll rates. In full compliance with the Order and TRB Rules, NLEX Corp. caused the publication of the Petition in a newspaper of general circulation, once a week for three (3) consecutive weeks in February and March 2019. On March 5, 2019, the TRB issued a letter to NLEX Corp. stating that the TRB (a) conditionally approved the subject Petition and granted NLEX Corp. provisional authority to collect the add-on tolls for the Open System of the NLEX and (b) allowing the implementation of the new authorized toll price for the NLEX (Integrated Toll Fee Matrix) which is attached to the said letter. The Integrated Toll Fee Matrix includes both: (a) the first tranche of the approved adjusted toll rates in the 2012 and 2014 Petitions stated in the TRB's Consolidated Resolution dated October 2018; and (b) the provisionally approved add-on toll rates in the Segment 10 Add-on Toll Rate Petition. In the same letter, the TRB instructed NLEX Corp. to: (a) cause the publication of the Integrated Toll Fee Matrix in accordance with the provisions of the TRB Rules and (b) post the required bond amounting to ₱530.0 million or the equivalent of one (1) year collection of add-on rate. In full and complete compliance with the instructions of the TRB, NLEX Corp. (a) submitted the original of the Surety Bond issued by the Prudential Guarantee and Insurance Inc. in favor of the Republic of the Philippines, acting by and through the TRB, and (b) caused the publication of the Integrated Toll Fee Matrix in a newspaper of general circulation once a week for three (3) consecutive weeks in March 2019. On March 20, 2019, the TRB issued a Notice to Start Collection of the toll rate adjustment effective March 21, 2019.

NLEX Corp. agreed to implement a ₱1.00 reduction in the Open system approved toll fees across all vehicle classes to cushion the impact of toll adjustments to motorists.

2016 and 2018 Petitions
NLEX Corp has yet to receive regulatory approval for these petitions.

C3-R10 Add-on Toll Rate Petition
On August 5, 2020, the TRB issued a Resolution which provisionally approved and allowed NLEX Corp to implement the add-on toll for the Open System subject of the Petition. On November 20, 2020, the TRB issued a Notice to Start Collection effective November 23, 2020.

SCTEX Petition
On June 14, 2019, NLEX Corp. implemented the Petition for Periodic Toll Rate Adjustment effective 2012 in the SCTEX. Apart from this Petition, all the remaining petitions for toll rate adjustments for SCTEX remain pending with the TRB.

ii. R1 Enhancement Phase 1
On July 15, 2019, TRB issued a Resolution (a copy of which was received by CIC on October 14, 2019) allowing the implementation of the Add-On Toll Rate of ₱1.00, ₱2.00 and ₱3.00 (VAT-inclusive) for vehicle classes 1, 2 and 3, respectively, subject to the continuing review and validation by TRB to determine the reasonableness of its imposition and the issuance by COA of its recommendation once it has completed its audit, effective October 24, 2019.

C5 South Link Expressway Segment 3A-1
On July 4, 2019, CIC filed its Petition for Approval of Initial Toll for C5 South Link Expressway and Provisional or Interim Initial Toll for Segment 3A-1 requesting TRB to approve and allow the implementation of the initial toll fees.

On July 10, 2019, TRB issued an Order requiring CIC to publish in full the contents of the Petition in a newspaper of general circulation with a notice that all interested tollway users may file a petition for review. On July 13, 18 and 22, 2019, CIC completed the publication requirements of TRB.

On August 15, 2019, TRB issued a Resolution (a copy of which was received by CIC on October 10, 2019) approving and allowing the implementation of the provisional initial toll rate of ₱22.00, ₱44.00 and ₱66.00 (VAT-inclusive) for vehicle classes 1, 2 and 3, respectively, subject to the review by the Commission on Audit and to the continuing authority of the TRB to review its reasonableness, effective October 24, 2019.

The authority to collect the above-mentioned provisional initial toll is valid only for a period of six (6) months counted from the start of actual toll collection. Within that period, CIC must submit to TRB an updated investment recovery scheme for the entire CAVITEX, including the C5 South Link Expressway.

On April 24, 2020, collection of C5 South Link Segment 3A-1 toll was stopped due to pending updated investment recovery scheme for the entire CAVITEX. On July 6, 2020, TRB issued an Order allowing the resumption of collection and that such authority to collect shall be valid until October 22, 2020.

iii. In February 2020, the TRB issued the TOP for the CALAX Sub-sections 6 to 8. TRB issued the Notice to Start Collection effective February 11, 2020. Approved initial authorized toll rates for CALAX Sub-sections 6 to 8 are ₱47.00, ₱95.00, and ₱143.00 for vehicle classes 1, 2, and 3, respectively.

d. Arbitration

i. In August 2015, NLEX Corp. wrote the ROP, acting by and through the TRB, a Final Demand for Compensation based on overdue 2013 and 2015 Toll Rate Adjustments (Final Demand). In the letter, NLEX Corp. stated that the ROP's/TRB's inexcusable refusal to act on the 2012 Petition and 2014 Petition is in total disregard and a culpable violation of applicable laws and contractual provisions on the matter, to the great prejudice of NLEX Corp., which has continuously relied in good faith on such contractual provisions as well as on the timely and proper performance of the ROP's/TRB's legal and contractual duties.

In view of the failure of the ROP/TRB to heed the Final Demand, NLEX Corp. sent a Notice of Dispute to the ROP/TRB dated September 11, 2015 invoking STOA Clause 19 (Settlement of Disputes). STOA Clause 19.1 states that the parties shall endeavor to amicably settle the dispute within 60 calendar days. The TRB sent several letters to NLEX Corp. requesting the extension of the amicable settlement period. However, NLEX Corp. has not received any feasible settlement offer from the ROP/TRB.

Accordingly, on April 4, 2016, NLEX Corp. was compelled to issue a Notice of Arbitration and Statement of Claim (Notice of Arbitration) to the ROP, acting by and through the TRB, consistent with STOA Clause 19 in order to preserve its rights under the STOA. In the Notice of Arbitration, NLEX Corp. appointed retired SC Justice Jose C. Vitug as its nominee to the arbitral tribunal.

In a letter dated May 3, 2016, the ROP, acting by and through the Office of the Solicitor General (OSG), notified NLEX Corp. of its appointment of retired SC Chief Justice Reynato S. Puno as its nominee to the arbitral tribunal.

In a letter dated June 1, 2016, NLEX Corp. proposed that the arbitration be held in Singapore which is the seat of arbitration that the ROP has chosen for its various PPP projects and proposed the Singapore International Arbitration Center as the Appointing Authority. The proposal was accepted by the ROP, acting by and through the OSG in a letter dated July 13, 2016 but reiterated its previous proposal that a Philippine-based institution/person be the Appointing Authority.

On June 27, 2017, the initial case management conference was held in Singapore.

On December 11, 2017, NLEX Corp. submitted its Updated Statement of Claim.

On December 27, 2017, Respondent ROP/TRB filed its request for bifurcation, which was accordingly granted, i.e., the proceedings were divided into two (2) parts: first, the issue on whether the tribunal has jurisdiction over NLEX Corp.'s claim, and second, the main merits of the claim as set forth in the Updated Statement of Claim.

In January 2018, the ROP/TRB and NLEX Corp. have submitted their respective statements on the matter of jurisdiction. In July 2018, the Arbitral Tribunal issued Procedural Order No. 2 whereby the Arbitral Tribunal declined to dismiss the claim on the basis of the ROP/TRB's objections to jurisdiction and ordered the ROP/TRB to submit its Statement of Defense. In September 2018, the ROP/TRB submitted its Statement of Defense. In October to November 2018, NLEX Corp and the ROP/TRB submitted their respective Requests for Production of Documents, Objections to the Request for Production of Documents, and Reply to the Objections to the Request for Production of Documents. In December 2018 and January 2019, the Arbitral Tribunal resolved NLEX Corp's and the ROP/TRB's Request for Production of Documents.

On June 24 to 27, 2019 the arbitration hearings were held in Singapore. In August 2019, NLEX Corp. and the ROP/TRB submitted their respective Post-Hearing Briefs. On December 13, 2019, NLEX Corp. sought from the Arbitral Tribunal a 60-day suspension of the proceedings for the parties to discuss the matter. On December 19, 2019, the Arbitral Tribunal granted the requested 60-day suspension. In February 2020, the parties requested the Arbitral Tribunal for a further suspension of the proceedings for a period of 60 days or until April 17, 2020. The Arbitral Tribunal granted the request. The arbitration is still pending as at March 12, 2021.

The amount of compensation for TRB's inaction on lawful toll rate adjustments, covering the toll rate petitions of the NLEX (2012, 2014, 2016 and 2018 petitions), and the SCTEX is approximately at ₱15.1 billion and ₱13.0 billion (net of VAT and government share) as at December 31, 2020 and 2019.

ii. CIC has a pending claim for compensation against the ROP, acting by and through the TRB, in the amount of ₱3.2 billion and ₱2.7 billion (net of VAT and net of PRA share) as of December 31, 2020 and 2019, respectively. The Company's claim is based on TRB's inaction on lawful toll rate adjustments which were due in January 1, 2012, 2014, 2015 and 2016. CIC sent a demand letter in August 2015 to TRB seeking payment of the said amount. TRB disputed the demand letter and claimed that no compensation is due to CIC as the toll rate adjustment petitions have not yet been resolved. Subsequently, CIC sent a Notice of Dispute to the TRB in September 2015 pursuant to the dispute resolution provisions of the TOA. CIC filed a Petition for Periodic Toll Rate Adjustment on September 20, 2016. TRB replied, stating that they are studying the petition based on their Rule of Procedure.

On November 16, 2016, CIC filed a Motion for Provisional Approval of Toll Rates under petition filed in 2014. There has been no action on the 2014 petition on the Motion for Provisional Approval.

On February 7, 2017, the CIC received a notice from the Permanent Court of Arbitration that Chelva Retnam Rajah has been designated the appointing authority who will appoint the chairperson of the Arbitration Panel.

On September 30, 2017, the CIC filed another Petition for the next cycle, covering both R-1 and R-1 expressway extension. The Petition has been published in a newspaper of general circulation and the Company is awaiting TRB's action thereon as of March 12, 2021.

In December 2017, Claimants CIC and PRA submitted their updated statement of claim with the Arbitration Tribunal. On December 29, 2017, the Arbitration Tribunal issued a ruling bifurcating the proceedings, i.e., separating the issue on its jurisdiction from the merits of the main claim for arbitration.

On January 12, 2018, TRB has filed with the Arbitration Tribunal its jurisdictional objections, essentially alleging arguments in support of its intention to immediately have the arbitration case dismissed for lack of jurisdiction on the part of the Tribunal. The Respondent has filed its jurisdictional objections and CIC and PRA filed their opposition to those objections on January 26, 2018.

The Procedural order no. 2 issued by TRB on July 9, 2018: (a) Denied the request for dismissal of the claims; (b) reserved the decision on the objections to jurisdiction and admissibility to the merit phase of the proceedings; (c) instructed the filing in the Statement of Defense from the respondent, to which the claimant may file a reply brief ; and (d) instructed the parties to confer and agree on an updated timetable to file pleadings, which must be reported to the Tribunal not later than August 6, 2018.

On August 28, 2018, CIC filed its Compliance Ad Cautelam to TRB's Order stating that: (a) Under the Toll Operation Agreement, PRA and/or CIC each have distinct and separate right to a periodic adjustment of the Agreed Toll Rate. Petitions for toll adjustments can be filed by either PRA or CIC, (b) CIC filed its petition within the prescribed period and the subsequent filing of a similar petition by PRA is a mere superfluity. On October 12, 2018, CIC filed its petition for approval of add-on agreed toll rate with application for provisional relief for Phase 1 of Segment project, requesting the TRB to approve and allow the implementation of an add-on toll of ₱0.20 per km.

On January 12, 2019, Atty. Ernesto B. Francisco, Jr. filed his Petition for Review Ad Cautelam. On March 2, 2019, CIC filed its Comment/Opposition to the Petition for Review Ad Cautelam. On July 31, 2019, CIC filed its Urgent Motion to Resolve the 2017 Petition.

On August 15, 2020, the Permanent Court of Arbitration sent a letter to the Claimants CIC and PRA and the ROP/TRB, informing them that The Arbitral Tribunal is on the process of finalizing its deliberations for the case.

On December 23,2020, the Corporation withdrew its claim in the arbitration case against the ROP on the grounds that the Company has reached a settlement with the respondent, the ROP. The parties were directed to agree on the settlement of the costs of arbitration and submit their proposal to the tribunal.

On December 31, 2020, the tribunal directed PRA and the ROP/TRB to comment on the Company's manifestation by January 14, 2021. The parties were also directed to clarify if they have reached an agreement on the settlement of the costs of arbitration should be dealt with to submit proposals as to how the costs should be disposed of.

On January 14, 2021, the Company wrote the Tribunal requesting that, in light of the Philippine Reclamation Authority's *Comment* dated January 6, 2021 and the Respondent's *Comment* dated January 13, 2021, the Corporation be given an additional 15 days or until January 29, 2021 to make further submissions in the matter of the apportionment of costs for the arbitration.

On February 8, 2021, the Company wrote the Tribunal: (i) reiterating that the parties have agreed on a settlement and that the Corporation is withdrawing its claims; (ii) manifesting that the Corporation has no objection to the submission of the Philippine Reclamation Authority as regards the taking effect of the withdrawal of the Claimants' claims; and (iii) manifesting that the parties have not reached an agreement as to the sharing of costs, but submitted a proposal that the costs should be split and shared 50%-50% by the Claimants and the Respondent.

On February 18, 2021, the Tribunal sent the parties a draft Termination Order and requested them to provide any comments on the draft by February 25, 2021.

The arbitration is still pending as at March 12, 2021.

e. Garlitos, Jr. vs. Bases Conversion and Development Authority, NLEX Corporation and the Executive Secretary, SC (G.R. No. 217001)

Atty. Onofre G. Garlitos, Jr. filed with the SC a Petition for Prohibition and Mandamus with Prayer for Issuance of Temporary Restraining Order and/or Writ of Preliminary Injunction dated March 17, 2015 (Petition) against the BCDA, NLEX Corp., and the Executive Secretary. The Petition prays that (a) a writ of preliminary mandatory and prohibitory injunction be issued enjoining the BCDA, NLEX Corp., and Executive Secretary from proceeding with the SCTEX project and compelling the BCDA to rebid the SCTEX operation and maintenance project, and (b) an order be issued (i) annulling the bidding procedure, direct negotiations, and the Price Challenge conducted by the BCDA, and the Concession Agreement, Business and Operating Agreement, and all subsequent amendments and modifications thereto and (ii) compelling the BCDA to rebid the operation and maintenance of the SCTEX.

NLEX Corp filed its comment praying that the Petition be denied. The BCDA, through the Office of the Government Corporate Counsel, and the Executive Secretary, through the OSG, also filed their respective Comment praying that the Petition be denied due course and dismissed for lack of merit. In November and December 2015, the petitioner filed a Manifestation and Motion to Resolve Prayer for TRO and/ or Writ of Preliminary Injunction. On July 4, 2016, the Supreme Court issued a Resolution noting the Manifestations of the petitioner. In February 2020, the Supreme Court issued a Notice that petitioner's counsel had failed to pay the P1,000 fine due to his failure to comply with a show cause resolution for non-filing of a consolidated reply to the separate comments of the Executive Secretary and BCDA. In July 2020, the Supreme Court issued another Notice for the petitioner's counsel to pay an increased fine of P2,000 and to comply with the resolution to file a consolidated reply to the separate comments of the Executive Secretary and BCDA.
On October 28, 2020, NLEX Corp's counsel received from BCDA's counsel a Motion for Leave to File Manifestation with Motion for Submission for Resolution dated October 1, 2020. The case is pending as at March 12, 2021.

f. MPTC, NLEX Corp., CIC, CCLEC and PT Nusantara are also parties to other cases and claims arising from the ordinary course of business filed by third parties which are either pending decisions by the courts or are subject to settlement agreements. The outcome of these claims cannot be presently determined. In the opinion of management and the Company's legal counsel, the eventual liability from these lawsuits or claims, if any, will not have a material adverse effect on the Company's financial position and financial performance.

36. Supplemental Cash Flow Information

Changes in liabilities arising from financing activities

			Non-cash changes				
	January 1, 2020	**Cash flows**	**Amortization of DIC**	**Interest accretion**	**Acquisition of a subsidiary**	**Others**	**December 31, 2020**
				(in Millions)			
Current portion of long-term debt (see Note 19)	**₱2,390**	**(₱4,917)**	**₱56**	**₱–**	**₱–**	**₱10,291**	**₱7,820**
Long-term debt (see Note 5)	**61,847**	**23,545**	–	–	–	**(9,651)**	**75,741**
Short-term loans (see Note 19)	**3,576**	**(1,309)**	–	–	–	**(67)**	**2,200**
Interest payable (see Note 17)	**704**	**(6,892)**	–	–	–	**7,310**	**1,122**
Dividends payable (see Notes 17 and 22)	**804**	**(2,094)**	–		–	**1,799**	**509**
Service concession fees payable (see Note 20)	**21,990**	**(4,368)**		**1,135**	–	–	**18,757**
Total liabilities from financing activities	**₱91,311**	**₱3,965**	**₱56**	**₱1,135**	**₱–**	**₱9,682**	**₱106,149**

	January 1, 2019	Cash flows	Non-cash changes: Amortization of DIC	Interest accretion	Acquisition of a subsidiary	Others	December 31, 2019
				(in Millions)			
Current portion of long-term debt (see Note 19)	₱3,013	(₱5,494)	₱69	₱–	₱–	₱4,802	₱2,390
Long-term debt (see Note 5)	46,026	20,676	–	–	24	(4,879)	61,847
Short-term loans (see Note 19)	286	3,330	–	–	–	(40)	3,576
Interest payable (see Note 17)	372	(3,135)	–	–	–	3,467	704
Dividends payable (see Note 22)	552	(4,628)	–	–	–	4,880	804
Service concession fees payable (see Note 20)	20,784	–	–	1,206	–	–	21,990
Total liabilities from financing activities	₱71,033	₱10,749	₱69	₱1,206	₱24	₱8,230	₱91,311

The 'Others' column includes the effect of foreign-currency translation adjustments of IDR and THB denominated loans, loss on extinguishment of Series 2010-1 Notes and the Term Loan Facility with Thanachart, the interest expense on interest-bearing loans and borrowings, and dividends declared to stockholders and NCI. The 'Other' column also includes the effect of reclassification of noncurrent portion of interest-bearing loans and borrowings.

Non-cash investing activities

The following table shows the Company's significant non-cash investing activities and corresponding transaction amounts for the years ended December 31, 2020 and 2019:

	2020	2019
	(in Millions)	
Additions to service concession assets and service concession fees payable pertaining to accretion of service concession fees payable (see Notes 11 and 20)	**₱1,135**	₱1,206
Additions to PPE due to recognition of ROU assets (see Note 12)	**63**	68
Additions to service concession assets arising from amortization of debt issue costs, investment income, and accrued employee benefits (see Note 11)	**34**	15

37. Standards Issued but Not Yet Effective

Pronouncements issued but not yet effective are listed below. Unless otherwise indicated, the Company does not expect that the future adoption of the said pronouncements to have a significant impact on its consolidated financial statements. The Company intends to adopt the following pronouncements when they become effective.

Effective beginning on or after January 1, 2021

- Amendments to PFRS 9, PFRS 7, PFRS 4 and PFRS 16, *Interest Rate Benchmark Reform – Phase 2*

  The amendments provide the following temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR):

  - Practical expedient for changes in the basis for determining the contractual cash flows as a result of IBOR reform

- Relief from discontinuing hedging relationships
- Relief from the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

The Company shall also disclose information about:
- The about the nature and extent of risks to which the entity is exposed arising from financial instruments subject to IBOR reform, and how the entity manages those risks; and
- Their progress in completing the transition to alternative benchmark rates, and how the entity is managing that transition

The amendments are effective for annual reporting periods beginning on or after January 1, 2021 and apply retrospectively, however, the Company is not required to restate prior periods.

Effective beginning on or after January 1, 2022

- Amendments to PFRS 3, *Reference to the Conceptual Framework*

The amendments are intended to replace a reference to the Framework for the Preparation and Presentation of Financial Statements, issued in 1989, with a reference to the Conceptual Framework for Financial Reporting issued in March 2018 without significantly changing its requirements. The amendments added an exception to the recognition principle of PFRS 3 to avoid the issue of potential 'day 2'gains or losses arising for liabilities and contingent liabilities that would be within the scope of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*, or Philippine-IFRIC 21, *Levies*, if incurred separately.

At the same time, the amendments add a new paragraph to PFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 and apply prospectively.

- Amendments to PAS 16, *Plant and Equipment: Proceeds before Intended Use*

The amendments prohibit entities deducting from the cost of an item of property, plant and equipment, any proceeds from selling items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognizes the proceeds from selling such items, and the costs of producing those items, in profit or loss.

The amendment is effective for annual reporting periods beginning on or after January 1, 2022 and must be applied retrospectively to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented when the entity first applies the amendment.

The amendments are not expected to have a material impact on the Company.

- Amendments to PAS 37, *Onerous Contracts – Costs of Fulfilling a Contract*

  The amendments specify which costs an entity needs to include when assessing whether a contract is onerous or loss-making. The amendments apply a "directly related cost approach." The costs that relate directly to a contract to provide goods or services include both incremental costs and an allocation of costs directly related to contract activities. General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022. The Company will apply these amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments.

- *Annual Improvements to PFRSs* 2018-2020 Cycle

  - Amendments to PFRS 1, *First-time Adoption of Philippines Financial Reporting Standards, Subsidiary as a first-time adopter*

    The amendment permits a subsidiary that elects to apply paragraph D16(a) of PFRS 1 to measure cumulative translation differences using the amounts reported by the parent, based on the parent's date of transition to PFRS. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of PFRS 1.

    The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Company.

  - Amendments to PFRS 9, *Financial Instruments*, *Fees in the "10 per cent" test for derecognition of financial liabilities*

    The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. An entity applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

    The amendment is effective for annual reporting periods beginning on or after January 1, 2022 with earlier adoption permitted. The Group will apply the amendments to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment. The amendments are not expected to have a material impact on the Company.

- Amendments to PAS 41, *Agriculture, Taxation in fair value measurements*

  The amendment removes the requirement in paragraph 22 of PAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of PAS 41.

  An entity applies the amendment prospectively to fair value measurements on or after the beginning of the first annual reporting period beginning on or after January 1, 2022 with earlier adoption permitted. The amendments are not expected to have a material impact on the Company.

Effective beginning on or after January 1, 2023

- Amendments to PAS 1*, Classification of Liabilities as Current or Non-current*

  The amendments clarify paragraphs 69 to 76 of PAS 1, *Presentation of Financial Statements*, to specify the requirements for classifying liabilities as current or non-current. The amendments clarify:
  - What is meant by a right to defer settlement
  - That a right to defer must exist at the end of the reporting period
  - That classification is unaffected by the likelihood that an entity will exercise its deferral right
  - That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023 and must be applied retrospectively. The Company is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

- PFRS 17, *Insurance Contracts*

  PFRS 17 is a comprehensive new accounting standard for insurance contracts covering recognition and measurement, presentation and disclosure. Once effective, PFRS 17 will replace PFRS 4, *Insurance Contracts*. This new standard on insurance contracts applies to all types of insurance contracts (i.e., life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as to certain guarantees and financial instruments with discretionary participation features. A few scope exceptions will apply.

  The overall objective of PFRS 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in PFRS 4, which are largely based on grandfathering previous local accounting policies, PFRS 17 provides a comprehensive model for insurance contracts, covering all relevant accounting aspects. The core of PFRS 17 is the general model, supplemented by:

  - A specific adaptation for contracts with direct participation features (the variable fee approach)
  - A simplified approach (the premium allocation approach) mainly for short-duration contracts

  PFRS 17 is effective for reporting periods beginning on or after January 1, 2023, with comparative figures required. Early application is permitted.

Deferred effectivity

- Amendments to PFRS 10, *Consolidated Financial Statements*, and PAS 28, *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

  The amendments address the conflict between PFRS 10 and PAS 28 in dealing with the loss of control of a subsidiary that is sold or contributed to an associate or joint venture. The amendments clarify that a full gain or loss is recognized when a transfer to an associate or joint venture involves a business as defined in PFRS 3. Any gain or loss resulting from the sale or contribution of assets that does not constitute a business, however, is recognized only to the extent of unrelated investors' interests in the associate or joint venture.

  On January 13, 2016, the FRSC deferred the original effective date of January 1, 2016 of the said amendments until the International Accounting Standards Board (IASB) completes its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

38. Consolidated Subsidiaries

The consolidated subsidiaries of MPTC are as follows:

		December 31, 2020			December 31, 2019			
Name of Subsidiary	Place of Incorporation	**MPTC Direct Interest**	**Direct Interest of MPTC Subsidiary**	**MPTC Effective Interest**	MPTC Direct Interest	Direct Interest of Subsidiary	MPTC Effective Interest	Principal Activity
			(In %)			*(In %)*		
Metro Pacific Tollways North Corporation (MPT North)	Philippines	**100.0**	**–**	**100.0**	100.0	–	100.0	Investment holding
Cavitex Infrastructure Corporation (CIC) and subsidiaries	Philippines	**100.0**	**–**	**100.0**	100.0	–	100.0	Tollway operations; Interest in CIC is held through a Management Letter Agreement. CIC holds the concession agreement for the CAVITEX (see Note 3)
Metro Strategic Infrastructure Holdings, Inc. (MSIHI)	Philippines	**97.0**	**–**	**97.0**	97.0	–	97.0	Investment holding
Metro Pacific Tollways Management Services, Inc. (MPTMSI)	Philippines	**100.0**	**–**	**100.0**	100.0	–	100.0	Toll collection function of CAVITEX and CALAX.
Metro Pacific Tollways South Corporation (MPT South)	Philippines	**100.0**	**–**	**100.0**	100.0	–	100.0	Investment holding
Metro Pacific Tollways Vizmin Corporation (MPT Vizmin)	Philippines	**100.0**	**–**	**100.0**	100.0	–	100.0	Investment holding
MPT Asia Corporation (MPT Asia)	BVI	**100.0**	**–**	**100.0**	100.0	–	100.0	Investment holding
Easytrip Services Corporation (ESC)	Philippines	**66.0**	**–**	**66.0**	66.0	–	66.0	Electronic toll collection services
Metro Pacific Tollways Asia, Corporation Pte. Ltd.	Singapore	**100.0**	**–**	**100.0**	100.0	–	100.0	Investment holding.
Dibztech, Inc. (Dibztech)	Philippines	**100.0**	**–**	**100.0**	–	–	–	Parking management
NLEX Ventures Corporation (NVC)	Philippines	**100.0**	**–**	**100.0**	–	100.0	75.1	Service facilities management; NVC was sold to MPTC by NLEX Corp. in 2020 (see Note 5).
MPCALA		**–**	**100.0**	**100.0**	–	100.0	100.0	Tollway operations (see Note 1); MPCALA is owned by MPT North at 40% and the remaining 60% owned equally by CWHI, LHI and MPT South.; holds the concession agreement for the CALAX.
MPT North Subsidiaries								
NLEX Corporation	Philippines	**–**	**70.8**	**75.1**	–	70.8	75.1	Tollway operations (see Note 1)
Collared Wren Holdings, Inc. (CWHI)	Philippines	**–**	**100.0**	**100.0**	–	100.0	100.0	Investment holding
Larkwing Holdings, Inc. (LHI)	Philippines	**–**	**100.0**	**100.0**	–	100.0	100.0	Investment holding

Name of Subsidiary	Place of Incorporation	**December 31, 2020** **MPTC Direct Interest**	**Direct Interest of MPTC Subsidiary**	**MPTC Effective Interest**	December 31, 2019 MPTC Direct Interest	Direct Interest of Subsidiary	MPTC Effective Interest	Principal Activity
			(In %)			*(In %)*		
MPT North Subsidiaries *(cont.)*								
Luzon Tollways Corporation (LTC)	Philippines	–	**100.0**	**100.0**	–	100.0	100.0	Tollway operations; Dormant
MPT South Subsidiary								
Metro Pacific Tollways South Management Corporation	Philippines	–	**100.0**	**100.0**	–	100.0	100.0	Tollway operations
MPTS Ventures Corporation	Philippines	–	**100.0**	**100.0**	–	–	–	Tollway operations; Incorporated in 2020
MPT Vizmin Subsidiary								
Cebu Cordova Link Expressway Corporation (CCLEC)	Philippines	–	**100.0**	**100.0**	–	100.0	100.0	Tollway operations; CCLEC holds the concession agreement for the CCLEX
MPTMSI Subsidiary								
Southbend Express Services, Inc. (SESI)	Philippines	–	**100.0**	**100.0**	–	100.0	100.0	Manpower services provider
MPT Asia Subsidiaries								
MPT Thailand Corporation (MPT Thailand)	BVI	–	**100.0**	**100.0**	–	100.0	100.0	Investment holding
MPT Vietnam Corporation	BVI	–	**100.0**	**100.0**	–	100.0	100.0	Investment holding
PT Metro Pacific Tollways Indonesia (PT MPTI)	Indonesia	–	**100.0**	**100.0**	–	100.0	100.0	Investment holding
Metro Pacific Tollways Asia, Corporation Pte. Ltd. Subsidiaries								
CAIF III Infrastructure Holdings Sdn Bhd (CAIF III)	Malaysia	–	**100.0**	**100.0**	–	100.0	100.0	Investment holding
CIIF Infrastructure Holdings Sdn Bhd (CIIF)	Malaysia	–	**100.0**	**100.0**	–	100.0	100.0	Investment holding
Metro Pacific Tollways Vietnam Company Limited	Vietnam	–	**100.0**	**100.0**	–	100.0	100.0	Investment holding
MPT Thailand Subsidiaries								
FPM Tollway (Thailand) Limited	Hong Kong	–	**100.0**	**100.0**	–	100.0	100.0	Investment holding
AIF Toll Road Holdings (Thailand) Co., Ltd (AIF)	Thailand	–	**100.0**	**100.0**	–	100.0	100.0	Investment holding; Holds the investment in DMT (see Note 10).

Name of Subsidiary	Place of Incorporation	**December 31, 2020** MPTC Direct Interest	Direct Interest of MPTC Subsidiary	MPTC Effective Interest	December 31, 2019 MPTC Direct Interest	Direct Interest of Subsidiary	MPTC Effective Interest	Principal Activity
			(In %)			*(In %)*		
PT MPTI Subsidiary								
PT Nusantara Infrastructure Tbk (PT Nusantara)	Indonesia	–	**76.3**	**76.3**	–	76.3	76.3	Infrastructure company;
PT Nusantara Subsidiaries								
PT Margautama Nusantara (MUN)	Indonesia	–	**75.0**	**82.2**	–	75.0	82.2	Construction, trading and services – Toll
PT Potum Mundi Infranusantara (Potum)	Indonesia	–	**99.9**	**76.2**	–	99.9	76.2	Water and waste management services
PT Energi Infranusantara (EI)	Indonesia	–	**99.9**	**76.2**	–	99.9	76.2	Construction, trading and services - Power
PT Portco Infranusantara (Portco)	Indonesia	–	**99.9**	**76.2**	–	99.9	76.2	Port management
PT Telekom Infranusantara (Telekom)	Indonesia	–	**100.0**	**76.2**	–	100.0	76.2	Trading, supplies and other telecommunications
PT Marga Metro Nusantara	Indonesia	–	**70.0**	**53.4**	–	70.0	53.4	Services, construction, and business management consulting for toll roads
MUN Subsidiaries								
PT Bintaro Serpong Damai	Indonesia	–	**88.9**	**73.1**	–	88.9	73.1	Toll road operator
PT Bosowa Marga Nusantara (BMN)	Indonesia	–	**99.5**	**81.8**	–	99.5	81.8	Toll road operator
BMN Subsidiary								
PT Jalan Tol Seksi Empat (JTSE)	Indonesia	–	**99.4**	**81.3**	–	99.4	81.3	Toll road operator
JTSE Subsidiary								
PT Metro Jakarta Ekspresway	Indonesia	–	**85.0**	**69.1**	–	85.0	69.1	Trade, development, and business management consulting services
Potum Subsidiaries								
PT Tirta Bangun Nusantara	Indonesia	–	**100.0**	**76.2**	–	100.0	76.2	Water and waste management services
PT Dain Celicani Cemerlang	Indonesia	–	**74.5**	**56.8**	–	74.5	56.8	Water and waste management services
PT Sarana Catur Tirta Kelola (SCTK)	Indonesia	–	**65.0**	**49.6**	–	65.0	49.6	Water management services

Name of Subsidiary	Place of Incorporation	**December 31, 2020** **MPTC Direct Interest**	**Direct Interest of MPTC Subsidiary**	**MPTC Effective Interest**	December 31, 2019 MPTC Direct Interest	Direct Interest of Subsidiary	MPTC Effective Interest	Principal Activity
			(In %)			*(In %)*		
SCTK Subsidiaries								
PT Sarana Tirta Rezeki	Indonesia	**–**	**90.0**	**47.2**	–	90.0	47.2	Water management services; PT Sarana Tirta Rezeki is owned by SCTK at 80% while 10% is owned by Potum.
PT Jasa Sarana Nusa Makmur	Indonesia	**–**	**100.0**	**49.6**	–	100.0	49.6	Water management services
EI Subsidiaries								
PT Inpola Meka Energi	Indonesia	**–**	**56.2**	**42.8**	–	56.2	42.8	Power supply services
PT Rezeki Perkasa Sejahtera Lestari	Indonesia	**–**	**80.0**	**61.0**	–	80.0	61.0	Power supply services
PT Auriga Energ (AE)	Indonesia	**–**	**100.0**	**76.2**	–	100.0	76.2	Power supply services
PT Erisdanusa Energi Nusantara	Indonesia	**–**	**100.0**	**76.2**	–	100.0	76.2	Power supply services
AE Subsidiaries								
PT Centara EnergI	Indonesia	**–**	**100.0**	**76.2**	–	100.0	76.2	Power supply services
PT Eris Serra Energi	Indonesia	**–**	**100.0**	**76.2**	–	100.0	76.2	Power supply services
PT Energi Parindu Nusantara	Indonesia	**–**	**100.0**	**76.2**	–	100.0	76.2	Power supply services