NLEX Corporation
(A Subsidiary of Metro Pacific Tollways North Corporation)

Financial Statements
December 31, 2021 and 2020
and Years Ended December 31, 2021, 2020
and 2019

and

Independent Auditor's Report

INDEPENDENT AUDITOR'S REPORT

The Stockholders and the Board of Directors
NLEX Corporation

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of NLEX Corporation (a subsidiary of Metro Pacific Tollways North Corporation) (the Company), which comprise the statements of financial position as at December 31, 2021 and 2020, and the statements of income, statements of comprehensive income, statements of changes in equity and statements of cash flows for the years then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2021 and 2020, and its financial performance and its cash flows for 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 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 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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Recoverability of goodwill and service concession assets not yet available for use

Under Philippine Accounting Standard (PAS) 36, *Impairment of Assets*, the Company is required to perform annual impairment tests on its goodwill and service concession assets not yet available for use. The annual impairment test is significant to our audit because: (a) the balances of goodwill and service concession assets are material to the financial statements; and (b) the determination of the recoverable amount of the cash-generating units (CGUs) to which the goodwill is attributed, and as it relates to the service concession assets, involves significant management judgment and assumptions about the future results of business.

The Company's goodwill, mainly arising from its acquisition of Tollways Management Corporation (TMC), amounted to ₱6.2 billion as at December 31, 2021. In addition, the Company has entered into several service concession agreements with the Philippine Government and/or its agencies or instrumentalities and where the Company's related service concession assets not yet available for use amounted to ₱10.4 billion as at December 31, 2021. The significant assumptions used in determining the recoverable amounts of these assets, such as revenue growth (which mainly relates to the expected traffic volume and toll rates), gross margins and discount rates that are applied to the cash flow forecasts, are subject to higher level of estimation uncertainty due to the current economic conditions as impacted by the COVID-19 pandemic.

Refer to Note 6 to the financial statements for the details of goodwill and Notes 3 and 9 to the financial statements for the details of service concession assets not yet available for use.

Audit response

We obtained an understanding of the Company's impairment testing process and the related controls. We also involved our internal specialist in evaluating the methodologies and the assumptions used by management, which include the revenue growth, gross margins and discount rates. We compared the revenue growth and gross margins against the historical data of the CGUs and evaluated management's plans to support these assumptions, taking into consideration the impact associated with the COVID-19 pandemic. We also compared the Company's key assumptions for revenue growth such as expected traffic volume against historical data and toll rates against the toll rate adjustment provided in the toll operation agreement. We tested the parameters used in the determination of the discount rates against market data. Furthermore, we evaluated the Company's disclosures about those assumptions to which the outcome of the impairment test is most sensitive, specifically those that have the most significant effect in determining the recoverable amount of the service concession assets not yet available for use.

Amortization of service concession assets using the units-of-production method

The Company amortizes the service concession assets using the units-of-production (UOP) method. The amortization is based on the ratio of the actual traffic volume to the total expected traffic volume of the underlying toll expressways over the remaining concession period. The Company's UOP amortization is a key audit matter as the UOP method involves significant management judgment and estimates, particularly in determining the total expected traffic volume over the remaining period of the concession agreement. The Company reviews annually the total expected traffic volume with reference to traffic projection reports. It considers different factors such as population growth and ongoing and future expansions.

Refer to Notes 4 and 9 to the financial statements for the related discussions on service concession assets.

Audit response

We obtained an understanding of management's processes and controls in the estimation of traffic volume. We evaluated the competence, capabilities and objectivity of management's specialists who are involved in the estimation of expected traffic volumes considering their qualification, experience and reporting responsibilities. We evaluated the methodology and assumptions used in the estimation of the expected traffic volume. Furthermore, we compared the actual traffic volume during the year against the data generated from the toll collection system and the prior year expected traffic volume. We recalculated the amortization expense of the service concession assets for the year ended December 31, 2021 based on the ratio of the actual traffic volume to the total expected traffic volume of the underlying toll expressways over the remaining concession period.

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2021, but does not include the financial statements and our auditor's report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2021 are expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

In connection with our audits of the financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audits, or otherwise appears to be materially misstated.

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

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

In preparing the 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 Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 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 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 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 financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the audit. We remain solely responsible for our audit opinion.

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on the Supplementary Information Required Under Revenue Regulations 15-2010

Our audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information required under Revenue Regulations 15-2010 in Note 37 to the financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic financial statements. Such information is the responsibility of the management of NLEX Corporation. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditor's report is Mariecris N. Barbaso.

SYCIP GORRES VELAYO & CO.

Mariecris N. Barbaso
Partner
CPA Certificate No. 97101
Tax Identification No. 202-065-716
BOA/PRC Reg. No. 0001, August 25, 2021, valid until April 15, 2024
SEC Partner Accreditation No. 97101-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
SEC Firm Accreditation No. 0001-SEC (Group A)
Valid to cover audit of 2021 to 2025 financial statements of SEC covered institutions
BIR Accreditation No. 08-001998-108-2020, November 27, 2020, valid until November 26, 2023
PTR No. 8853470, January 3, 2022, Makati City

March 21, 2022

NLEX CORPORATION
(A Subsidiary of Metro Pacific Tollways North Corporation)
STATEMENTS OF FINANCIAL POSITION

	December 31	
	2021	2020
ASSETS		
Current Assets		
Cash and cash equivalents (Notes 7, 31 and 32)	**₱3,855,552,258**	₱2,343,376,064
Financial asset at fair value through profit or loss (FVTPL) (Notes 13, 31 and 32)	**2,156,378**	2,136,231
Receivables (Notes 8, 18, 31 and 32)	**861,279,697**	1,249,563,122
Inventories:		
At net realizable value	**63,851,831**	67,280,944
At cost	**19,904,877**	25,300,638
Financial assets at fair value through other comprehensive income (FVOCI) (Notes 14, 31 and 32)	–	46,145,000
Other current assets (Note 15)	**292,441,363**	286,347,793
Total Current Assets	**5,095,186,404**	4,020,149,792
Noncurrent Assets		
Service concession assets (Note 9)	**54,965,131,500**	51,440,658,525
Property and equipment (Note 10)	**321,292,957**	375,560,670
Other intangible assets (Note 11)	**25,990,703**	54,666,989
Advances to contractors and other noncurrent assets (Note 30)	**1,451,869,022**	681,618,179
Goodwill (Note 6)	**6,213,799,383**	6,213,799,383
Total Noncurrent Assets	**62,978,083,565**	58,766,303,746
	₱68,073,269,969	₱62,786,453,538
LIABILITIES AND EQUITY		
Current Liabilities		
Accounts payable and other current liabilities (Notes 16, 18, 31 and 32)	**₱4,004,548,924**	₱4,442,948,624
Income tax payable	**419,948,395**	335,982,168
Provisions (Note 17)	**476,429,368**	428,339,314
Dividends payable (Notes 18, 21, 31 and 32)	**2,036,000,000**	1,900,000,000
Long-term incentive plan payable (Note 25)	**286,120,698**	–
Current portion of long-term debt (Notes 19, 31 and 32)	**642,930,144**	5,909,348,835
Total Current Liabilities	**7,865,977,529**	13,016,618,941
Noncurrent Liabilities		
Long-term debt - net of current portion (Notes 19, 31 and 32)	**34,601,353,181**	25,411,731,147
Service concession fees payable (Notes 20 and 32)	**3,273,760,755**	3,072,102,985
Provisions (Note 17)	**176,637,812**	220,991,610
Long-term incentive plan payable (Note 25)	–	305,470,240
Pension liability - net (Note 25)	**39,897,561**	173,216,549
Deferred tax liabilities - net (Note 29)	**239,684,098**	472,508,052
Total Noncurrent Liabilities	**38,331,333,407**	29,656,020,583
Total Liabilities	**46,197,310,936**	42,672,639,524

(Forward)

	December 31	
	2021	2020
Equity		
Capital stock (Note 21)	**₱1,878,600,000**	₱1,878,600,000
Additional paid-in capital (Note 21)	**9,965,880,147**	9,965,880,147
Retained earnings (Note 21)	**10,083,563,463**	8,355,677,562
Other comprehensive loss reserve (Note 21)	**(52,084,577)**	(99,377,977)
Other reserve (Note 26)	**–**	13,034,282
Total Equity	**21,875,959,033**	20,113,814,014
	₱68,073,269,969	₱62,786,453,538

See accompanying Notes to Financial Statements.

NLEX CORPORATION
(A Subsidiary of Metro Pacific Tollways North Corporation)

STATEMENTS OF INCOME

	Years Ended December 31		
	2021	2020	2019
OPERATING REVENUES			
Toll fees (net of discounts amounting to ₱416,826,912 in 2021, ₱315,769,218 in 2020 and ₱215,217,744 in 2019)	**₱14,031,321,063**	₱10,859,804,809	₱15,056,203,955
Sales of magnetic cards	**1,339**	3,348	4,018
Net toll revenues	**14,031,322,402**	10,859,808,157	15,056,207,973
Non-toll revenues (Note 22)	**64,918,292**	114,466,377	201,159,979
Total revenues	**14,096,240,694**	10,974,274,534	15,257,367,952
COST OF SERVICES (Note 23)	**(5,361,703,172)**	(4,567,216,574)	(5,292,959,176)
GROSS PROFIT	**8,734,537,522**	6,407,057,960	9,964,408,776
CONSTRUCTION REVENUES (Note 9)	**3,524,331,104**	6,830,966,282	7,567,267,177
CONSTRUCTION COSTS (Note 9)	**(3,524,331,104)**	(6,830,966,282)	(7,567,267,177)
GENERAL AND ADMINISTRATIVE EXPENSES (Note 24)	**(960,143,259)**	(913,117,943)	(894,772,360)
INTEREST EXPENSE AND OTHER FINANCE COSTS (Note 28)	**(1,188,545,195)**	(1,021,747,469)	(706,857,801)
GAIN ON SALE OF SUBSIDIARY (Note 12)	**–**	196,000,000	–
INTEREST INCOME (Note 27)	**29,841,505**	28,841,498	64,216,573
FOREIGN EXCHANGE GAIN (LOSS) - Net	**2,774,048**	(5,577,936)	(450,040)
OTHER INCOME - Net (Note 10)	**265,684,704**	76,639,189	16,530,481
INCOME BEFORE INCOME TAX	**6,884,149,325**	4,768,095,299	8,443,075,629
PROVISION FOR INCOME TAX (Note 29)			
Current	**1,250,999,605**	1,223,330,795	1,799,632,288
Deferred	**(285,701,899)**	(59,565,315)	28,091,787
	965,297,706	1,163,765,480	1,827,724,075
NET INCOME	**₱5,918,851,619**	₱3,604,329,819	₱6,615,351,554

See accompanying Notes to Financial Statements.

NLEX CORPORATION
(A Subsidiary of Metro Pacific Tollways North Corporation)
STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31		
	2021	2020	2019
NET INCOME	**₱5,918,851,619**	₱3,604,329,819	₱6,615,351,554
OTHER COMPREHENSIVE INCOME (LOSS)			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Gain on financial assets at fair value through other comprehensive income - net (Notes 14 and 21)	**3,855,000**	2,066,790	97,650,741
Income tax effect (Notes 21 and 29)	**–**	(97,029)	(248,713)
	3,855,000	1,969,761	97,402,028
Other comprehensive income (loss) not to be reclassified to profit or loss in subsequent periods:			
Remeasurement gain (loss) on defined benefit retirement plan (Notes 21 and 25)	**96,316,345**	(40,543,141)	(84,061,184)
Income tax effect (Notes 21 and 29)	**(52,877,945)**	12,162,942	19,366,527
	43,438,400	(28,380,199)	(64,694,657)
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR, NET OF TAX	**47,293,400**	(26,410,438)	32,707,371
TOTAL COMPREHENSIVE INCOME	**₱5,966,145,019**	₱3,577,919,381	₱6,648,058,925

See accompanying Notes to Financial Statements.

NLEX CORPORATION
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STATEMENTS OF CHANGES IN EQUITY

FOR THE YEARS ENDED DECEMBER 31, 2021, 2020 AND 2019

	Capital Stock (Note 22)	Additional Paid-in Capital (Note 22)	Retained Earnings (Note 22)	Other Comprehensive Loss Reserve (Note 22)	Other Reserve (Note 26)	Total Equity
At January 1, 2021	**₱1,878,600,000**	**₱9,965,880,147**	**₱8,355,677,562**	**(₱99,377,977)**	**₱13,034,282**	**₱20,113,814,014**
Cash dividends (Note 21)	**–**	**–**	**(4,204,000,000)**	**–**	**–**	**(4,204,000,000)**
Net income	**–**	**–**	**5,918,851,619**	**–**	**–**	**5,918,851,619**
Other comprehensive income (Note 21)	**–**	**–**	**–**	**47,293,400**	**–**	**47,293,400**
Reclassification (Note 26)	**–**	**–**	**13,034,282**	**–**	**(13,034,282)**	**–**
Total comprehensive income for the year	**–**	**–**	**5,931,885,901**	**47,293,400**	**(13,034,282)**	**5,966,145,019**
At December 31, 2021	**₱1,878,600,000**	**₱9,965,880,147**	**₱10,083,563,463**	**(₱52,084,577)**	**₱–**	**₱21,875,959,033**
At January 1, 2020	₱1,878,600,000	₱9,965,880,147	₱7,719,347,743	(₱72,967,539)	₱13,034,282	₱19,503,894,633
Cash dividends (Note 21)	–	–	(2,968,000,000)	–	–	(2,968,000,000)
Net income	–	–	3,604,329,819	–	–	3,604,329,819
Other comprehensive loss (Note 21)	–	–	–	(26,410,438)	–	(26,410,438)
Total comprehensive income (loss) for the year	–	–	3,604,329,819	(26,410,438)	–	3,577,919,381
At December 31, 2020	₱1,878,600,000	₱9,965,880,147	₱8,355,677,562	(₱99,377,977)	₱13,034,282	₱20,113,814,014
At January 1, 2019	₱1,878,600,000	₱9,965,880,147	₱6,803,996,189	(₱105,674,910)	₱13,034,282	₱18,555,835,708
Cash dividends (Note 21)	–	–	(5,700,000,000)	–	–	(5,700,000,000)
Net income	–	–	6,615,351,554	–	–	6,615,351,554
Other comprehensive income (Note 21)	–	–	–	32,707,371	–	32,707,371
Total comprehensive income for the year	–	–	6,615,351,554	32,707,371	–	6,648,058,925
At December 31, 2019	₱1,878,600,000	₱9,965,880,147	₱7,719,347,743	(₱72,967,539)	₱13,034,282	₱19,503,894,633

See accompanying Notes to Financial Statements.

NLEX CORPORATION
(A Subsidiary of Metro Pacific Tollways North Corporation)
STATEMENTS OF CASH FLOWS

	Years Ended December 31		
	2021	2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱6,884,149,325**	₱4,768,095,299	₱8,443,075,629
Adjustments to reconcile income before income tax to net cash flows:			
Interest expense and other finance costs (Note 28)	**1,188,545,195**	1,021,747,469	706,857,801
Amortization of service concession assets (Notes 9 and 23)	**993,247,621**	758,828,876	973,802,211
Depreciation of property and equipment (Notes 10, 23 and 24)	**114,238,151**	123,857,093	138,150,658
Movements in:			
Pension costs	**(63,500,658)**	37,086,123	(8,636,587)
Provisions	**(25,742,440)**	234,506,119	(53,961,465)
Gain on disposals of property and equipment (Note 10)	**(54,165,676)**	(71,683,095)	(1,234,089)
Interest income (Note 27)	**(29,841,505)**	(28,841,498)	(64,216,573)
Amortization of intangible assets (Notes 11, 23 and 24)	**9,339,912**	972,099	2,825,516
Allowance for decline in value of inventories (Note 24)	**4,131,399**	–	–
Loss (gain) on disposal/maturity of financial assets at FVOCI (Notes 14 and 21)	**3,855,000**	(18,936)	96,451,819
Unrealized foreign exchange gain – net	**(1,762,377)**	(723,208)	(557,348)
Unrealized loss (gain) on financial assets at FVTPL (Note 13)	**(558,050)**	631,271	(208,238)
Gain on the disposal of subsidiary (Note 12)	**–**	(196,000,000)	–
Amortization of discount on bonds (Note 14)	**–**	(31,196)	(1,604,816)
Operating income before working capital changes	**9,021,935,897**	6,648,426,416	10,230,744,518
Decrease (increase) in:			
Receivables	**430,295,647**	78,874,032	96,858,574
Inventories	**4,693,474**	1,701,860	(845,592)
Other current assets	**(6,044,398)**	31,560,210	257,213,720
Increase (decrease) in:			
Accounts payable and other current liabilities	**(1,020,724,533)**	297,607,269	471,838,341
Long-term incentive plan payable	**(19,349,542)**	149,978,153	69,492,087
Due to related parties	**–**	–	(28,352)
Cash generated from (used in) operations	**8,410,806,545**	7,208,147,940	11,125,273,296
Income tax paid	**(1,167,033,378)**	(1,377,952,615)	(1,667,079,137)
Net cash flows from operating activities	**7,243,773,167**	5,830,195,325	9,458,194,159
CASH FLOWS FROM INVESTING ACTIVITIES			
Increase in advances to contractors and other noncurrent assets	**(818,005,411)**	(54,241,131)	(205,000,696)
Interest received	**41,018,650**	33,011,381	80,578,583
Advances to a subsidiary (Note 12)	**–**	(200,000,000)	–
Additions to:			
Service concession assets (Notes 9 and 34)	**(3,544,272,933)**	(7,195,013,560)	(7,339,633,669)
Financial assets at FVTPL (Note 13)	**(370,000,000)**	–	(80,000,000)
Property and equipment (Notes 10 and 34)	**(73,832,691)**	(81,231,023)	(230,235,153)
Other intangible assets (Notes 11 and 34)	**(10,152,179)**	(7,719,979)	(28,875,781)

(Forward)

	Years Ended December 31		
	2021	2020	2019
Proceeds from:			
Sale of financial assets at FVTPL (Note 13)	**₱369,979,853**	₱16,250,336	₱130,152,933
Maturity of financial assets at FVOCI (Note 14)	**50,000,000**	70,000,000	61,230,000
Sale of property and equipment (Notes 10 and 34)	**3,616,446**	83,010,587	2,418,285
Sale of financial assets at FVOCI (Note 14)	**–**	50,000,000	818,648,181
Net cash flows used in investing activities	**(4,351,648,265)**	(7,285,933,389)	(6,790,717,317)
CASH FLOWS FROM FINANCING ACTIVITIES (Note 34)			
Proceeds from availment of:			
Long-term debt (Note 19)	**12,000,000,000**	5,000,000,000	5,000,000,000
Short-term loans (Note 19)	**–**	5,012,000,000	500,000,000
Payments of:			
Long-term debt (Note 19)	**(7,995,000,000)**	(360,000,000)	(360,000,000)
Dividends (Note 21)	**(4,068,000,000)**	(4,168,000,000)	(4,700,000,000)
Interest expense and other finance costs	**(1,228,711,085)**	(1,011,893,236)	(590,680,135)
Debt issue costs (Notes 19 and 24)	**(90,000,000)**	(59,906,614)	(39,692,087)
Short-term loans (Note 19)	**–**	(5,012,000,000)	(500,000,000)
Net cash flows used in financing activities	**(1,381,711,085)**	(599,799,850)	(690,372,222)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**1,510,413,817**	(2,055,537,914)	1,977,104,620
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**1,762,377**	723,208	557,348
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR (Note 7)	**2,343,376,064**	4,398,190,770	2,420,528,802
CASH AND CASH EQUIVALENTS AT END OF YEAR (Note 7)	**₱3,855,552,258**	₱2,343,376,064	₱4,398,190,770

See accompanying Notes to Financial Statements.

NOTES TO FINANCIAL STATEMENTS

1. **Corporate Information**

General
NLEX Corporation (NLEX Corp. or the Company) was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on February 4, 1997. NLEX Corp.'s primary purpose is to engage in, and carry on, a construction and contracting business, involving tollways, its facilities, interchanges and related works, including the operation and maintenance thereof, or otherwise engage in any work upon roads, bridges, buildings, and structures of all kinds.

On October 19 and November 17, 2016, the Company's Board of Directors (BOD) and stockholders, respectively, approved the change in the Company's corporate name from "Manila North Tollways Corporation (MNTC)" to "NLEX Corporation". The SEC approved the change in the Company's corporate name on February 13, 2017.

The Company is 75.1% owned by Metro Pacific Tollways North Corporation (MPTNC) which is a wholly owned subsidiary of Metro Pacific Tollways Corporation (MPTC). MPTC is 99.9% owned by Metro Pacific Investments Corporation (MPIC). MPIC is a publicly listed Philippine corporation and is 44.0% and 43.1% owned by Metro Pacific Holdings, Inc. (MPHI) as at December 31, 2021 and 2020, respectively. As sole holder of the voting Class A Preferred Shares, MPHI's combined voting interest as a result of all its shareholdings is estimated at 57.02% and 56.2% as at December 31, 2021 and 2020, 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.

The registered office address of the Company is NLEX Compound, Balintawak, Caloocan City, Metro Manila.

The financial statements as at and for the years ended December 31, 2021 and 2020 were authorized for issuance by the Company's BOD on March 21, 2022, as reviewed and recommended for approval by the Company's Audit Committee.

Sale of 100% ownership interest in NLEX Ventures Corporation (NVC) to MPTC
On December 29, 2020, the Company entered into a Deed of Absolute Sale of Shares with MPTC for the sale of its 100% ownership interest in NVC, representing 2,000,000 common shares, for a total cash consideration of ₱544.0 million (see Note 12).

Toll Operations

Manila North Expressway Project (MNEP). In April 1998, NLEX Corp. (then MNTC) was granted the concession for the rehabilitation, modernization, expansion and operation of the North Luzon Expressway (NLEX) and the installation of the appropriate collection system therein referred to as the MNEP.

The MNEP consists of three 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 C-5 which connects the current C-5 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 operation and maintenance of Phase I consisting of Segments 1, 2, 3 and including Segment 7 in favor of the Company. Thereafter, the Company 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. In May 2014, 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. Segment 10 construction was completed on February 28, 2019, and officially opened to the public on March 1, 2019. The remaining portion of Phase II is under pre-construction works while Phase III of the MNEP has not yet been started as at March 21, 2022.

Subic-Clark-Tarlac Expressway (SCTEX). Pursuant to the Toll Operation Certificate (TOC) received from the TRB and agreements covering the SCTEX, the Company has commenced the management, operation and maintenance of the SCTEX on October 27, 2015. The SCTEX is a 93.77-kilometer 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, operation and maintenance of the NLEX-SLEX Connector Road. The NLEX-SLEX Connector Road is an elevated four-lane toll expressway structure with a length of 8 kilometer 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 21, 2022, the construction of NLEX-SLEX Connector Road Section 1 is on-going while the construction for Section 2 officially began on December 14, 2021.

Impact of COVID-19 Pandemic. On March 16, 2020, the Philippine Government declared the entire Luzon area in the Philippines under an "enhanced community quarantine" (ECQ). ECQ is effectively a total lockdown, restricting the movement of the population in response to growing pandemic of coronavirus disease 2019 (COVID-19) in the country. The ECQ shifted to modified enhanced community quarantine (MECQ) until May 31, 2020 and to general community quarantine (GCQ) for NCR starting June 1, 2020. On August 4, 2020, NCR was placed back to a stricter MECQ after an appeal made by medical societies due to rising COVID-19 cases. On August 19, 2020, NCR was transitioned back to GCQ after the recommendation of the local authorities.

Lockdown restrictions temporarily disrupted the operations of NLEX and SCTEX because of the measures limiting movement and transportation. The full year average daily traffic in 2021 for NLEX reached 252,216 daily vehicle entries, 25% increase compared with 2020 performance. Further, SCTEX traffic accelerated by 26% compared with 2020 figures to reached 56,382 vehicle entries per day. The Company has put in place several safety measures to elevate customer experience and protecting the health and safety of its employees.

As at March 21, 2022, NCR was transitioned from Alert Level 2 to Alert Level 1. As a result of this more relaxed restriction, the Company expects that this will improve the results of its operations.

The Company ensures that the impact of COVID-19 has been appropriately reflected in the financial statements. The Company has assessed the following impact of COVID-19 on its assets and liabilities.

- The forecast used for impairment testing of goodwill and service concession assets not yet available for use include the Company's estimates of the potential future impact from COVID-19 pandemic. Cash flow projections have been adjusted to reflect a range of possible outcomes, weighted by their expected occurrence.
- Collectability of accounts with customers continues to be closely monitored. The Company has not identified a material change in the provision for impairment of trade receivables.
- There were no onerous contracts or additional provisions that were recognized resulting from the direct impact of COVID-19.
- The Company has also considered the increased uncertainty in determining key assumptions within the assessment of future taxable income of the Company upon which recognition of deferred tax assets is assessed, including forecast of revenue and expenses, among others.

The Company continues to monitor the risks and the ongoing impacts from COVID-19 on its business.

2. Summary of Significant Accounting Policies

Basis of Preparation
The financial statements, which are prepared for submission to the SEC and Bureau of Internal Revenue (BIR), have been prepared on a historical cost basis, except for financial assets at FVTPL and financial assets at FVOCI which are measured at fair value. The financial statements are presented in Philippine peso, which is the Company's functional and presentation currency. All values are rounded to the nearest peso, except when otherwise indicated.

Statement of Compliance
The financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs).

New Standards, Interpretations and Amendments
The accounting policies adopted are consistent with those of the previous financial year, except for the adoption of new standards effective in 2021. The Company has not early adopted any standard, interpretation or amendment that has been issued but is not yet effective.

- Amendment to PFRS 16, *COVID-19-related Rent Concessions beyond 30 June 2021*

  The amendment provides 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, 2022; 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 amendment is effective for annual reporting periods beginning on or after April 1, 2021. Early adoption is permitted.

The amendment has no material impact to the financial statements of the Company since the Company has short-term leases and leases of low-value assets only.

- Amendments to PFRS 9, PAS 39, 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 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 Company adopted the amendments beginning January 1, 2021. These amendments have no material impact on the financial statements of the Company.

<u>Current versus Noncurrent Classification of Assets and Liabilities</u>
The Company presents assets and liabilities in the statements of financial position 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 the 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 the 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.

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 months or less from dates of acquisition and are subject to an insignificant risk of changes in value.

Financial Instruments

Date of Recognition. The Company recognizes a financial asset or a financial liability in the statements of financial position when it becomes a party to the contractual provisions of the instrument. 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.

Recognition, Measurement, Derecognition, and Impairment of Financial Instruments

Initial Recognition and Measurement. Financial assets are classified, at initial recognition, as financial assets measured at amortized cost, FVTPL and FVOCI. All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at FVTPL, transaction costs that are attributable to the acquisition of the financial asset.

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.

Financial liabilities are classified, at initial recognition, as financial liabilities at FVTPL, loans and borrowings 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, inclusive of directly attributable transaction costs (referred to herein as “debt issue costs”).

The Company has no financial liabilities at FVTPL at December 31, 2021 and 2020.

Subsequent Measurement. For purposes of subsequent measurement financial assets are classified in three categories:

- Financial assets at FVTPL

  Financial assets at FVTPL comprise of quoted financial instruments which the Company has not irrevocably elected, at initial recognition or transition, to classify at FVOCI.

  The Company has no financial asset designated at FVTPL on initial recognition or transition.

  As at December 31, 2021 and 2020, the Company has investments in unit investment trust funds (UITF) classified as financial assets at FVTPL (see Notes 13, 31 and 32).

- Financial Assets at Amortized Cost

  This category includes financial assets: (a) which are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and (b) which contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

  As at December 31, 2021 and 2020, this category includes cash and cash equivalents and receivables (excluding advances to officers and employees) (see Notes 7, 8 and 31).

- Financial Assets at FVOCI

  Financial Assets at FVOCI with recycling
  This category includes financial assets: (a) which are held within a business model in which assets are managed to achieve a particular objective by both collecting contractual cash flows and selling financial assets; and (b) which contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

  As at December 31, 2021, there are no outstanding investments under this category. As at December 31, 2020, this category includes current portion of long-term negotiable certificate of deposits (LTNCDs) (see Notes 14, 31 and 32).

  Financial Assets at FVOCI without recycling
  Financial assets at FVOCI comprise of unquoted equity instruments which the Company has irrevocably elected, at initial recognition or transition, to classify at FVOCI.

  The Company has no financial asset designated at FVOCI on initial recognition or transition.

- Financial Liabilities

  For purposes of subsequent measurement, financial liabilities are classified either as financial liabilities at FVTPL or financial liabilities at amortized cost.

  After initial recognition, interest bearing loans and borrowings are subsequently measured at amortized cost using the effective interest rate (EIR) method.

  Debt issue costs are amortized over the life of the debt instrument using the EIR method. Debt issue costs are netted against the related loans and borrowings allocated correspondingly between the current and noncurrent portion.

  Gains and losses are recognized in the statement of income when the liabilities are derecognized, as well as through the amortization process.

As at December 31, 2021 and 2020, this category includes accounts payable and other current liabilities, dividends payable, short-term notes payable, long-term debt and service concession fees payable (see Notes 16, 19, 20, 21, 31 and 32).

Derecognition of Financial Assets and Financial Liabilities

Financial Assets. An entity shall derecognize a financial asset when, and only when:

- The contractual rights to the cash flows from the financial asset expire; or

- The Company transfers the contractual rights to receive the cash flows of the financial asset or retains the contractual rights to receive the cash flows of the financial assets, but assumes a contractual obligation to pay the cash flows to one or more recipients in an arrangement where:

  a. The Company has no obligation to pay amounts to the eventual recipients unless it collects equivalent amounts from the original asset. Short-term advances by the entity with the right of full recovery of the amount lent plus accrued interest at market rates do not violate this condition

  b. The Company is prohibited by the terms of the transfer contract from selling or pledging the original asset other than as security to the eventual recipients for the obligation to pay them cash flows; and

  c. The Company has an obligation to remit any cash flows it collects on behalf of the eventual recipients without material delay. In addition, the entity is not entitled to reinvest such cash flows, except for investments in cash or cash equivalents during the short settlement period from the collection date to the date of required remittance to the eventual recipients, and interest earned on such investments is passed to the eventual recipients.

When the Company transfers a financial asset, it evaluates the extent to which it retains the risks and rewards of ownership of the financial asset. The transfer of risks and rewards is evaluated by comparing the Company's exposure, before and after the transfer, with the variability in the amounts and timing of the net cash flows of the transferred asset. The Company has retained substantially all the risks and rewards of ownership of a financial asset if its exposure to the variability in the present value of the future net cash flows from the financial asset does not change significantly as a result of the transfer. The Company has transferred substantially all the risks and rewards of ownership of a financial asset if its exposure to such variability is no longer significant in relation to the total variability in the present value of the future net cash flows associated with the financial asset.

Financial Liabilities. 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 profit or loss.

Impairment of Financial Assets. The Company’s accounting for impairment losses for financial assets uses a forward-looking ECL approach. ECL is based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows the Company expects to receive. For cash equivalents, trade receivables, deposits and other current receivables, the Company has applied the Simplified Approach and has calculated ECL based on lifetime ECL. For financial assets at FVOCI, the Company has applied the General Approach and has calculated ECL based on the

12-month ECL or lifetime ECL if SICR is established. The Company takes into consideration the Company's historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

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 it meets one or more of the following criteria:

- *Quantitative Criteria*. For trade receivables and all other financial assets subject to impairment, default occurs when the receivable becomes 90 days past due.

- *Qualitative Criteria*. The counterparty meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:

  a. The counterparty is experiencing financial difficulty or is insolvent;
  b. The counterparty is in breach of financial covenant(s);
  c. An active market for that financial assets has disappeared because of financial difficulties;
  d. Concessions have been granted by the Company, for economic or contractual reasons relating to the counterparty's financial difficulty;
  e. It is becoming probable that the counterparty will enter bankruptcy or other financial reorganization; and
  f. Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses.

  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. The default definition has been applied consistently to the ECL models throughout the Company's expected loss calculation.

Incorporation of Forward-looking Information. The Company incorporates forward-looking information into both its assessment of whether the credit risk of an instrument has increased significantly since its initial recognition and its measurement of ECL. To do this, the Company has considered a range of relevant forward-looking macro-economic assumptions for the determination of unbiased general industry adjustments and any related specific industry adjustments that support the calculation of ECLs.

Based on the Company's evaluation and assessment and after taking into consideration external actual and forecast information, the Company considers two or more economic scenarios and the relative probabilities of each outcome. External information includes economic data and forecasts published by governmental bodies, monetary authorities and selected private-sector and academic institutions.

The Company has identified and documented key drivers of credit risk and credit losses of each portfolio of financial instruments and, using an analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses. The Company considers macro-economic factors such as GDP growth rates and inflation rates of selected countries in its analysis.

Predicted relationship between the key indicators and default and loss rates on portfolios of financial assets have been developed based on analyzing historical data over the past 5 years. The methodologies and assumptions including any forecasts of future economic conditions are reviewed regularly.

The Company has not identified any uncertain event that is relevant to its assessment of the risk of default occurring on the financial instrument.

Determining the Stage for Impairment. At each reporting date, the Company assesses whether there has been a significant increase in credit risk for financial assets since initial recognition by comparing the risk of default occurring over the expected life between the reporting date and the date of initial recognition. The Company considers reasonable and supportable information that is relevant and available without undue cost or effort for this purpose. This includes quantitative and qualitative information and forward-looking analysis.

Exposures that have not deteriorated significantly since origination, or where the deterioration remains within the Company's investment grade criteria are considered to have a low credit risk. The provision for credit losses for these financial assets is based on a 12-month ECL. The low credit risk exemption has been applied on debt investments that meet the investment grade criteria of the Company from the time of origination.

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the loss allowance measurement reverts from lifetime ECL to 12-months ECL.

Write-off Policy. The Company's financial exposures are written off based on management's decision of whether receivables from counterparties are still collectible or not.

Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position, if and only if, there is a currently 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 of 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 statement of income unless it qualifies for recognition as some other type of asset. In cases where data used is not observable, the difference between the transaction price and model value is only recognized in the 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 assets at FVTPL and financial assets at FVOCI at fair value as at December 31, 2021 and 2020.

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. All assets and liabilities for which fair value is measured or disclosed in the 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 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 reporting 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.

Fair-value related disclosures for financial instruments that are measured at fair value or where fair values are disclosed, are summarized in the following notes:

▪ Disclosures for valuation methods, significant estimates and assumptions	Notes 4, 13, 14 and 32
▪ Quantitative disclosures of fair value measurement hierarchy	Note 32
▪ Financial instruments (including those carried at amortized cost)	Notes 13, 14 and 32

Inventories
Inventories, which consist of 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 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. Other inventories consisting of office and other supplies are valued at 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.

Service Concession Arrangements

The Company accounts for its concession arrangements in accordance with Philippine Interpretation IFRIC 12, *Service Concession Arrangements*, under the intangible asset model as it receives the right (license) to charge users of public service.

Revenue and Cost Recognition. The Company recognizes and measures construction revenue in 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 subcontracts the works to outside contractors, the construction revenue is equal to the construction cost.

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 (or the rights to charge users of the public service) 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 in the statement of income as incurred.

The amortization will commence once the service concession asset will be available for use and will be based on the expected pattern of consumption of future economic benefits embodied in the service concession asset.

The service concession assets are amortized using the unit-of-production (UOP) method. The annual amortization of the service concession assets is calculated by applying the ratio of actual traffic volume of the underlying toll expressways compared to the total expected traffic volume of the underlying toll expressways 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.

The amortization expense is recognized under the "Cost of services" account in the 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 asset will be derecognized upon turnover to the Grantor. There will be no gain or loss upon derecognition as the service concession assets which are expected to be fully amortized by then, will be handed over to the Grantor with no consideration.

Contract Assets. Contract assets, classified as part of service concession assets, refer to on-going construction and upgrade services on concession arrangements under the scope of Philippine Interpretation of IFRIC 12.

Deferred Project Costs. Costs directly attributable to the acquisition of a service concession asset are recorded as deferred project costs (under "Other noncurrent assets") until commencement of the concession term, whereupon the costs are transferred to the "Service concession assets" account.

Property and Equipment

Property and equipment, except for land, are stated at cost less accumulated depreciation and any impairment in value. Land is carried at cost less 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 are 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	5 years or lease term, whichever is shorter
Transportation equipment	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 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 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.

Other Intangible Assets (Software Cost)
Intangible assets acquired separately are measured on initial recognition at cost. 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 profit or loss in the period in which the expenditure is incurred.

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 the end of each reporting 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 statement of income in the expense category that is consistent with the function of the intangible assets.

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 statement of income when the asset is derecognized.

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 non-controlling interests in the acquiree. For each business combination, the Company elects whether to measure the non-controlling interests in the acquiree 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 administrative expenses.

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.

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 the statement of 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 and the amount recognized for non-controlling interests and any previous interest held over the net identifiable assets acquired 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 profit or loss.

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 (CGU) 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 has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

Common Control Business Combination
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 commercial substance is accounted for using the pooling of interest method. However, if the transaction has commercial substance from the perspective of the Company, the acquisition method is applied.

Impairment of Nonfinancial Assets
The Company assesses at each reporting 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 to sell 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 or other available fair value indicators.

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

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 statement of income. After such a reversal, the depreciation and amortization 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.

Provisions
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. Where 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 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. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense.

Equity
Capital stock is measured at par value for all shares issued. Incremental costs incurred directly attributable to the issuance of new shares are shown in equity as deduction from proceeds, net of tax. Proceeds and/or fair value of considerations received in excess of par value, if any, are recognized as additional paid-in capital.

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

Other comprehensive income or loss reserve includes items of income and expense, including recycling to profit or loss, that are not recognized in the statement of income as required or permitted by other PFRS.

Other reserve includes the contribution from MPIC in relation to its executive stock option plan granted to NLEX Corp. employees accounted for as equity-settled share-based payment transactions.

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 and passage on the toll roads. The Company recognizes toll revenues over time since the customer simultaneously receives and consumes the benefits, provided by NLEX Corp.'s performance of its obligation to operate and maintain toll roads, during the time of passage on the toll roads which occur on the same day.

- Construction revenue and construction costs are recognized and measured in 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.

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

Contract Balances

Contract Assets. A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the Company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognized for the earned consideration that is conditional.

Contract Liabilities. A contract liability is the obligation to transfer goods or services to a customer for which the Company has received consideration or an amount of consideration is due from the customer. If a customer pays consideration before the Company transfers goods or services to the customer, a contract liability is recognized when the payment is made or the payment is due, whichever is earlier. If the revenue recognized which is determined based average period of listing is lower than the amount collected as of date arising from the contract with the customer, a contract liability is recognized for the difference.

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 and interest expense and other finance costs are recognized in the statement of income in the period these are incurred.

Leases

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 leases of low-value assets recognition exemption to leases of office equipment that are considered of low value (i.e., below ₱250,000). 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.

Foreign Currency-denominated Transactions and Translations

The Company's financial statements are presented in Philippine peso, which is also the Company's functional currency. The Company determines its own functional currency and items included in the financial statements are measured using that functional currency. 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 at reporting date. All differences are taken to the 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.

Borrowing Costs

Borrowing costs are capitalized as part of service concession assets if they are directly attributable to the acquisition and construction of the assets. Capitalization of borrowing costs commences when the activities to prepare for the construction of the assets are in progress and expenditures and borrowing costs are being incurred, until the assets are ready for their intended use.

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 assets, 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 Costs

Defined Benefit Plan. 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 profit or loss.

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.

Defined Contribution Plan. The Company has a funded, contributory defined contribution plan covering all of its regular and full-time employees. The Company's obligation for each period is determined by the amounts to be contributed for that period. Consequently, no actuarial assumptions are required to measure the obligation or the expense and there is no possibility of any actuarial gain or loss to the Company. Moreover, the obligations are measured on an undiscounted basis, except where they do not fall due wholly within twelve months after the end of the period in which the employees render the related service.

Employee Leave Entitlements
Employee entitlements to annual leave are recognized as a liability when earned by the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the annual reporting period is recognized under "Current portion of provisions" account in the statement of financial position for services rendered by employees up to the end of the reporting period. The liability for entitlements expected to be settled beyond one year after the end of reporting date are recognized under "Provisions - net of current portion" account in the statement of financial position and measured at the present value of the benefits as at the end of reporting date.

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 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.

After vesting date, the Company shall not reverse the amount recognized for services received from an employee if the vested equity instrument is later forfeited, or in case of share options, the options are not exercised. However, this does not preclude the Company from recognizing a transfer within equity such as a transfer from one component of equity to another.

Long-term Employee Benefits
MPTC has long-term incentive plan (LTIP) which grants cash incentives to eligible key executives of MPTC and its subsidiaries, including the Company. 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 reporting date.

Taxes

Current Tax. Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authority. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the country where the Company operates and generates taxable income.

Current tax relating to items recognized directly in equity is recognized in equity and not in the statement of income. 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 at reporting 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 profit nor taxable profit or loss.

- In respect of taxable temporary differences associated with its investment in a subsidiary, 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, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognized to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses 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 profit nor taxable profit or loss.

- In respect of deductible temporary differences associated with its investment in a subsidiary, 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 profit will be available against which the temporary differences can be utilized.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow all or part of the deferred tax assets to be utilized.

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 reporting date.

Deferred tax relating to items recognized outside the statement of income is recognized outside the 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 tax relate to the same taxable entity and the same taxation authority.

Value-added Tax (VAT). Revenues, expenses and assets are recognized net of the amount of VAT except:

a. When the VAT incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the VAT is recognized as part of the cost of acquisition of the asset or as part of the expense item, as applicable.

b. When receivables and payables are stated with the amount of VAT included.

The net amount of VAT recoverable from, or payable to, the taxation authority is included as part of other current assets or as part of payables in the statement of financial position.

Contingencies

Contingent liabilities are not recognized in the 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 financial statements but disclosed when an inflow of economic benefits is probable.

Events after the Reporting Date

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

3. **Service Concession Arrangements**

Supplemental Toll Operation Agreement (STOA) for the Manila-North Expressway

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, operation and maintenance 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 MPTNC (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. MPTNC 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 MNEP. 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 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, operation and maintenance 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 30, NLEX Corp. pays a certain amount to PNCC.

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 (see Note 23).

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 required, 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 period for Phase I and Segment 8.1 of the MNEP until December 31, 2037.

From 2007 to 2010, NLEX Corp. obtained TRB's approval for certain amendments to the STOA for the MNEP which includes (a) the integration of Segment 10 into Phase II (approved in July 2007); (b) amendment of adjustment formula for the Authorized Toll Rate (ATR) by removing the foreign exchange factor (approved in 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 (approved in October 2008); (d) modification of alignments of Phase II Segments 9 and 10 (approved in February 2010); and (e) 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 (inclusive 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 (1) a new add on toll rate of ₱6.00 (inclusive of VAT) applicable to the Open System on the completion of the Harbor Link Segment 10 and (2) the first tranche of the approved periodic adjustments due in 2012 and 2014 amounting to an additional ₱3.10 (exclusive of VAT) in the Open System and ₱0.18/km (exclusive of VAT) in the Closed System.

On November 25, 2020, NLEX Corp. implemented the TRB approved toll rate adjustments to collect ₱3.00 (inclusive of VAT) additional toll fees and additional ₱0.06/km (exclusive of VAT) for the Closed System. Included in the adjustments are the (1) new add on toll rate of ₱2.00/entry (exclusive of VAT) applicable to the Open System following the completion and opening last June 2020 of the NLEX Harbor Link - C3: R-10 Section and (2) the second tranche of the staggered implementation of 2012 and 2014 petitions amounting to ₱1.03 (exclusive of VAT) in the Open System and ₱0.06/km (exclusive of VAT) in the Closed System.

Agreements covering the SCTEX
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, operation and maintenance 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, operation and maintenance of the SCTEX, a major road project to serve as the backbone of a new economic growth 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. The Company recorded concession fees of ₱1,116.5 million, ₱897.8 million and ₱1,299.4 million in 2021, 2020 and 2019, respectively, which is included under "Cost of services" account in the statements of income (see Note 23).

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 operation and maintenance of the SCTEX. NLEX Corp. officially took over the SCTEX toll facilities and officially commenced the management, operation and maintenance of 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).

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 thirty-seventh (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 fiftieth (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 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. As at March 21, 2022, the construction of NLEX-SLEX Connector Road Section 1 is on-going while the construction for Section 2 officially began on December 14, 2021.

Guidelines for the Establishment, Operation and Maintenance of the Tollway Service Facilities
Pursuant to Section 11 - Government Share on Revenues of the TRB Guidelines for the establishment, operation and maintenance of tollway service facilities, the Company shall share with the ROP thru the TRB, fifty percent (50%) of all fees or charges imposed by the Company on Service Facility Operators, to be remitted or paid directly by the TRB by the latter to the National Treasury under a TRB designated account.

4. Significant Accounting Judgment, Estimates and Assumptions

The preparation of the financial statements in compliance with PFRSs requires management to make judgments, estimates and assumptions that affect certain reported amounts and disclosures. In preparing the financial statements, management has made its best judgment and estimates of certain amounts, giving due consideration to materiality. The judgments and estimates used in the financial statements are based upon management's evaluation of relevant facts and circumstances as at the date of the 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 judgment and estimates and the related impact and associated risks in the financial statements.

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

Going Concern. The Company's management has made an assessment of the Company's ability to continue as a going concern and is satisfied that the Company has the resources to continue in business for the foreseeable future. Furthermore, the Company's management is not aware of any material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

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, plant and equipment, but recognize a financial asset and/or an intangible asset.

The Company has made a judgment that the STOA for the Manila-North Expressway, the agreements covering the SCTEX and NLEX-SLEX Connector Road concession agreement are within the scope of Philippine Interpretation IFRIC 12 and qualify under the intangible asset model, wherein the service concession assets are recognized as intangible assets in accordance with PAS 38, *Intangible Assets*.

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 NLEX Corp. has subcontracted the construction to outside contractors, the construction revenue recognized is equal to the construction costs. Construction revenue and costs recognized in the statements of income amounted to ₱3,524.3 million, ₱6,831.0 million and ₱7,567.3 million for the years ended December 31, 2021, 2020 and 2019, respectively (see Note 9).

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 toll roads and increasing in measurable annual increments. Provision for heavy maintenance amounted to ₱446.1 million and ₱460.9 million as at December 31, 2021 and 2020, respectively (see Note 17).

Estimates and Assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting 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 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.

Allowance for Doubtful Accounts. Allowance for doubtful accounts is maintained at a level considered adequate to provide for potentially uncollectible receivables. The level of allowance is based on the Company's historical credit loss experience and forward-looking factors specific to the debtors and the economic environment that may affect collectability. The Company applies the Simplified Approach for trade receivables and General Approach for other receivables, designed to identify potential charges to the allowance and is performed on a continuous basis throughout the period. Provisions for doubtful accounts amounted to ₱1.7 million and ₱7.9 million for the years ended December 31, 2021 and 2020, respectively (see Notes 8 and 24).

Receivables (excluding advances to officers and employees) amounted to ₱827.9 million and ₱1,208.4 million as at December 31, 2021 and 2020, respectively. Allowance for doubtful accounts amounted to ₱41.9 million and ₱42.2 million as at December 31, 2021 and 2020, respectively (see Note 8).

Amortization of Service Concession Assets. The service concession assets are amortized using the UOP method. The amortization is based on the ratio of the actual traffic volume to the total expected traffic volume of the underlying toll expressways over the remaining concession period. 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. 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 expressways.

For the year ended December 31, 2021, 2020 and 2019, the Company reported amortization of service concession assets amounting to ₱993.2 million, ₱758.8 million and ₱973.8 million, respectively (see Notes 9 and 23). The carrying values of the service concession assets as at December 31, 2021 and 2020 amounted to ₱54,965.1 million and ₱51,440.7 million, respectively (see Note 9).

Impairment of Goodwill and Service Concession Assets Not Yet Available for Use. Impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, 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. 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. The significant assumptions used in determining the recoverable amounts of these assets, such as revenue growth (which mainly relates to the expected traffic volume and toll rates), gross margins and discount rates that are applied to the cash flow forecasts, are subject to higher level of estimation uncertainty due to the current economic conditions which have been impacted by the COVID-19 pandemic. These estimates are most relevant to service concession assets not yet available for use recognized by the Company. The key assumptions used to determine the recoverable amount, are disclosed and further explained in Note 6 and 9.

There was no impairment loss recognized in the statements of income for the years ended December 31, 2021, 2020 and 2019. The carrying amount of goodwill amounted to ₱6,213.8 million as at December 31, 2021 and 2020 (see Note 6). The carrying values of the Company's service concession assets not yet available for use amounted to ₱10,439.2 million and ₱6,480.7 million as at December 31, 2021 and 2020, respectively (see Note 9).

Recognition of Deferred Tax Assets. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable income will be available to allow or part of the deferred tax assets to be utilized.

The Company's assessment on the recognition of deferred tax assets on deductible temporary differences is based on the expected future results of operations.

Deferred tax assets amounted to ₱605.4 million and ₱1,164.9 million as at December 31, 2021 and 2020, respectively (see Note 29).

Retirement Costs and Other Employee Benefits. The cost of defined benefit retirement plan and the present value of the defined benefit obligation are determined using actuarial valuations. The actuarial valuations involve making various assumptions about discount rates, future salary increases and mortality rates. Due to the complexity of the valuation, underlying assumptions and its long-term nature, a defined benefit obligation is highly sensitive to changes in these assumptions. All assumptions are reviewed at each statement of financial position date. Further details about the assumptions used are given in Note 25.

The Company recognized retirement benefit cost in profit or loss amounting to ₱36.0 million, ₱82.9 million and ₱52.1 million in 2021, 2020 and 2019, respectively (see Note 25). The Company recognized remeasurement gain and loss in the other comprehensive income, net of tax, amounting to ₱43.4 million, ₱28.4 million and ₱64.7 million in 2021, 2020 and 2019, respectively (see Notes 25 and 29).

Pension liability amounted to ₱39.9 million and ₱173.2 million as at December 31, 2021 and 2020, respectively (see Note 25).

Employee leave entitlements that is expected to be settled beyond one year after the end of the reporting date recognized under "Provisions" account in the statements of financial position amounted to ₱55.7 million and ₱84.6 million as at December 31, 2021 and 2020, respectively (see Notes 17 and 25).

Long-Term Incentives Benefits. The LTIP for key executives of the Company is 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 long-term incentives benefits.

LTIP payable amounted to ₱286.1 million and ₱305.5 million as at December 31, 2021 and 2020, respectively (see Note 25).

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 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 the 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 ₱653.1 million and ₱649.3 million as at December 31, 2021 and 2020, respectively (see Note 17).

Contingencies. The Company is a party to certain lawsuits or claims arising from the ordinary course of business. However, the Company's management and legal counsel believe that the eventual liabilities under these lawsuits or claims, if any, will not have a material effect on the Company's financial statements (see Note 33).

5. **Operating Segment Information**

The Company has only one operating segment which is the tollways business. The NLEX Corp. results of operations are reviewed by the chief operating decision maker to make decisions and to assess NLEX Corp. performance, and for which discrete financial information is available.

The NLEX Corp. performance is evaluated based on net income for the year; earnings before interest, taxes and depreciation and amortization (EBITDA); EBITDA margin; core income; and core income margin. Net income for the year is measured consistent with the net income in the statements of income.

EBITDA is measured as net income excluding amortization of service concession assets and other intangible assets, depreciation of property and equipment, provision for heavy maintenance and other provisions, asset impairment on noncurrent assets, interest expense and other finance costs, interest income, net foreign exchange gain (loss), gain (loss) on derivative financial instruments, provision for (benefit from) income tax and other nonrecurring income and expenses. Nonrecurring items represent income and expenses that, through occurrence or size, are not considered usual operating items. EBITDA margin pertains to EBITDA divided by net toll revenues.

Core income for the year is measured as net income, excluding adjustments on net foreign exchange gain (loss), gain (loss) on derivative financial instruments, gain (loss) on prepayment or extinguishment of debt, asset impairment on noncurrent assets, net of tax effects of aforementioned adjustments and other nonrecurring income and expenses, as defined under the Company's policy.

Core income margin pertains to core income divided by net toll revenues. Net income margin pertains to net income divided by net toll revenues.

The revenues, net income, assets, liabilities, and other information of the Company's operations as at and for the years ended December 31, 2021, 2020 and 2019 are as follows:

	2021	2020	2019
Net toll revenues	**₱14,031,321,063**	₱10,859,804,809	₱15,056,203,955
Other income	**64,856,633**	114,469,725	211,794,259
Total revenues	**14,096,177,696**	10,974,274,534	15,267,998,214
Operating and maintenance costs	**(3,795,489,875)**	(3,296,018,476)	(3,922,205,073)
Operating expenses	**(559,610,957)**	(799,583,348)	(838,926,894)
EBITDA	**9,741,076,864**	6,878,672,710	10,506,866,247
Financing costs	**(1,126,270,640)**	(991,740,206)	(655,869,694)
Core income before depreciation, amortization and provisions	**8,614,806,224**	5,886,932,504	9,850,996,553
Depreciation, amortization and provisions*	**(2,291,071,828)**	(2,358,361,939)	(3,249,566,369)
Core income	**6,323,734,396**	3,528,570,565	6,601,430,184
Nonrecurring items	**(404,882,777)**	75,759,254	13,921,370
Net income	**₱5,918,851,619**	₱3,604,329,819	₱6,615,351,554
EBITDA margin for the year	**69%**	63%	70%
Core income margin for the year	**45%**	32%	44%
Net income margin for the year	**42%**	33%	44%
Total assets	**₱68,073,269,969**	₱62,786,453,538	₱57,799,276,561
Total liabilities	**46,197,310,936**	42,672,639,524	38,295,381,928
Total equity	**21,875,959,033**	20,113,814,014	19,503,894,633
Other disclosures:			
Capital expenditure (consists of additions to service concession assets, property and equipment, and other intangible assets)	**₱3,628,257,803**	₱7,283,964,562	₱7,598,744,603

** Includes provision for current and deferred taxes.*

The following table shows the reconciliation of EBITDA to net income for the years ended December 31, 2021, 2020 and 2019.

	2021	2020	2019
EBITDA	**₱9,741,076,864**	₱6,878,672,710	₱10,506,866,247
Amortization of service concession assets (see Note 23)	**(993,247,621)**	(758,828,876)	(973,802,211)
Interest expense and other finance costs (see Note 28)	**(1,156,670,195)**	(1,021,747,469)	(706,857,801)
Provision for heavy maintenance (see Note 23)	**(208,948,438)**	(310,938,391)	(307,482,580)
Depreciation of property and equipment (see Notes 23 and 24)	**(114,238,151)**	(123,857,093)	(137,731,987)
Interest income (see Note 27)	**29,841,505**	28,841,498	64,216,573
Realized gain (loss) on investments	**537,903**	1,120,383	(13,436,704)
Amortization of other intangible assets (see Notes 23 and 24)	**(9,339,912)**	(972,099)	(2,825,516)
Unrealized gain on investments	**20,147**	45,382	208,238
Nonrecurring items:			
Provisions	**(170,407,406)**	(1,293,202)	(4,570,230)
Foreign exchange gain – net	**2,774,048**	(5,577,936)	(450,040)
Others	**(237,249,419)**	82,630,392	18,941,640
Income before income tax	**6,884,149,325**	4,768,095,299	8,443,075,629
Provision for (benefit from) income tax (see Note 29):			
Current	**1,250,999,605**	1,223,330,795	1,799,632,288
Deferred	**(285,701,899)**	(59,565,315)	28,091,787
	965,297,706	1,163,765,480	1,827,724,075
Net income	**₱5,918,851,619**	₱3,604,329,819	₱6,615,351,554

The following table shows the reconciliation of the core income to the net income for the years ended December 31, 2021, 2020 and 2019.

	2021	2020	2019
Core income for the year	**₱6,323,734,396**	₱3,528,570,565	₱6,601,430,184
Provisions	**(170,407,406)**	(1,293,202)	(4,570,230)
Foreign exchange gain (loss) - net	**2,774,048**	(5,577,936)	(450,040)
Other nonrecurring items	**(237,249,419)**	82,630,392	18,941,640
Net income	**₱5,918,851,619**	₱3,604,329,819	₱6,615,351,554

6. Merger between NLEX Corp. and Tollways Management Corporation (TMC)

TMC, a company registered in the Philippines, is primarily engaged in the operations and maintenance of tollways, its facilities, interchanges and related works, or otherwise engage in the operation and maintenance of roads, highways, bridges, buildings and structures of all kinds.

Under an Operation and Maintenance Agreement with NLEX Corp., TMC provides services to NLEX Corp. as the operator of Phase I of the North Luzon Expressway (NLEX) consisting of Segments 1, 2, 3 and 7, Phase II of NLEX consisting of Segments 8.1 and 9, Plaridel Bypass Interchange, Bocaue North Bound Interchange, and SCTEX for a total consideration based on a minimum fixed annual amount with a variable component.

On October 19, 2016, the Company's BOD approved the proposed merger between NLEX Corp. and TMC, with NLEX Corp. as the surviving corporation (the Merger). On November 17, 2016, at least two-thirds of the stockholders of NLEX Corp. confirmed and ratified the merger.

In January 2017, the ROP exercised its appraisal right with respect to its shares held in TMC. ROP shall be entitled an amount equal to the fair value of its shares held in TMC payable upon approval of the Merger by the SEC.

On April 17, 2017, NLEX Corp. and TMC executed the Plan and Articles of Merger. The Merger shall take effect 15 days from and after the approval by the SEC of the Plan and Articles of Merger and the issuance by the SEC of the Certificate of Filing of the Articles of Merger (Effective Merger Date). Upon the Effective Merger date, NLEX Corp.'s corporate existence shall continue and NLEX Corp. shall be deemed to have: (a) acquired all respective rights, businesses, assets and other properties of TMC as of the Effective Merger Date, and (b) assumed all the debts and liabilities of TMC to the extent not fully discharged as of the Effective Merger Date.

On May 18, 2018, the ROP, through the Department of Finance, formally conveyed its intention to withdraw the exercise of its appraisal right, and request the respective consent of NLEX Corp. and TMC to the said withdrawal.

On June 7, 2018, the BOD approved the execution of the updated Plan of Merger reflecting: (i) the withdrawal by the ROP of the exercise of its appraisal right and (ii) the issuance of NLEX Corp.'s shares to the ROP in exchange for the ROP's shares in TMC based on the conversion ratio provided in the Plan of Merger.

On June 26, 2018, the BOD of TMC approved the withdrawal of the appraisal right and approved the signing and delivery of an updated Plan of Merger to reflect the issuance of additional NLEX Corp. shares to the ROP in exchange for the ROP's shares in the Company based on the previously approved conversion ratio as a result of the withdrawal of the ROP's exercise of its appraisal rights.

On November 29, 2018, the SEC approved the certificate of filing of the Articles and Plan of Merger between NLEX Corp. (surviving corporation) and TMC (absorbed corporation). The Merger is effective on December 14, 2018.

Based on the Articles of Merger, NLEX Corp. shall be deemed to have acquired all assets and assumed all the liabilities of TMC, and NLEX Corp's corporate existence shall continue. NLEX Corp will have the ability to direct the relevant activities of TMC, which includes the operation and maintenance of tollways and related facilities and its main source of revenue of TMC.

The Merger between NLEX Corp. and TMC was accounted for using the acquisition method since the transaction has substance from the perspective of NLEX Corp. The Merger has substance based on the following: (i) there is a business purpose, (ii) the transaction involves third parties, (iii) the transaction was conducted at fair value, and (iv) NLEX Corp. and TMC have existing activities prior to the Merger.

NLEX Corp. issued 2.70 shares of stock for each stockholder of TMC, equivalent to a total of 1,026,000 common shares of stock. The total value of equity shares issued by NLEX Corp. amounted to ₱6,318.8 million, based on the independent valuation of third party financial advisor engaged by the Company. The fair value of identifiable net assets acquired amounted to ₱105.0 million.

The amount of goodwill resulting from the Merger between NLEX Corp. and TMC amounted to ₱6,213.8 million.

Impairment Testing of Goodwill
In assessing the impairment for goodwill, the Company compares the carrying amounts of the underlying assets against their recoverable amounts [the higher of the assets' fair value less costs of disposal and their value in use (VIU)].

The pre-tax discount rates of 9.9% and 11.2% applied to cash flow projections reflects the weighted average cost of capital as at December 31, 2021 and 2020, respectively. In the assessment of the recoverable amounts, the VIUs were calculated based on cash flow projections as per 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 average forecast period used in the computation is 16 years and 17 years for 2021 and 2020, respectively. The forecasted period is more than 5 years as management can reliably estimate the cash flows for their entire concession period. The cash flows during the projection periods are derived using estimated average growth rates of traffic volume. Assumptions used in 2021 for traffic volume growth is at 3.24% average growth rate of daily vehicle traffic for NLEX open system, and 3.6% and 7.5% average growth rate of daily vehicle traffic for NLEX and SCTEX closed system, respectively. Assumptions used in 2020 for traffic volume growth is at 2.7% average growth rate of daily vehicle traffic for NLEX open system, and 3.2% and 7.0% average growth rate of daily vehicle traffic for NLEX and SCTEX closed system, respectively. Based on the impairment test, management did not identify an impairment loss for goodwill. Management also believes that no reasonably possible change in any of the key assumptions used would cause the carrying value of goodwill to materially exceed its recoverable amount.

7. Cash and Cash Equivalents

This account consists of:

	2021	2020
Cash on hand and in banks	**₱2,113,244,577**	₱767,249,932
Short-term deposits as cash equivalents	**1,742,307,681**	1,576,126,132
	₱3,855,552,258	₱2,343,376,064

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 months depending on the immediate cash requirements of the Company and earn interest at the respective short-term deposit rates.

Interest earned from cash and cash equivalents amounted to ₱28.1 million, ₱23.8 million and ₱34.8 million for the years ended December 31, 2021, 2020 and 2019, respectively (see Note 27).

8. Receivables

This account consists of:

	2021	2020
Trade receivables:		
Related parties (see Note 18)	**₱374,581,688**	₱143,134,543
Third parties	**43,889,336**	98,927,193
Due from related parties (see Note 18)	**13,044,163**	770,361,074

(Forward)

	2021	2020
Non-trade receivables:		
Related parties (see Note 18)	**₱191,418,297**	₱8,288,540
Third parties	**28,671,100**	6,236,276
Advances to DPWH	**119,763,880**	133,126,581
Receivable from motorists	**60,350,351**	66,937,030
Advances to officers and employees	**33,366,015**	41,186,056
Interest receivables	**8,752,149**	8,793,310
Other receivables		
Related parties (see Note 18)	**15,862,905**	459,410
Third parties	**13,519,988**	14,309,445
	903,219,872	1,291,759,458
Less allowance for doubtful accounts	**(41,940,175)**	(42,196,336)
	₱861,279,697	₱1,249,563,122

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

Advances to DPWH is pursuant to the Reimbursement Agreement entered into by the Company with DPWH in 2013 where DPWH requested these 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 MNEP. The balance also includes 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 with Special Power of Attorney agreement, these landowners agreed to assign their receivables from DPWH to NLEX Corp. in consideration for the direct advances received from NLEX Corp. These advances to DPWH are noninterest-bearing.

Receivable from motorists pertains to property and accidental damages caused to NLEX Corp.'s properties from day-to-day operations that are collectible within a year.

Advances to officers and employees are normally liquidated within the following month (see Note 18).

Interest receivables are collectible within three to six months.

The terms and conditions of related party receivables are discussed in Note 18.

Other receivables are noninterest-bearing and are collectible within a year.

Movement in the allowance for doubtful accounts as at December 31, 2021 and 2020 are as follows:

		2021	
	Trade Receivables	**Receivable from motorists**	**Total**
Balance at beginning of year	**₱5,926,270**	**₱36,270,066**	**₱42,196,336**
Provision for doubtful accounts (see Note 24)	**–**	**1,733,734**	**1,733,734**
Write-off	**(1,989,895)**	**–**	**(1,989,895)**
Balance at end of year	**₱3,936,375**	**₱38,003,800**	**₱41,940,175**

	2020		
	Trade Receivables	Receivable from motorists	Total
Balance at beginning of year	₱7,901,934	₱32,470,923	₱40,372,857
Provision for doubtful accounts (see Note 24)	4,077,137	3,799,143	7,876,280
Write-off	(6,052,801)	–	(6,052,801)
Balance at end of year	₱5,926,270	₱36,270,066	₱42,196,336

9. Service Concession Assets

The movements in this account follow:

	MNEP	SCTEX	NLEX-SLEX Connector Road	Total
Cost:				
At January 1, 2020	₱46,108,537,270	₱4,707,723,690	₱3,376,799,637	₱54,193,060,597
Additions	4,461,358,882	116,643,472	3,038,872,254	7,616,874,608
Reclassification (see Note 10)	–	–	65,023,560	65,023,560
At December 31, 2020	50,569,896,152	4,824,367,162	6,480,695,451	61,874,958,765
Additions	481,831,945	179,034,005	3,989,147,080	4,650,013,030
Reversal	(101,622,283)	–	(30,670,151)	(132,292,434)
At December 31, 2021	**₱50,950,105,814**	**₱5,003,401,167**	**₱10,439,172,380**	**₱66,392,679,361**
Accumulated amortization:				
At January 1, 2020	₱9,285,593,932	₱389,877,432	₱–	₱9,675,471,364
Amortization (see Note 23)	721,846,620	36,982,256	–	758,828,876
At December 31, 2020	10,007,440,552	426,859,688	–	10,434,300,240
Amortization (see Note 23)	939,640,081	53,607,540	–	993,247,621
At December 31, 2021	**₱10,947,080,633**	**₱480,467,228**	**₱–**	**₱11,427,547,861**
Net book value:				
At December 31, 2021	**₱40,003,025,181**	**₱4,522,933,939**	**₱10,439,172,380**	**₱54,965,131,500**
At December 31, 2020	40,562,455,600	4,397,507,474	6,480,695,451	51,440,658,525

MNEP

The additions for the year ended December 31, 2021 amounting to ₱481.8 million pertain primarily to the construction costs of bridge retrofitting, new toll plazas, enhancement of existing ones in certain areas of Phase I, RFID advance reading project and construction of tunnel, new bridges and roadworks development related to the SFEX Capacity Expansion amounting to ₱383.6 million and capitalized borrowing costs, net of investment income amounting to ₱98.2 million (see Notes 13, 19, 27 and 28). Capitalized management fees were reversed in 2021 totaling to ₱101.6 million.

The additions for the year ended December 31, 2020 amounting to ₱4,461.4 million pertain primarily to the construction of R-10 Exit Ramp (portion of Phase II) which includes construction for roadway lighting, side and median barriers and drainage construction, and construction costs of bridge retrofitting, new toll plazas, enhancement of existing ones in certain areas of Phase I, and construction of tunnel, new bridges and roadworks development related to the SFEX Capacity Expansion amounting to ₱4,214.1 million and capitalized borrowing costs, net of investment income amounting to ₱247.3 million (see Notes 13, 19, 27 and 28).

Capitalized construction costs amounted to ₱383.6 million and ₱4,214.1 million in 2021 and 2020, respectively. The Company's addition of service concession assets to MNEP which remains unpaid and is included under "Accounts payable and other current liabilities" in the statements of financial position amounted to ₱107.1 million and ₱239.3 million as at December 31, 2021 and 2020, respectively (see Note 34).

The interest rates used to determine the amount of borrowing costs eligible for capitalization ranges from 5.5% to 6.6% in 2021 and 5.1% to 6.9% 2020

The concession term for fully operational Phase I and Segments 8.1, 9 and 10 of Phase II of the MNEP is until December 31, 2037. As at December 31, 2021 and 2020, the remaining concession term is 16 years and 17 years, respectively.

SCTEX

As discussed in Note 2, NLEX Corp. took over from BCDA the management, operation and maintenance of the SCTEX on October 27, 2015. The additions as at December 31, 2021 and December 31, 2020 amounting to ₱179.0 million and ₱116.6 million, respectively, pertain mainly to the installation of fixed operating equipment to SCTEX Bamban Toll Plaza Project and SCTEX Toll Plaza Expansion, construction of toll booths and other technical upgrades.

Capitalized construction costs amounted to ₱179.0 million and ₱116.6 million in 2021 and 2020, respectively. The Company's addition of service concession assets to SCTEX which remains unpaid and is included under "Accounts payable and other current liabilities" in the statements of financial position amounted to ₱9.7 million and ₱0.2 million as at December 31, 2021 and 2020, respectively (see Note 34).

The concession term for SCTEX is until October 30, 2043. As at December 31, 2021 and 2020, the remaining concession term is 22 years and 23 years, respectively.

NLEX-SLEX Connector Road

As discussed in Note 2, NLEX Corp. and DPWH signed the Concession Agreement for the NLEX-SLEX Connector Road on November 23, 2016. The additions for the years ended December 31, 2021 and 2020 amounting to ₱3,989.1 million and ₱3,103.9 million, respectively, pertain to construction costs in 2021 and 2020 amounting to ₱3,093.9 million and ₱2,435.2 million, respectively, capitalized land amounting to ₱65.0 million in 2020, and borrowing costs capitalized, net of investment income, in 2021 and 2020 amounting to ₱895.2 million and ₱603.7 million, respectively (see Notes 19, 20, 27 and 28). Capitalized management fees were reversed in year 2021 totaling to ₱30.7 million.

On May 10, 2019, NLEX Corp. entered into a Deed of Absolute Sale with a third party to buy a parcel of land located in Calamba, Laguna, for a total amount of ₱65.0 million. This acquisition was initially recognized as part of land of the Company under the "Property and equipment" account (see Note 10).

On June 30, 2020, the land was reclassified to "Service concession assets" account. The land was bought for the storage of materials and equipment of Philippine National Railways, where the Company has an existing lease of land for the construction of NLEX-SLEX Connector Road.

The additions to service concession assets related to NLEX-SLEX Connector Road that remain unpaid and included under "Accounts payable and other current liabilities" in the statements of financial position amounted to ₱618.8 million and ₱56.1 million as at December 31, 2021 and 2020, respectively (see Note 34).

The borrowing rates used to determine the amount of borrowing costs eligible for capitalization ranges from 4.0% to 6.6% and 3.5% to 6.9% in 2021 and 2020, respectively.

The concession period for NLEX-SLEX Connector Road is 37 years after the expected issuance by the DPWH of the NTP to start the construction of the NLEX-SLEX Connector Road.

Contract Assets
Service concession assets with ongoing construction and upgrade services amounting to ₱7,525.3 million and ₱12,714.4 million as at December 31, 2021 and 2020, respectively, are considered as contract assets under PFRS 15.

Impairment Testing of Service Concession Assets Not Yet Available for Use
For the purposes of impairment testing related to 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 reporting date.

The total carrying amount of NLEX-SLEX Connector Road which is not yet available for use amounted to ₱10,439.2 million and ₱6,480.7 million as at December 31, 2021 and 2020, respectively.

The recoverable amount of NLEX-SLEX Connector Road have been determined based on a value in use computation using the cash flow projections from most recent financial budgets and forecast of NLEX Corp. For the impairment testing conducted, average traffic volume growth rates used were 1.2% to 1.0% and the pre-tax discount rates applied amounted to 9.7% and 10.0% as at December 31, 2021 and 2020, respectively, which was based on the weighted average cost of capital with estimated premium of 3.0% over cost of equity as at December 31, 2021 and 2020. The average forecast period used in the computation is 35 years and 36 years for 2021 and 2020, respectively, for NLEX-SLEX Connector Road. The forecast period is greater than 5 years as management can reliably estimate the cash flow for the entire duration of the concession period.

Based on the impairment testing, management did not identify an impairment loss for these service concession assets. Management also believes that no reasonably possible change in any of the key assumptions would cause the carrying value of the service concession asset not yet available for use to materially exceed its respective recoverable amount.

10. Property and Equipment

The movements in this account follow:

	Land	Building, Building Improvements and Leasehold Improvements	Transportation Equipment	Office Equipment and Others	Total
Cost:					
At January 1, 2020	₱72,197,370	₱189,856,240	₱192,062,553	₱472,926,198	₱927,042,361
Additions		19,955,037	20,758,791	74,055,179	114,769,007
Disposals (see Note 18)	–	–	(42,613,118)	(2,552,714)	(45,165,832)
Reclassification (see Note 9)	(65,023,560)	–	–	–	(65,023,560)
At December 31, 2020	7,173,810	209,811,277	170,208,226	544,428,663	931,621,976
Additions	–	12,349,810	34,684,268	26,893,901	73,927,979
Disposals (see Note 18)	–	–	(20,547,307)	(35,047,251)	(55,594,558)
Reversal	(7,173,810)	(4,394)	–	(786,511)	(7,964,715)
At December 31, 2021	**₱–**	**₱222,156,693**	**₱184,345,187**	**₱535,488,802**	**₱941,990,682**

	Land	Building, Building Improvements and Leasehold Improvements	Transportation Equipment	Office Equipment and Others	Total
Accumulated depreciation:					
At January 1, 2020	₱–	₱63,304,589	₱110,799,072	₱291,408,283	₱465,511,944
Depreciation (see Notes 23 and 24)	–	10,623,180	27,397,998	85,835,915	123,857,093
Disposals	–	–	(30,881,781)	(2,425,950)	(33,307,731)
At December 31, 2020	₱–	₱73,927,769	₱107,315,289	₱374,818,248	₱556,061,306
Depreciation (see Notes 9, 23 and 24)	–	17,605,387	24,018,231	76,525,272	118,148,890
Disposals (see Note 18)	–	–	(19,792,105)	(33,720,366)	(53,512,471)
At December 31, 2020	**₱–**	**₱91,533,156**	**₱111,541,415**	**₱417,623,154**	**₱620,697,725**
Net book value:					
At December 31, 2021	**₱–**	**₱130,623,537**	**₱72,803,772**	**₱117,865,648**	**₱321,292,957**
At December 31, 2020	7,173,810	135,883,508	62,892,937	169,610,415	375,560,670

Additions to property and equipment on account in 2021 and 2020 amounted to ₱95,286 and ₱33.5 million, respectively (see Note 34).

In 2021, the Company capitalized depreciation expense to SCA amounting to ₱3.9 million. The Company also expensed out costs during the year amounting to ₱8.0 million.

Bulk of the disposals of property and equipment during the year pertains to the sale of heavy equipment and various tools and equipment for incident response to Southbend Express Services, Inc. (SESI). Proceeds from the sale of property and equipment amounted to ₱56.2 million and ₱83.0 million for the years ended December 31, 2021 and 2020, respectively. Outstanding receivable from the sale of property and equipment amounted to ₱52.6 million and ₱530,608 as at December 31, 2021 and 2020. Gain on disposal amounted to ₱54.2 million and ₱71.7 million for the years ended December 31, 2021 and 2020, respectively.

As at December 31, 2021 and 2020, there are no items of property and equipment with liens or encumbrances or used as security of any outstanding loan.

11. Other Intangible Assets

Other intangible assets pertain to computer software relating to the Company's accounting, reporting and asset management systems with estimated useful life of 5 years. The movements in this account follow:

	2021	2020
Cost:		
Balance at beginning of year	**₱163,967,961**	₱156,247,982
Additions	**10,768,371**	7,719,979
Reversals	**(30,104,745)**	–
Balance at end of year	**144,631,587**	163,967,961
Accumulated Amortization:		
Balance at beginning of year	**109,300,972**	108,328,873
Amortization (see Notes 23 and 24)	**9,339,912**	972,099
Balance at end of year	**118,640,884**	109,300,972
Net book value	**₱25,990,703**	₱54,666,989

In 2021, the Company expensed out intangible assets amounting to ₱30.1 million and reclassified to prepayments amounting to ₱49,171. Additions to intangible assets on account in 2021 and 2020 amounted to ₱0.6 million and nil, respectively (see Note 34).

12. Investment in and Advances to a Subsidiary

Movements in this account is as follow:

	2020
Acquisition cost of investment:	
Balance at beginning of year	₱348,000,000
Advances	200,000,000
Disposal	(548,000,000)
Balance at end of year	₱–

On September 23, 2015, the Company incorporated NLEX Ventures Corporation (NVC), its former wholly owned subsidiary, in the Philippines. NVC is primarily engaged to develop, fund, construct, operate and maintain any and all facilities, and to undertake, provide and render any and all services relating to the safety, comfort and convenience of its customers such as road users; and to undertake traffic management services.

On March 9, 2020, the Company provided cash advances to NVC amounting to ₱150.0 million to fund NVC's lot acquisition for the purpose of the NLEX Drive and Dine (Valenzuela) Expansion. Additional cash advances amounting to ₱50.0 million were provided to NVC in June 2020.

On December 29, 2020, the Company entered into a Deed of Assignment of Subscription Rights with MPTC to transfer and assign the subscription of 1,000,000 common shares in NVC. Receivable from MPTC amounting to ₱200.0 million was collected on January 22, 2021 (see Note 18).

On the same date, the Company also entered into a Deed of Absolute Sale of Shares with MPTC for the sale of its 100% ownership interest in NVC, representing 2,000,000 common shares, for a total cash consideration of ₱544.0 million resulting in a gain on sale of ₱196.0 million. The consideration was collected from MPTC on January 15, 2021 (see Note 18).

13. Financial Assets at FVTPL

Details of this account are shown below:

	2021	2020
Fair Value	**₱2,156,378**	₱2,136,231
Principal Amount	**1,921,954**	1,921,954

The movements in this account follow:

	2021	2020
Balance at beginning of year	**₱2,136,231**	₱18,066,958
Additions	**370,000,000**	–
Sale of UITF	**(370,537,903)**	(15,299,456)
Changes in fair value taken to profit or loss	**558,050**	(631,271)
Balance at end of year	**₱2,156,378**	₱2,136,231

The fair value is based on the quoted market price of the financial instruments and directly observable inputs that is significant to fair value measurement as at December 31, 2021 and 2020.

14. Financial Assets at FVOCI

Details of this account are shown below:

	2021		2020	
Maturity Date	**Fair Value**	**Principal Amount**	Fair Value	Principal Amount
LTNCD				
Metrobank - November 21, 2021	**₱–**	**₱–**	₱46,145,000	₱50,000,000

Interest earned from financial assets at FVOCI amounted to ₱1.8 million, ₱4.9 million and ₱28.7 million for the years ended December 31, 2021, 2020 and 2019, respectively (see Note 27).

The movements in this account follow:

	2021	2020
Balance at beginning of the year	**₱46,145,000**	₱164,047,014
Maturity of financial assets at FVOCI	**(50,000,000)**	(70,000,000)
Recycling to profit or loss (see Note 21)	**3,855,000**	(18,936)
Changes in fair value during the period (see Note 21)	**–**	2,085,726
Amortization of discount on bonds	**–**	31,196
Sale of financial assets at FVOCI	**–**	(50,000,000)
Balance at end of the year	**₱–**	₱46,145,000
Current	**₱–**	₱46,145,000
Noncurrent	**–**	–
	₱–	₱46,145,000

Gain (loss) on disposal and maturity of financial assets at FVOCI in 2021 and 2020 amounted to (₱3.9 million) and ₱18,936, respectively.

The fair value is based on the quoted market price of the financial instruments and directly observable inputs that is significant to fair value measurement as at December 31, 2021 and 2020.

The movements in the net unrealized loss on fair value change in financial assets at FVOCI as at December 31, 2021 and 2020 under "Other comprehensive loss reserve" account follow:

	2021	2020
Balance at beginning of year	**(₱3,855,000)**	(₱5,921,790)
Recycling to profit or loss (see Note 21)	**3,855,0000**	(18,936)
Changes in fair value during the year (see Note 21)	**–**	2,085,726
Balance at end of year	**–**	(3,855,000)
Tax effects of items taken directly in equity (see Note 29)	**–**	–
	₱–	(₱3,855,000)

15. **Other Current Assets**

Details of other current assets follow:

	2021	2020
Deferred input VAT – current	**₱146,260,895**	₱79,662,703
Advances to suppliers (see Note 18)	**87,687,648**	96,881,376
Prepayments	**78,963,033**	93,819,549
Creditable withholding tax	**21,609,843**	31,364,627
Input VAT	**14,758,174**	14,758,174
	349,279,593	316,486,429
Less:		
Allowance for non-recoverability of creditable withholding tax	**(15,380,462)**	(15,380,462)
Allowance for unclaimable input VAT	**(14,758,174)**	(14,758,174)
Allowance for non-recoverability of advances (see Note 24)	**(26,699,594)**	–
	₱292,441,363	₱286,347,793

Prepayments include prepaid insurance covering the service concession assets of the Company, permits and registration fees, and payments for hardware and software maintenance. These are expected to be consumed within the next operating cycle of the Company.

Deferred input VAT represents VAT paid to suppliers that can be claimed as credit against the Company's future output VAT liabilities without prescription.

Creditable withholding tax pertain to the excess tax credits to be claimed against income tax.

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

This account consists of:

	2021	2020
Trade payables:		
Third parties	**₱1,444,310,363**	₱448,617,624
Related parties (see Note 18)	**133,024,277**	190,357,687
Accrued expenses:		
Third parties	**962,209,008**	2,751,335,397
Related parties (see Note 18)	**406,595,066**	203,471,819
Retention payable:		
Third parties	**582,396,985**	399,402,001
Related parties (see Note 18)	**39,830,109**	36,548,928
Interest payable	**73,126,263**	166,464,487
Withholding taxes payable	**126,419,248**	117,985,985
Deferred output VAT	**85,496,461**	49,883,513
Output VAT - net	**89,566,281**	16,744,904
Due to related parties (see Note 18)	**25,291**	25,291
Unearned revenue		
Third parties	**17,843,453**	15,293,955
Related parties (see Note 18)	**2,461,213**	170
Others	**41,244,906**	46,816,863
	₱4,004,548,924	₱4,442,948,624

Trade payables and accrued expenses are noninterest-bearing and are normally settled within 30 to 45 days.

Accrued expenses consist of:

	2021	2020
Outside services	**₱334,791,982**	₱154,872,563
TRB fee	**218,588,165**	201,487,995
Construction costs	**174,905,116**	1,766,567,318
Concession fees (see Note 3)	**143,176,068**	107,458,162
Operating and maintenance cost	**92,152,730**	109,620,987
Repairs and maintenance (see Note 18)	**91,026,808**	225,489,458
PNCC fee	**74,371,784**	56,679,028
Professional fees	**53,323,317**	43,246,677
Advertising and marketing expenses (see Note 18)	**30,933,581**	114,503,252
Project insurance	**18,328,732**	19,094,295
Taxes and licenses	**15,987,513**	52,582,454
Management fees (see Note 18)	**5,289,806**	5,366,858
Toll collection and medical services	**1,517,450**	–
Others	**114,411,022**	97,838,169
	₱1,368,804,074	₱2,954,807,216

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.

Interest payable is settled within three to six months.

The terms and conditions of related party payables are discussed in Note 18.

17. **Provisions**

The movements in this account follow:

	Heavy Maintenance	Others	Total
At January 1, 2020	₱238,999,810	₱166,952,945	₱405,952,755
Additions (see Notes 23 and 24)	310,938,391	39,869,088	350,807,479
Accretion (see Note 28)	8,872,050	–	8,872,050
Payments	(97,867,248)	(18,434,112)	(116,301,360)
At December 31, 2020	₱460,943,003	₱188,387,921	₱649,330,924
Additions (see Notes 23 and 24)	208,948,438	63,145,981	272,094,419
Accretion (see Note 28)	29,478,696	–	29,478,696
Payments	(253,241,452)	(30,728,314)	(283,969,766)
Reversal	–	(13,867,093)	(13,867,093)
At December 31, 2021	**₱446,128,685**	**₱206,938,495**	**₱653,067,180**
At December 31, 2021:			
Current	**₱325,195,101**	**₱151,234,267**	**₱476,429,368**
Noncurrent	**120,933,584**	**55,704,228**	**176,637,812**
	₱446,128,685	**₱206,938,495**	**₱653,067,180**

	Heavy Maintenance	Others	Total
At December 31, 2020:			
Current	₱324,171,226	₱104,168,088	₱428,339,314
Noncurrent	136,771,777	84,219,833	220,991,610
	₱460,943,003	₱188,387,921	₱649,330,924

As discussed in Note 4, 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 service 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.

Other provisions include employee leave entitlements that is expected to be settled beyond one year after the reporting date (see Note 25) and the Provision for Unclaimable Input VAT pertaining to the adjustment made to deduct the tax benefit on depreciation of capitalized input VAT (see Note 24).

18. **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 year:

Related Party	Relationship		Management Fees (see Note 24)	Outside Services (see Notes 23 and 24)	Repairs and Maintenance (see Notes 23 and 24)	Communication, Light and Water (see Notes 23 and 24)	Advertising and Marketing Expenses (see Notes 23 and 24)	Professional Fees (see Note 24)	Representation and Travel Expenses (see Note 24)	Fuel & Oil, Transportation, Rental (see Note 23)	Income from Advertising (see Note 22)	Income from Utility Facilities (see Note 22)	Other Income
MPTC	Intermediate Parent Company	**2021**	**₱31,991,554**	**₱244,878**	**₱17,885,828**	**₱**	**₱825**	**₱55,965**	**₱64,287**	**₱46,703**	**₱–**	**₱–**	**₱26,336,002**
		2020	8,515,610	250,028	3,621,184	1,206,354	12,574,569	1,184,014	2,050	2,869,924	–	–	–
		2019	39,846,253	135,000	41,158	17,285	76,933,333	–	–	–	–	–	–
MPTNC	Parent Company	**2021**	**81,498,485**	**–**	**–**	**–**	**–**	**–**	**20,000**	**–**	**–**	**–**	**110,385**
		2020	26,577,483	–	–	–	–	–	20,000	–	–	–	–
		2019	40,428,928	–	–	–	14,386,665	–	–	–	–	–	–
Easytrip Services Corp. (ESC)	Subsidiary of MPTC	**2021**	**–**	**209,425,725**	**–**	**–**	**28,328,963**	**–**	**10,989**	**–**	**–**	**–**	**6,416**
		2020	–	98,302,457	–	–	86,128,595	–	2,786	–	–	–	–
		2019	–	93,539,844	–	–	602,546	–	1,786	–	–	–	–
Smart Communications Inc. (Smart)	Associate of FPC	**2021**	**–**	**–**	**–**	**4,424,360**	**30,557**	**–**	**–**	**–**	**–**	**872,459**	**–**
		2020	–	–	–	5,664,467	–	–	–	–	–	–	–
		2019	–	–	–	3,371,138	–	–	–	–	–	408,259	–
PLDT, Inc. (PLDT)	Associate of FPC	**2021**	**–**	**–**	**–**	**8,220,038**	**–**	**–**	**–**	**–**	**–**	**2,614,280**	**–**
		2020	–	–	–	6,611,697	–	–	–	–	–	2,481,528	–
		2019	–	–	–	7,167,880	41,520	–	10,272	–	2,050,000	2,269,264	–
Metro Pacific Tollways Management Services, Inc. (MPTMSI)	Subsidiary of MPTC	**2021**	**73,790,994**	**–**	**664,738**		**–**	**870,532**	**–**	**–**	**–**	**–**	**7,101,062**
		2020	24,207,022	–	4,225,147	74,822	–	–	–	–	–	–	–
		2019	48,808,339	–	–	532,611	–	–	–	–	–	–	–
Cavitex Infrastructure Corp. (CIC)	Subsidiary of MPTC	**2021**	**–**	**–**	**–**	**–**		**–**	**–**	**40**	**–**	**–**	**18,567,123**
		2020	–	–	–	–	159	–	–	236	–	–	–
		2019	–	–	–	–	77	–	–	–	1,450,000	–	–
Metro Pacific Tollways South Management Corp (MPTSMC)	Subsidiary of MPTC	**2021**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**187,346**
		2020	–	–	–	–	–	–	–	–	–	–	–
		2019	–	–	–	–	–	–	–	–	–	–	–
Manila Electric Company (Meralco)	Associate of MPIC	**2021**	**–**	**–**	**–**	**57,095,900**		**–**	**–**	**–**	**–**	**–**	**–**
		2020	–	–	–	37,256,605	3,202	–	–	–	–	–	–
		2019	–	–	–	48,456,710	–	–	–	–	–	360,000	–
Maynilad	Subsidiary of MPIC	**2021**	**–**	**–**	**–**	**684,909**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
		2020	–	–	–	7,763,294	–	–	–	–	–	–	–
		2019	–	–	–	896,654	–	–	–	–	44,643	25,000	–
Indra Philippines, Inc. (Indra)	Associate of MPIC	**2021**	**–**	**–**	**12,624,810**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
		2020	–	–	35,829,190	–	–	–	–	–	–	–	–
		2019	–	–	30,897,102	–	–	–	–	–	–	–	–
Egis Projects Philippines Inc. (EPPI)	Associate of FPC	**2021**	**–**	**–**	**6,250,000**	**–**	**–**	**18,330,477**	**–**	**–**	**–**	**–**	**13,653**
		2020	–	–	8,658,561	–	–	11,781,383	–	–	–	–	–
		2019	–	–	–	–	–	20,565,227	–	–	–	–	–
Cebu Cordova Link Expressway (CCLEC)	Subsidiary of MPTC	**2021**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**48,842**
		2020	–	–	–	–	–	–	–	–	–	–	–
		2019	–	–	–	–	–	–	–	–	–	–	–
Metro Pacific Tollways Vizmin (MPTVizmin)	Subsidiary of MPTC	**2021**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**560,949**
		2020	–	–	–	–	–	–	–	–	–	–	–
		2019	–	–	–	–	–	–	–	–	–	–	–
Southbend Express Services, Inc. (SESI)	Subsidiary of MPTC	**2021**	**–**	**247,877,569**	**2,125,667**		**–**	**–**	**1,022,840**	**15,132,189**	**–**	**–**	**6,427**
		2020	–	145,951,435	–	21,780	–	–	–	61,032,049	–	–	–
		2019	–	68,731,009	377,372	120,340	–	–	3,700,351	–	–	–	–

(Forward)

Related Party	Relationship		Management Fees (see Note 24)	Outside Services (see Notes 23 and 24)	Repairs and Maintenance (see Notes 23 and 24)	Communication, Light and Water (see Notes 23 and 24)	Advertising and Marketing Expenses (see Notes 23 and 24)	Professional Fees (see Note 24)	Representation and Travel Expenses (see Note 24)	Fuel & Oil, Transportation, Rental (see Note 23)	Income from Advertising (see Note 22)	Income from Utility Facilities (see Note 22)	Other Income
MPIC	Parent Company of MPTC	**2021**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**	**₱–**
		2020	–	–	–	–	–	–	–	–	–	–	–
		2019	–	–	–	–	18,500	–	–	–	–	–	–
NLEX Ventures Corp. (NVC)	Subsidiary of MPTC	**2021**	**–**	**12,600,000**	**–**	**–**	**–**	**–**	**20,000**	**56,200**	**–**	**–**	**59,219,490**
		2020	–	–	–	–	–	–	–	–	–	–	2,571,043
		2019	–	–	–	–	–	–	–	–	100,000	–	2,337,311
MPCALA Holdings Inc. (MHI)	Subsidiary of MPTNC	**2021**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	–	**–**	**–**	**18,486,914**
		2020	–	–	–	–	–	–	–	17,500	–	–	–
		2019	–	–	–	–	–	–	–	–	–	–	–
Total		**2021**	**₱187,281,033**	**₱470,148,172**	**₱39,551,043**	**₱70,425,207**	**₱28,360,345**	**₱19,256,974**	**₱1,138,116**	**₱15,235,132**	**₱–**	**₱3,486,739**	**₱130,644,609**
		2020	59,300,115	244,503,920	52,334,082	58,599,019	98,706,525	12,965,397	24,836	63,919,709	–	2,481,528	2,571,043
		2019	129,083,520	162,405,853	31,315,632	60,562,618	91,982,641	20,565,227	3,712,409	–	3,644,643	3,062,523	2,337,311

Outstanding balances of receivables from/payables to related parties are carried in the statements of financial position under the following accounts:

Related Party	Relationship		Advances to Suppliers (see Note 15)	Receivables[2] (see Note 8)	Due from Related Parties[1] (see Note 8)	Due to Affiliate[2] (see Note 16)	Accounts Payable and Other Current Liabilities and Dividends Payable[2] (see Notes 16 and 21)	Terms	Conditions
MPTC	Intermediate Parent Company	2021	₱–	₱16,537,379	₱1,696,269	₱–	₱77,875,585	(1) On demand; noninterest-bearing	Unsecured; no impairment
		2020	–	3,737,466	746,476,502	–	40,384,075	(2) 30-45 days; noninterest-bearing	
MPTNC	Parent Company	2021	–	28,842,803		25,291	1,441,274,602	(1) On demand; noninterest-bearing	Unsecured; no impairment
		2020	–	291,879	16,168	25,291	1,363,621,328	(2) 30-45 days; noninterest-bearing	
Metro Pacific Tollways South Management Corp.	Subsidiary of MPTSC	2021	–	211,150	378,748	–	3,844,478	On demand; noninterest-bearing	Unsecured; no impairment
		2020	–	597,126	3,246,201	–	2,885,764		
MPCALA Holdings, Inc. (MHI)	Subsidiary of MPTNC	2021	–	7,575,450		–	–	On demand; noninterest-bearing	Unsecured; no impairment
		2020	–	9,009	16,901	–	–		
CIC	Subsidiary of MPTC	2021	–	8,877,101	233,805	–	88,998	On demand; noninterest-bearing	Unsecured; no impairment
		2020	–	290,358	264,582	–	–		
ESC	Subsidiary of MPTC	2021	–	350,058,988	91,350	–	90,657,722	(1) On demand; noninterest-bearing	Unsecured; no impairment
		2020	–	140,907,264	452,566	–	107,381,986	(2) 7 days; noninterest-bearing	
Indra	Associate of MPIC	2021	113,983	–	–	–	32,712,685	Within one year; noninterest-bearing	Unsecured, no impairment
		2020	6,097,304	–	–	–	44,392,695		
Smart	Associate of FPC	2021	–	2,089,571	–	–	1,130,763	30-45 days; noninterest-bearing	Unsecured; no impairment
		2020	–	69,534	–	–	1,018,411		
PLDT	Associate of FPC	2021	–	3,901,292	–	–	3,172,503	30-45 days; noninterest-bearing	Unsecured; no impairment
		2020	–	85,348	–	–	834,333		
Meralco	Associate of MPIC	2021	21,813,836		–	–	10,037,026	Within one year; noninterest-bearing	Unsecured, no impairment
		2020	17,686,892	42,287	–	–	39,772,591		
Maynilad	Subsidiary of MPIC	2021	24,318,033	335,517	65,237	–	151,669	Within one year; noninterest-bearing	Unsecured, no impairment
		2020	24,318,033	336,410	65,237	–	145,242		
MPTMSI	Subsidiary of MPTC	2021	–	13,335,739	8,708,393	–	6,489,083	On demand; noninterest-bearing	Unsecured; no impairment
		2020	–	423,763	11,303,711	–	7,680,818		
NVC	Subsidiary of MPTC	2021	–	94,515,168	1,860,744	–	52,560,648	On demand; noninterest-bearing	Unsecured; no impairment
		2020	–	1,822,239	5,266,975	–	170		
Cebu Cordova Link Expressway Corporation	Subsidiary of MPTC	2021	–	54,703	9,617	–	544,853	On demand; noninterest-bearing	Unsecured; no impairment
		2020	–	(17,137)	558,432	–	–		
SESI	Subsidiary of MPTC	2021	–	54,784,213		–	257,621,978	On demand; noninterest-bearing	Unsecured; no Impairment
		2020	–	3,196,517	2,693,799	–	93,582,725		
MPIC	Parent Company of MPTC	2021	–	8,159	–	–	–	On demand; noninterest-bearing	Unsecured; no Impairment
		2020	–	8,159	–	–	–		
MPTVizmin	Subsidiary of MPTC	2021	–	638,095	–	–	–	On demand; noninterest-bearing	Unsecured; no Impairment
		2020	–	–	–	–	–		
EPPI	Associate of FPC	2021	2,364,667	97,562	–	–	44,860,215	On demand; noninterest-bearing	Unsecured; no impairment
		2020	12,802,301	82,271	–	–	73,527,715		
Egis Investment Partners Philippines, Inc. (EIPPI)	Stockholder	2021	–	–	–	–	206,935,893	On demand; noninterest-bearing	Unsecured
		2020	–	–	–	–	193,113,063		
Banco de Oro Unibank, Inc. (BDO)	Stockholder	2021	–	–	–	–	238,194,443	On demand; noninterest-bearing	Unsecured
		2020	–	–	–	–	222,283,615		
Global Fund Holdings, Inc. (Global Fund)	Stockholder	2021	–	–	–	–	79,398,147	On demand; noninterest-bearing	Unsecured
		2020	–	–	–	–	74,094,539		
Republic of the Philippines	Stockholder	2021	–	–	–	–	70,359,374	On demand; noninterest-bearing	Unsecured
		2020	–	–	–	–	65,659,534		
Total		2021	₱48,610,519	₱581,862,890	₱13,044,163	₱25,291	₱2,617,910,665		
		2020	60,904,530	151,882,493	770,361,074	25,291	2,330,378,604		

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 Parent Companies

MPTC

- On January 1, 2018, NLEX Corp. entered into a management service agreement with MPTC, whereby MPTC provides management and other advisory services through the secondment and outsourcing of MPTC's employees. Consequently, MPTC shall be entitled to a monthly fixed fee in the amount of ₱5.1 million, which is inclusive of the standard administrative fee of 10% but is exclusive of VAT. The agreement shall remain in effect for a period of twelve (12) months and may be renewed or extended upon mutual agreement by NLEX Corp. and MPTC. On January 1, 2021 and 2020, the agreement was renewed for another 9 months and 12 months, respectively which amended the fixed monthly fee to ₱0.9 million and ₱1.4 million (inclusive of 10% administrative fee but exclusive of VAT), respectively.

- In 2019 and 2018, MPTC billed NLEX Corp. for its share in the compensation, bonuses and other benefits of the NLEX Road Warriors Philippine Basketball Association team. On January 16, 2020, NLEX Corp pays directly the compensation of the NLEX Road Warriors Philippine Basketball Association team.

- On December 29, 2020, NLEX Corp entered into a Deed of Sale agreement with MPTC for the sale of its NVC shares for a total consideration of ₱544.0 million. A subscription agreement has been entered also with MPTC to transfer and assign its rights for the increase in the authorized capital stock of NVC with a total consideration of ₱200.0 million (see Note 12).

- In 2021, NLEX Corp. billed also MPTC for the services rendered by Human Resources and Internal Audit with an annual service fee of ₱21.7 million, which is exclusive of the standard administrative fee of 10% and 12% VAT.

MPTNC

- On January 1, 2018, NLEX Corp. entered into a management service agreement with MPTNC, whereby MPTNC provides management and other advisory services through the secondment and outsourcing of MPTNC's employees. Consequently, MPTNC shall be entitled to a monthly fixed fee in the amount of ₱2.9 million, which is inclusive of the standard administrative fee of 10% but is exclusive of VAT. The agreement shall remain in effect for a period of twelve (12) months and may be renewed or extended upon mutual agreement by NLEX Corp. and MPTNC. In 2021 and 2020, the agreement was renewed which amended the fixed monthly fee to ₱1.2 million and ₱4.4 million (inclusive of 10% administrative fee but exclusive of VAT), respectively, for a period of 9 months and 12 months, respectively.

- Total unpaid dividends to MPTNC amounted to ₱1,441.1 million and ₱1,344.8 million as at December 31, 2021 and 2020, respectively. The dividends were subsequently paid on January 28, 2022 and January 22, 2021, respectively.

Transactions with Other Related Parties

MPTMSI

- On January 1, 2018, NLEX Corp. entered into a management service agreement with MPTMSI, whereby MPTMSI provides management and other advisory services through the secondment and outsourcing of MPTMSI's employees. Consequently, MPTMSI shall be entitled to a monthly fixed fee in the amount of ₱4.5 million, which is inclusive of the standard administrative fee of 10% but is exclusive of VAT. The agreement shall remain in effect for a period of twelve (12) months and may be renewed or extended upon mutual agreement by NLEX Corp. and MPTMSI. In 2021 and 2020, the agreement was renewed which amended the fixed monthly fee to ₱2.5 million and ₱4.0 million (inclusive of 10% administrative fee but exclusive of VAT), respectively. The agreement shall remain in effect for twelve (12) months.

- In 2021, NLEX Corp. billed also MPTMSI for the services rendered by Human Resources and Internal Audit with an annual service fee of ₱5.6 million, which is exclusive of the standard administrative fee of 10% and 12% VAT.

ESC

- On December 5, 2007, NLEX Corp. engaged the services of ESC, a subsidiary of MPTC, to assist NLEX Corp. in increasing the usage of the electronic toll collection (ETC) facility along the NLEX which ended on April 30, 2010. On November 24, 2010, NLEX Corp. and ESC signed the Supplemental Agreement to the Service Agreement extending the services of ESC as ETC service provider for another eight years effective on May 1, 2010 with a five year extension. In accordance with the Supplemental Agreement, NLEX Corp. will pay ESC an annual fixed fee of ₱14.0 million for Class 1 vehicles and annual fixed fee of ₱5.0 million for Class 2 and Class 3 vehicles, which are to be maintained and escalated every year for labor index and CPI. NLEX Corp. shall also pay for variable fees of ₱0.75 or ₱2.5 per transaction for Class 1 vehicles depending on the number of transactions achieved during the year compared with prior year; and ₱3.0 and ₱4.0 per transactions for Class 2 and Class 3, respectively, which are also to be maintained and escalated every year for labor index and CPI.

  Pursuant to the Service Agreement, amounts due to NLEX Corp. arising from the use of Easytrip tags in the NLEX shall be remitted by ESC to the designated NLEX Corp. bank accounts within seven (7) days immediately following the date when any vehicle using the Easytrip tags pass through the electronic payment lane of the NLEX. Any amount due to ESC arising from the reloading of the Easytrip tags in the NLEX shall be remitted by NLEX Corp. to the designated ESC bank accounts within seven (7) days immediately following the date of reloading.

- In 2021 and 2020, ESC billed NLEX Corp. for various outside services for RFID performance fees, beep cards and advertising and marketing expenses.

Indra

- In 2021 and 2020, Indra billed NLEX Corp. for various repairs and maintenance services rendered to ETC facilities installed along NLEX.

EPPI

- On January 9, 2018, NLEX Corp. and EPPI entered into an agreement to engagement EPPI to undertake consultancy and technical assistance services. Adhering to the agreement, an annual service fee of ₱22.0 million, inclusive of VAT, shall be paid by NLEX Corp. on a monthly basis equivalent to dividing the annual service fee into twelve (12) equal monthly payments. The contract is effective on January 1, 2018 and shall last for an undetermined period of time which shall not be less than the concession period of SCTEX.

MPTSMC

- In 2021 and 2020, the Company paid various costs and expenses in behalf of MPTSMC.

MPCALA

- In 2021 and 2020, the Company paid various costs and expenses such as fuel and oil and transportation in behalf of MPCALA. NLEX Corp. billed also MPCALA for the services rendered by Human Resources and Internal Audit with an annual service fee of ₱16.0 million, which is exclusive of the standard administrative fee of 10% and 12% VAT.

CIC

- In 2020, NLEX Corp. billed Cavitex Infrastructure Corp. for the fuel and oil and transportation expenses and other various expenses. In 2019, NLEX Corp. billed Cavitex Infrastructure Corp. for the toll booth wrap up, plaza banners and boom advertisements for the total amount of ₱1.5 million.

- In 2021, NLEX Corp. billed Cavitex Infrastructure Corp. for the services rendered by Human Resources and Internal Audit with an annual service fee of ₱16.0 million, which is exclusive of the standard administrative fee of 10% and 12% VAT.

MPTVISMIN

- In 2021, NLEX Corp. billed also MPTVISMIN for the services rendered by Human Resources and Internal Audit with an annual service fee of ₱1.3 million, which is exclusive of the standard administrative fee of 10% and 12% VAT.

SESI

- Previously, before the merger of TMC and NLEX, TMC requires a service provider to perform the necessary preventive/routine maintenance activities for the facilities and equipment within the sheltered facilities of NLEX & SCTEX. In relation to the merger of TMC and NLEX, it is understood that the novation will not alter all the rights and obligations of the parties to the current service agreement. On a letter dated December 27, 2018, NLEX Corp. formally confirmed the extension of service engagement for the Janitorial Maintenance Services and General Outsourced Support Services of SESI for one (1) year effective January 1, 2019. This was renewed for another year on January 1, 2021 and 2020, respectively. SESI shall provide qualified personnel, labor, supply of equipment and cleaning materials necessary to ensure the complete and efficient performance of Janitorial Maintenance Services.

- On July 2021, NLEX Corp. sold heavy equipment and various tools and equipment for incident response to SESI. On February 2020, NLEX Corp. sold its vehicles for employee shuttling and administrative services to SESI. Proceeds from the sale of property and equipment amounted to ₱56.2 million and ₱83.0 million and a gain on disposal amounted to ₱54.2 million and ₱71.7 million (see Notes 10 and 29).

- In 2021 and 2020, SESI billed NLEX Corp. for various expenses such as repairs and maintenance, communication, utilities, and fuel and oil.

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 April 26, 2020, the contract was renewed for another five (5) years effective April 27, 2020 until April 26, 2025.

- In 2020 and 2019, PLDT and Smart billed the Company for its communication expenses.

Meralco

- As at December 31, 2018, NLEX Corp. has advances to Meralco for its new electric line applications for Segment 9, portion of Phase II of MNEP, and Balintawak and Valenzuela drainage system. These advances are 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.

Maynilad

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

NVC

- NVC and NLEX Corp. entered into a management services agreement effective April 1, 2016. Under the said agreement, NLEX Corp. is to provide management and financial advisory services, including advice on corporate initiatives to NVC which involves the coordination and utilization of NVC's resources and personnel and to assist NVC in its operations through secondment of appropriate personnel of NLEX Corp., its subsidiaries, or affiliates to NVC. Pursuant to the agreement, NVC pays NLEX Corp. a fixed monthly amount of ₱0.1 million to be escalated beginning the second year of the agreement. In 2020, the agreement was renewed which amended the fixed monthly fee to ₱0.2 million (exclusive of VAT). The agreement shall remain in effect for twelve (12) months.

- On February 1, 2021, the Company appointed NVC as an exclusive partner for the OOH advertising within its expressways. The Company granted NVC a limited and exclusive right to use portions of the NLEX and SCTEX rights-of-way for OOH advertising contracts, including the installation, construction and maintenance of OOH structures for an initial period of three (3) years which can be renewed if agreed by both parties. ROWs pertain to the OOH sites such as billboards, toll banners and traffic control gate, toll booth dress up, ATDM, roadside and lamp post banners, and pylons in certain locations as specified in the contract.

- In 2021, NLEX Corp. billed also NVC for the services rendered by Human Resources and Internal Audit with an annual service fee of ₱44.5 million, which is exclusive of the standard administrative fee of 10% and 12% VAT.

<u>Other Transactions</u>

- In 2021, the Company acquired from and transferred employees to its related parties. The entities agreed that there will be no break in service due to the transfer and that the liabilities pertaining to these employees will be transferred with no corresponding asset transfers. The net acquired/(released) obligation, as a result of this transfer, is reflected in the movement of defined benefit obligation and movement in the net liability/(asset) recognized in balance sheet.

  Acquisition of employees

Receiving company	Number of employees	DBO	Provision for sick leave
MPTNC	24	₱22,866,687	₱5,560,605
MPTMSI	13	2,867,104	2,250,863
MPTSMC	1	7,727	180,646
Total released		₱25,741,518	₱7,992,113

Transfer of employees

Receiving company	Number of employees	DBO	Provision for sick leave
NVC	93	₱34,368,269	₱1,598,518
MPTMSI	3	950,700	165,326
MPTSMC	1	944,585	3,579
CCLEC	1	540,233	4,620
Total released		₱36,803,787	₱1,772,043

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

	2021	2020
Short-term employee benefits	**₱170,527,709**	₱151,039,195
Retirement expense (see Note 25)	**8,260,941**	14,690,463
LTIP expense (see Note 25)	**–**	149,978,153
	₱178,788,650	₱315,707,811

- NLEX Corp. acts as a surety or co-obligor with certain NLEX Corp. 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 both in 2021 and 2020.

- The Company paid directors fees amounting to ₱2.4 million and ₱2.3 million for the years ended December 31, 2021 and 2020, respectively, recorded under "General and administrative expenses" account in the statements of income (see Note 24).

- Advances to officers and employees has an outstanding balance of ₱33.4 million and ₱41.2 million as at December 31, 2021 and 2020, respectively (see Note 8).

- The Company sold its investment in corporate notes of Meralco and PLDT amounting to ₱400.0 million in 2019.

Review and Approval of Related Party Transactions

The review and approval of related party transactions shall be subject to the review process to determine whether a related party transaction is on arm's length terms and is in the best interest of the Company and its shareholders as a whole. Related party transactions shall be reviewed and approved by the appropriate level of management depending on the approval threshold set by the Company.

19. Short-term Notes Payable and Long-term Debt

Short-term Notes Payable

Movement in the short-term notes payable as at December 31, 2020 are as follows:

Balance at beginning of year	₱–
Availments	5,012,000,000
Payments	(5,012,000,000)
Balance at end of year	₱–

On March 23, 2020, the Company availed 90-day and 180-day short-term loans from Rizal Commercial Banking Corporation (RCBC) in two tranches amounting to ₱2.012 billion and ₱2.0 billion, respectively, both with an annual interest rate of 5.0% and a maturity date of

June 22, 2020. These were also renewed in 2020 with maturity dates of September 23, 2020 and September 21, 2020, respectively. The proceeds were used to bridge finance the Company's capital expenditures.

The ₱2.0 billion short-term loan was paid on September 16, 2020 while the remaining loan was partially refinanced by a 60-day short-term facility ₱1.0 billion from Philippine National Bank (PNB) with an annual interest rate of 3.5% and a maturity date of November 17, 2020. As at December 31, 2020, all short-term loans were paid by the Company.

On March 28, 2019, NLEX Corp. availed a 180-day short-term loan from 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.

Interest expense from these short-term loans presented as part of "Interest expense and other finance costs" in the statement of income amounted to nil in 2021, ₱24.9 million in 2020 and ₱15.6 million in 2019. (see Note 28).

Long-term Debt

Movement in long-term debt as at December 31, 2021 and 2020 are as follows:

	2021	2020
Balance at beginning of year	**₱31,510,000,000**	₱26,870,000,000
Availments	**12,000,000,000**	5,000,000,000
Payments	**(7,995,000,000)**	(360,000,000)
Balance at end of year	**35,515,000,000**	31,510,000,000
Less current portion of long-term debt	**685,000,000**	5,935,000,000
	₱34,830,000,000	₱25,575,000,000

Long-term debt, net of unamortized debt issue costs, consists of:

	2021	2020
Peso-denominated Notes, Loans and Bonds:		
Corporate Notes	**₱16,915,000,000**	₱5,000,000,000
Term Loan Facilities	**10,000,000,000**	12,600,000,000
Fixed-rate Bonds	**8,600,000,000**	13,000,000,000
Series A Notes	–	910,000,000
	35,515,000,000	31,510,000,000
Less unamortized debt issue costs	**270,716,675**	188,920,018
	35,244,283,325	31,321,079,982
Less current portion of long-term debt - net of unamortized debt issue costs of ₱42,069,856 in 2021 and ₱25,651,165 in 2020, respectively	**642,930,144**	5,909,348,835
	₱34,601,353,181	₱25,411,731,147

The unamortized debt issue costs incurred in connection with the availment of long-term debt amounting to ₱270.7 million and ₱188.9 million as at December 31, 2021 and 2020, respectively, were deducted against the long-term debt.

The movements in debt issue costs are as follows:

	2021	2020
Balance at beginning of year	**₱188,920,018**	₱164,782,524
Debt issue costs incurred during the year	**137,754,568**	59,906,614
Amortization during the year* (see Notes 9 and 28)	**(55,957,911)**	(35,769,120)
Balance at end of year	**₱270,716,675**	₱188,920,018

**Includes amortization of debt issue costs capitalized to service concession assets amounting to ₱32,264,272 and ₱13,467,940 on December 31, 2021 and 2020, respectively.*

2020 Corporate Notes Facility

On November 4, 2020, the Company 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 7 years (Tranche A) and 10 years (Tranche B). The noteholders for Tranche A are China Banking Corporation (CBC), Development Bank of the Philippines, KEB Hana Bank Manila Branch, Land Bank of the Philippines (LBP), and The Insular Life Assurance Company, Ltd. while the noteholders for Tranche B are CBC, LBP, Sun Life of Canada (Philippines) Inc., and United Coconut Planters Bank. The initial drawdown was made on November 11, 2020 amounting to ₱5.0 billion, of which, ₱2.75 billion refers to Tranche A while ₱2.25 billion refers to Tranche B.

The applicable interest rate for the initial drawdown for Tranche A (7-year tranche) was 4.040% from Issue Date until the day immediately prior to second (2nd) anniversary of the Initial Issue Date while for Tranche B (10-year tranche) was 4.293% from Issue Date until the day immediately prior to fifth (5th) anniversary of the Initial Issue Date. Remaining drawdowns are scheduled within 2021. The proceeds will be primarily used to finance the NLEX Connector Road Project and other capital expenditures.

On March 26, 2021, NLEX Corp made the 2nd drawdown from its ₱20.0 billion Corporate Notes Facility amounting to ₱4.4 billion and ₱3.6 billion for Tranche A and B Facilities, respectively. The applicable interest rate for Tranche A Facility is 5.13% while for Tranche B Facility is 4.52%.

On June 21, 2021, NLEX Corp made its 3rd drawdown from the same Facility amounting to ₱1.1 billion and ₱0.9 billion for Tranche A and B Facilities, respectively. The applicable interest rate for Tranche A Facility is 4.58% while for Tranche B Facility is 4.29%.

On September 16, 2021, NLEX Corp made its 4th drawdown from the same Facility amounting to ₱1.1 billion and ₱0.9 billion for Tranche A and B Facilities, respectively. The applicable interest rate for Tranche A Facility is 4.64% while for Tranche B Facility is 4.29%.

Term Loan Facilities

BDO Unibank Inc. On September 19, 2019, the Company 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%.

On March 15 and September 10, 2021, the Company paid principal repayments totaling to ₱250 million.

Sun Life of Canada (Philippines), Inc. (Sun Life). On October 8, 2013, the Company entered into a Term Loan Facility Agreement with Sun Life for a fixed-rate loan amounting to ₱800.0 million payable in lump sum after 10 years. The fixed interest rate on the loan is 5.30% per annum. Debt issue costs incurred in the availment of the loan amounted to ₱6.5 million.

Insular. On November 26, 2013, the Company entered into Term Loan Facility Agreement with Insular for a ₱200.0 million fixed-rate loan payables in lump sum after 10 years. The fixed interest rate on the loan is 5.03% per annum. Debt issue costs incurred in the availment of the loan amounted to ₱1.6 million.

Philam. On December 5, 2013, the Company entered into a Term Loan Facility Agreement with Philam for a ₱1.0 billion fixed-rate loan payables in lump sum after 15 years. The fixed interest rate on the loan is 5.80% per annum. Debt issue costs incurred in the availment of the loan amounted to ₱8.2 million.

The loans availed from Sun Life, Insular and Philam in 2013 are intended to partially finance the Phase II expansion projects of the Company.

On December 15, 2021, the Company prepaid the ₱1.0 billion term loan facility with Philam.

Philippine National Bank (PNB). On December 4, 2015, the Company entered into a new ten-year term loan facility agreement with PNB for a facility amount of ₱5.0 billion to finance capital expenditures such as the NLEX Lane Widening Project, NLEX-SCTEX Integration Project and the upgrade of the SCTEX. On December 10, 2015, the Company made its initial drawdown amounting to ₱3.0 billion. Debt issue costs incurred on the initial drawdown amounted to ₱15.0 million.

On October 24, 2017, the Company made its second and final drawdown amounting to ₱2.0 billion. The Company paid ₱4.2 million in commitment fees for not being able to draw in accordance with the drawdown schedule. Total debt issue costs incurred on the second drawdown, including the commitment fees, amounted to ₱14.2 million. The Company paid ₱250.0 million on December 15, 2019 and December 14, 2020.

The applicable interest rate for each drawdown made until repricing date (which is December 15, 2020) shall be the higher of (i) 5-year Philippine Dealing System Treasury Reference Rate PM (PDST-R2) rate on the drawdown date plus a 1.0% per annum; and (ii) 5.0% per annum, which will be repriced after 5 years from drawdown date. On date immediately after the repricing date and until termination, the applicable interest rate shall be the higher of (i) 5-year PDST-R2 rate plus a 1.0% per annum; and (ii) weighted average of the applicable interest rate for each drawdown. The interest shall be payable semi-annually.

On December 15, 2021, the Company partially prepaid its term loan facility with PNB amounting to ₱1.0 billion as well as paid the principal repayment of ₱150 million for the 2015 drawdown and ₱100 million for the 2017 drawdown.

Unionbank of the Philippines (Unionbank). On January 29, 2016, the Company entered into a new ten-year term loan facility agreement with Unionbank for a facility amount of ₱5.0 billion to finance capital expenditures which include Segment 10 and its exit ramps and the NLEX-SLEX Connector Road. On February 3 and December 29, 2016, the Company made its initial and second drawdown amounting to ₱1.0 billion each. The undrawn amount will be available for drawing in one (1) or more availments on any banking day within one (1) year from July 24, 2015 with an extension period up to July 24, 2017, or such longer period as the parties may agree upon in writing. Total debt issue costs incurred on the initial and second drawdown amounted to ₱11.0 million.

On July 24, 2017, the Company opted not to extend the availability period of the undrawn amount of the term loan facility. On August 9, 2017, Unionbank, billed the Company for the commitment fee of ₱12.1 million which is equivalent to 0.25% per annum of the undrawn amount, computed from January 29, 2016 up to July 24, 2017. The Company paid ₱100.0 million on February 3, 2020 and 2021.

The applicable interest rate for the loan shall be 130 basis points plus the prevailing 10-year PDST-R2, provided that the applicable interest rate shall not be lower than 5% per annum. Interest payment shall be made quarterly until maturity date of February 3, 2026.

Fixed-rate Bonds
On March 31, 2014, the Company issued ₱4.4 billion principal amounts of fixed-rate bonds with terms of seven years at 5.07% per annum and ₱2.6 billion principal amounts of bonds with terms of ten years at 5.50% per annum, for public distribution and sale in the Philippines. Interest payments are payable quarterly in arrears on March 31, June 30, September 30 and December 31 starting on June 30, 2014. Total debt issue costs amounted to ₱76.0 million.The bonds will be payable with bullet payment at the end of 7-year/10-year maturity periods. The proceeds will be used by the Company to partially fund the construction cost of Segment 10, portion of Phase II of MNEP, which will connect the MacArthur Highway in Valenzuela City to C-3 Road in Caloocan City.

On July 4, 2018, the Company issued ₱4.0 billion fixed-rate bonds with term of seven years at 6.6407% per annum and ₱2.0 billion principal amounts of bonds with term of ten years at 6.90% per annum, for public distribution and sale in the Philippines. Interest payments are payable quarterly in arrears on July 4, October 4, January 4 and April 4, starting on October 4, 2018.

The bonds will be payable at the end of the seven-year and ten-year maturity periods on July 4, 2025 and July 4, 2028, respectively. The proceeds will be used by the Company to partially fund the construction cost of Segment 10 – C3-R10 Ramp Project, portion of Phase II of MNEP, which will connect the C-3 Road in Caloocan City to the R-10 in the Port area, and other general corporate purposes.

The bonds issued by the Company in 2014 and 2018 contain an early redemption option where the Company has the right, but not the obligation, to redeem in whole, and not in part, any series of the bonds before the relevant maturity dates. The early redemption option was assessed by the management as closely and clearly related to the host contract.

On maturity date, March 31, 2021, NLEX Corp paid the 7-year tranche of its fixed rate bonds issued on March 31, 2014, amounting to ₱4.4 billion.

Series A Notes
On April 15, 2011, the Company 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 5 years, 7 years and 10 years (“Series A Notes”). Weighted average fixed interest rate on the Series A Notes is 7.70% 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 ₱5.2 billion of Series A Notes with tenor of 7 years. Starting 2011, the Company paid ₱10.0 million every 15th day of March for the 10-year Series A Notes.

On April 19, 2021, the Company paid the remaining balance of Series A Notes amounting to ₱900.0 million. This amount is net of the annual principal repayment of ₱10.0 million every 15th of March.

Interest expense from these long-term loans presented as part of "Interest expense and other finance costs" in the statement of income amounted to ₱1,097.6 million in 2021, ₱960.0 million in 2020 and ₱658.3 million in 2019. (see Note 28).

Compliance with Loan Covenants
As at December 31, 2021 and 2020, the Company is compliant with the required financial ratios and other loan covenants (see Note 31). The Company's long-term debt is unsecured as at December 31, 2021 and 2020.

20. **Service Concession Fees Payable**

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

	Amount
At January 1, 2020	₱2,894,320,777
Accretion (see Note 9)	177,782,208
At December 31, 2020	3,072,102,985
Accretion (see Note 9)	201,657,770
At December 31, 2021	**₱3,273,760,755**

As discussed in Note 3, 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 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 as of December 31, 2021 and 2020.

21. **Equity**

Capital Stock
Details of common shares of the Company as at December 31, 2021 and 2020 follow:

Number of Shares	Number of Shares
Authorized - ₱100 par value	40,000,000
Issued and outstanding	18,786,000

In relation to the Merger with TMC, the Company issued 2.70 common shares of stocks for each stockholder of TMC, equivalent to a total of 1,026,000 common shares of stocks. The total value of the equity shares issued on the Effective Merger Date amounted to ₱6,318.8 million, resulting to an increase in additional paid-in capital as follows:

Total value of common shares issued	₱6,318,768,979
Par value of common shares issued	102,600,000
Additional paid-in capital	₱6,216,168,979

Cash Dividends
The Company's BOD declared the following cash dividends in 2021 and 2020:

Declaration Date	Record Date	Payment Date	Cash Dividend per Share	Total
December 16, 2021	**December 31, 2021**	**January 28, 2022**	**₱108.38**	**₱2,036,000,000**
July 28, 2021	**August 6, 2021**	**September 3, 2021**	**115.41**	**2,168,000,000**
December 16, 2020	December 28, 2020	January 22, 2021	101.14	1,900,000,000
July 29, 2020	August 8, 2020	September 4, 2020	56.85	1,068,000,000

Unpaid dividends of ₱2,036.0 million and ₱1,900.0 million as at December 31, 2021 and 2020, respectively, were subsequently paid in January of the following year.

Other Comprehensive Loss Reserve

	Financial Assets at FVOCI (see Note 14)	**Income Tax Related to Financial Assets at FVOCI** (see Notes 14 and 29)	**Re-measurement of Defined Benefit Plan** (see Note 25)	**Income Tax Related to Defined Benefit Plan** (see Note 29)	**Total**
Balance at January 1, 2021	**(₱3,855,000)**	**₱–**	**(₱128,101,640)**	**₱32,578,663**	**(₱99,377,977)**
Recycling to profit or loss (see Note 14)	**3,855,000**	**–**	**–**	**–**	**3,855,000**
Remeasurement loss (see Note 25)	**–**	**–**	**96,316,345**	**(52,877,945)**	**43,438,400**
Balance at December 31, 2021	**₱–**	**₱–**	**(₱31,785,295)**	**(20,299,282)**	**(₱52,084,577)**

	Financial Assets at FVOCI (see Note 14)	Income Tax Related to Financial Assets at FVOCI (see Notes 14 and 29)	Re-measurement of Defined Benefit Plan (see Note 25)	Income Tax Related to Defined Benefit Plan (see Note 29)	Total
Balance at January 1, 2020	(₱5,921,790)	₱97,029	(₱87,558,499)	₱20,415,721	(₱72,967,539)
Changes in fair value	2,085,726	(102,710)	–	–	1,983,016
Recycling to profit or loss	(18,936)	5,681	–	–	(13,255)
Remeasurement loss (see Note 25)	–	–	(40,543,141)	12,162,942	(28,380,199)
Balance at December 31, 2020	(₱3,855,000)	₱–	(₱128,101,640)	₱32,578,663	(₱99,377,977)

	Financial Assets at FVOCI (see Note 14)	Income Tax Related to Financial Assets at FVOCI (see Notes 14 and 29)	Re-measurement of Defined Benefit Plan (see Note 25)	Income Tax Related to Defined Benefit Plan (see Note 29)	Total
Balance at January 1, 2019	(₱103,572,531)	₱345,742	(₱3,497,315)	₱1,049,194	(₱105,674,910)
Changes in fair value	1,198,922	(248,713)	–	–	950,209
Recycling to profit or loss (see Note 14)	96,451,819	–	–	–	96,451,819
Remeasurement loss (see Note 25)	–	–	(84,061,184)	19,366,527	(64,694,657)
Balance at December 31, 2019	(₱5,921,790)	₱97,029	(₱87,558,499)	₱20,415,721	(₱72,967,539)

22. Non-toll Revenues

Details of non-toll revenues follow:

	2021	2020	2019
Income from TSF	**₱52,793,349**	₱38,122,146	₱62,998,505
Income from advertising (see Note 18)	**7,318,586**	72,688,119	134,830,214
Income from utility facilities (see Note 18)	**4,806,357**	3,656,112	3,331,260
	₱64,918,292	₱114,466,377	₱201,159,979

23. Cost of Services

This account consists of:

	2021	2020	2019
Concession fees (see Note 3)	**₱1,116,491,489**	₱897,756,312	₱1,299,401,377
Amortization of service concession assets (see Note 9)	**993,247,621**	758,828,876	973,802,211
Salaries and employee benefits (see Note 25)	**827,499,047**	654,525,167	635,768,576
PNCC fee (see Note 30)	**717,652,419**	533,686,925	732,735,422
Outside services (see Note 18)	**649,724,736**	449,198,301	361,424,252
Repairs and maintenance (see Note 18)	**283,270,410**	317,765,485	396,059,541
Provision for heavy maintenance (see Note 17)	**208,948,438**	310,938,391	307,482,580
Insurance	**139,550,624**	121,321,963	91,035,879
Light and water (see Note 18)	**94,332,958**	73,766,905	91,219,807
Depreciation of property and equipment (see Note 10)	**82,174,075**	83,166,607	89,653,518
Fuel and oil (see Note 18)	**67,025,195**	48,774,499	70,379,067
Advertising and promotions (see Note 18)	**27,166,348**	102,108,801	18,979,746
TRB Fee	**23,384,912**	21,464,545	31,499,130
Provisions (see Note 17)	**22,921,499**	16,227,568	–
Toll collection and medical services	**15,650,933**	18,261,426	22,112,278
Professional fee	**13,279,981**	10,449,142	36,670,994
Amortization of other intangible assets (see Note 11)	**7,819,546**	610,449	269,598
Others (see Note 18)	**71,562,941**	148,365,212	134,465,200
	₱5,361,703,172	₱4,567,216,574	₱5,292,959,176

24. General and Administrative Expenses

This account consists of:

	2021	2020	2019
Salaries and employee benefits (see Note 25)	**₱261,536,035**	₱434,766,529	₱279,379,390
Management fees (see Note 18)	**187,281,033**	59,300,115	129,083,520
Professional fees (see Note 18)	**160,425,736**	93,468,983	43,520,717
Taxes and licenses	**84,975,740**	114,490,964	86,893,601
Advertising and marketing expenses (see Note 18)	**50,586,814**	44,062,009	170,723,884
Depreciation of property and equipment (see Note 10)	**32,064,076**	40,690,486	48,078,469
Provisions (see Note 17)	**30,327,596**	23,641,520	22,689,715
Provision for non-recoverability of advances (see Note 15)	**26,699,594**	–	–
Repairs and maintenance (see Note 18)	**24,080,943**	13,057,527	4,022,371
Outside services (see Note 18)	**16,990,927**	32,813,447	28,452,806
Representation and travel (see Note 18)	**11,057,192**	18,122,087	29,934,554
Office supplies	**8,305,181**	9,726,355	10,648,387
Decline in value of inventories	**4,131,399**	5,508,533	223,201

(Forward)

	2021	2020	2019
Rentals	**₱3,487,638**	₱1,738,128	₱2,127,168
Communication, light and water (see Note 18)	**2,507,065**	3,405,191	4,626,978
Directors' fees (see Note 18)	**2,420,000**	2,300,000	1,004,000
Training and development costs	**2,073,378**	3,697,320	15,675,678
Provision for doubtful accounts (see Note 8)	**1,733,734**	7,876,280	7,609,403
Amortization of other intangible assets (see Note 11)	**1,520,366**	361,650	2,555,918
Provision for unclaimable input VAT (see Note 15)	**–**	–	2,423,895
Miscellaneous	**47,938,812**	4,090,819	5,098,705
	₱960,143,259	₱913,117,943	₱894,772,360

25. **Personnel Cost and Employee Benefits**

This account consists of:

	2021	2020	2019
Salaries expense	**₱923,704,190**	₱703,443,386	₱627,799,140
Retirement expense	**36,005,000**	82,906,207	52,110,683
LTIP	**–**	149,978,153	69,492,087
Other employee benefits	**148,675,434**	152,963,950	165,746,056
	₱1,108,384,624	₱1,089,291,696	₱915,147,966
Retirement income	**₱2,237,376**	₱–	₱–
Cost of services (see Note 23)	**₱827,499,047**	₱654,525,167	₱635,768,576
General and administrative expenses (see Note 24)	**280,885,577**	434,766,529	279,379,390
	₱1,108,384,624	₱1,089,291,696	₱915,147,966

LTIP

On April 27, 2012, the MPTC'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. 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 started to accrue for the LTIP of MPTC Group which is assumed to be effective January 1, 2018. The LTIP for key executives of the Company, which is fixed upon achievement of the cumulative target core income, was intended for the Performance Cycle 2018-2020, with additional benefit for consistently meeting annual core income targets. Non-achievement of the cumulative targets will result to non-payment of the LTIP benefit for the performance cycle.

In 2020, the MPTC Group was not able to achieve the necessary core income to fulfill the cumulative core income target for the LTIP cycle but there were informal discussions to replace in the cycle 2020 with 2021.

As at December 31, 2021, the MPTC BOD has not yet approved the extension or any amendment of the LTIP.

Total amount of LTIP under this Plan is fixed upon achievement of the target Core Income and is not affected by changes in future salaries of the employees covered. The long-term employee benefit liability comprises the present value of the defined benefit obligation (using discount rate based on government bonds) at the end of the reporting period.

The total cost of the LTIP recognized by the Company for the year ended December 31, 2021, 2020 and 2019 included in “Salaries and employee benefits” account under “General and administrative expenses” in the statements of income amounted to nil, ₱150.0 million and ₱69.5 million, respectively. Total long-term incentive plan payable amounted to ₱286.1 million and ₱305.5 million as at December 31, 2021 and 2020, respectively.

Retirement Costs

Defined Benefit Plan. The Company has a funded noncontributory defined benefit retirement plan covering all of its regular and permanent employees. The plan provides for a lump sum benefit payment upon retirement. Contributions and costs are determined in accordance with the actuarial study made for the plan which is normally obtained every two years. The most recent actuarial valuation of plan assets and the present value of the defined benefit obligation was carried out as at December 31, 2021 by a certified actuary.

The funds are administered by a trustee bank. Subject to the specific instructions provided by Company in writing, the Company directs the trustee bank 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.

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.

Changes in pension liability in 2021 are as follows:

	Present Value of Defined Benefit Obligation	**Fair Value of Plan Assets**	**Pension Liability**
At January 1, 2021	**(₱606,513,176)**	**₱433,296,627**	**(₱173,216,549)**
Net benefit income (cost) in statement of income:			
Current service cost	**(56,345,938)**	**–**	**(56,345,938)**
Past service cost	**64,287,368**	**–**	**64,287,368**
Net interest	**(22,861,821)**	**17,157,767**	**(5,704,054)**
	(14,920,391)	**17,157,767**	**2,237,376**
Benefits paid	**86,049,389**	**(86,049,389)**	**–**
Net acquired obligation due to employee transfer (see Note 18)	**11,062,270**	**–**	**11,062,270**
Remeasurement loss in other comprehensive income (see Note 21):			
Return on plan assets (excluding amount included in net interest)	**–**	**(9,829,136)**	**(9,829,136)**
Actuarial changes arising from changes in financial assumptions	**138,462,744**	**–**	**138,462,744**
Actuarial changes due to experience adjustment	**(32,317,263)**	**–**	**(32,317,263)**
	106,145,481	**(9,829,136)**	**96,316,345**
Contribution	**–**	**23,702,997**	**23,702,997**
At December 31, 2021	**(₱418,176,427)**	**₱378,278,866**	**(₱39,897,561)**

Changes in pension liability in 2020 are as follows:

	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Pension Liability
At January 1, 2020	(₱467,236,425)	₱371,649,141	(₱95,587,284)
Net benefit income (cost) in statement of income:			
Current service cost	(46,708,418)	–	(46,708,418)
Past service cost	(31,035,304)	–	(31,035,304)
Net interest	(24,201,653)	19,039,168	(5,162,485)
	(101,945,375)	19,039,168	(82,906,207)
Benefits paid	6,700,815	(6,700,815)	–
Remeasurement loss in other comprehensive income (see Note 21):			
Return on plan assets (excluding amount included in net interest)	–	3,489,050	3,489,050
Actuarial changes arising from changes in financial assumptions	(61,344,464)	–	(61,344,464)
Actuarial changes due to experience adjustment	2,697,483	–	2,697,483
Actuarial changes arising from changes in demographic assumptions	14,614,790	–	14,614,790
	(44,032,191)	3,489,050	(40,543,141)
Contribution	–	45,820,083	45,820,083
At December 31, 2020	(₱606,513,176)	₱433,296,627	(₱173,216,549)

Changes in pension liability in 2019 are as follows:

	Present Value of Defined Benefit Obligation	Fair Value of Plan Assets	Pension Liability
At January 1, 2019	(₱303,569,422)	₱283,406,735	(₱20,162,687)
Net benefit income (cost) in statement of income:			
Current service cost	(37,871,629)	–	(37,871,629)
Past service cost	(9,822,360)	–	(9,822,360)
Net interest	(26,092,567)	22,459,382	(3,633,185)
	(73,786,556)	22,459,382	(51,327,174)
Benefits paid	18,945,515	(18,945,515)	–
Remeasurement loss in other comprehensive income (see Note 21):			
Return on plan assets (excluding amount included in net interest)	–	24,764,778	24,764,778
Actuarial changes arising from changes in financial assumptions	(116,532,318)	–	(116,532,318)
Actuarial changes due to experience adjustment	4,292,950	–	4,292,950
Actuarial changes arising from changes in demographic assumptions	3,413,406	–	3,413,406
	(108,825,962)	24,764,778	(84,061,184)
Contribution	–	59,963,761	59,963,761
At December 31, 2020	(₱467,236,425)	₱371,649,141	(₱95,587,284)

In 2021, approximately 24% of the employees were involuntarily separated due to the implementation of RFID in toll plazas and transfer of employees to and from the Company's related parties (see Note 18). The settlement loss, as a result of this event, is reflected in the retirement expense as credit to past service cost.

Defined benefit obligation of involuntarily separated employees	₱86,754,776
Amount of benefits paid	(22,467,408)
Credit to past service cost due to effect of curtailment	₱64,287,368

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 ₱7.3 million and ₱22.5 million on December 31, 2021 and 2020, respectively.

The Company expects to contribute ₱39.1 million in 2022.

The major categories of plan assets as a percentage of the fair value of total plan assets follow:

	2021		2020	
	Amount	**Percentage**	Amount	Percentage
Investments in:				
Government securities	**₱243,717,815**	**64.37%**	₱333,725,063	77.02%
Debt securities	**43,173,045**	**11.40%**	50,912,354	11.75%
Equity securities	**78,476,010**	**20.73%**	42,939,696	9.91%
UITFs	**11,569,738**	**3.06%**	1,516,538	0.35%
Cash and cash equivalents	**22,905**	**0.01%**	1,429,879	0.33%
Receivables and others	**1,665,353**	**0.44%**	2,773,097	0.64%
	₱378,624,866	**100.00%**	₱433,296,627	100.00%

The plan asset's carrying amount approximates its fair value since these are short-term in nature or marked-to-market.

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 1.93% to 8.63% per annum and have maturities from 2022 to 2027.
- Investments in debt instruments consist of quoted, unsecured, long-term corporate bonds and subordinated notes in holding firms, banks, real estate, telecommunications and infrastructure companies, which bear interest ranging from 2.47% to 8.01% per annum and have maturities from 2022 to 2028.
- Investment in equity securities consist of non-voting perpetual preferred shares in holding firms, infrastructure companies, banks, telecommunications, real estate, casinos and gaming, retail, and mining industries. Loss on change in the fair value of the equity securities amounted to ₱1.7 million and ₱5.87 million in 2021 and 2020.
- As at December 31, 2021 and 2020, cash and cash equivalents include regular savings, time deposits and special savings deposit, which bear interest of 0.01% per annum.
- 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 latest actuarial valuation of the Company is as at December 31, 2021.

The principal assumptions used to determine accrued retirement costs as at December 31, 2021 and 2020 are as follows:

	2021	2020
Discount rate	**5.05%**	3.94%
Salary increase rate	**5.00%**	7.00%

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, 2021 and 2020 assuming if all other assumptions were held constant:

			Amount
Discount rate			
2021	**(Actual + 1.00%)**	**6.05%**	**(₱386,386,937)**
	(Actual - 1.00%)	**4.05%**	**454,998,160**
2020	(Actual + 1.00%)	4.94%	(₱542,513,411)
	(Actual - 1.00%)	2.94%	682,926,656
Salary increase rate			
2021	**(Actual + 1.00%)**	**6.00%**	**₱456,710,237**
	(Actual - 1.00%)	**4.00%**	**(384,333,818)**
2020	(Actual + 1.00%)	8.00%	₱682,750,158
	(Actual - 1.00%)	6.00%	(541,290,328)

The management performed an Asset-Liability Matching Study (ALM) 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 99.99% of debt and other instruments and 0.01% cash.

The average duration of the defined benefit obligation as at December 31, 2021 and 2020 is 17 years and 21 years, respectively.

Shown below is the maturity analysis of the undiscounted benefit payments:

	2021	2020
Less than 1 year	**₱67,371,723**	₱52,527,805
More than 1 year to 5 years	**116,797,733**	122,132,093
More than 5 years to 10 years	**263,887,649**	314,294,250
More than 10 years to 15 years	**242,574,259**	329,182,758
More than 15 years to 20 years	**280,361,197**	546,910,737
More than 20 years	**656,783,261**	1,601,354,904

Defined Contribution Plan. The Company also has a funded, contributory defined contribution plan covering all of its regular and full-time employees. The plan provides for retirement benefit payment equal to the accumulated fund in the hands of the trustee. The Company made contributions to the plan amounting to ₱29.0 million and ₱2.1 million for the period ended December 31, 2021 and 2020, respectively.

Employee Leave Entitlements

This pertains to the accumulated sick leave entitlement benefits to employees of the Company.

Changes in accrued leaves payable are as follows:

	2021	2020
At January 1	**(₱88,826,671)**	(₱51,294,780)
Net benefit cost in statements of income (see Note 23 and 24):		
Current service cost	**(13,187,923)**	(30,113,104)
Past service cost	**8,768,493**	–
Net interest	**(3,313,235)**	(2,421,114)
Remeasurement (gain) loss	**29,561,911**	(6,041,668)
	21,829,246	(38,575,886)
Benefits paid	**10,560,173**	1,043,995
Net released obligation due to employee transfers (see Note 18)	**(6,220,070)**	–
At December 31	**(62,657,322)**	(88,826,671)
Current portion	**(6,952,939)**	(4,272,650)
Non-current portion	**(₱55,704,383)**	(₱84,554,021)

The principal actuarial assumptions used in determining the liabilities for accumulated sick leave entitlement benefits of the Company as at December 31, 2021 and 2020 are as follows:

	2021	2020
Discount rate	**4.90%**	3.73%
Salary increase rate	**5.00%**	7.00%

The latest actuarial valuation study of the accumulated sick leave entitlement of the Company were made as at December 31, 2021.

The accumulated sick leave entitlement benefits are recorded in the "Provisions" account in the statements of financial position as at December 31, 2021 and 2020 amounted to ₱62.7 million and ₱88.8 million, respectively.

Other Employee Benefits

Other employee benefits pertain to contributions to government agencies such as Social Security System, Pag-IBIG and Philippine Health Insurance Corporation, insurance, and allowance for rice, uniforms and recreational activities.

26. **Share-based Payment Plan**

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 Philippine Stock Exchange (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 Group (includes the Company). Of the total shares granted, 14,000,000 common shares were allocated to MPTC Group. The stock options will expire on October 15, 2018. With respect to the stock options granted to MPIC subsidiaries, said stock options will vest as follows: 50% on October 14, 2014 and 50% 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 or directors from exercising the option. Hence, the exercise period was extended by the MPIC's Compensation Committee to October 14, 2019.

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

	2013 Grant	
	Number of Shares	Exercise Price
Outstanding at January 1, 2019	4,000,000	₱4.60
Exercised in 2019	–	4.60
Expired in 2019	(4,000,000)	4.60
Outstanding at December 31, 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.

As at December 31, 2019, all of the share options expired.

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

	50% Vesting on October 14, 2014	50% Vesting 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.*

In 2021, the carrying value of the ESOP was reclassified to retained earnings. Carrying value of the ESOP, recognized under "Other reserve" in the statement of financial position and the statement of changes in equity, amounted to nil, ₱13.0 million and ₱13.0 million as of December 31, 2021, 2020 and 2019, respectively.

27. Interest Income

Sources of interest income follow:

	2021	2020	2019
Cash and cash equivalents (see Note 7)	**₱28,070,672**	₱23,820,410	₱34,838,572
Investment in bonds and treasury notes (see Note 14)	**1,770,833**	4,865,224	28,662,806
Others	**–**	155,864	715,195
	₱29,841,505	₱28,841,498	₱64,216,573

Interest income earned for borrowings temporarily invested pending their expenditure that was deducted from borrowing costs incurred amounted to ₱10.3 million, ₱27.1 million, and ₱11.8 million as at 2021, 2020, and 2019, respectively (see Note 9).

28. Interest Expense and Other Finance Costs

Sources of interest expense and other finance costs follow:

	2021	2020	2019
Interest expense on:			
Loans (see Note 19)	**₱1,097,605,618**	₱984,920,861	₱673,942,568
Provision for heavy maintenance (see Note 17)	**29,478,696**	8,872,050	11,572,488
Finance costs:			
Amortization of debt issue costs (see Note 19)	**23,693,639**	22,301,180	15,215,911
Lenders' fees	**37,543,522**	5,344,453	4,848,216
Bank charges	**223,720**	308,925	1,278,618
	₱1,188,545,195	₱1,021,747,469	₱706,857,801

Interest expense and other finance costs capitalized as service concession assets amounted to ₱703.7 million, ₱700.3 million and 659.3 million as at 2021, 2020 and 2019, respectively (see Note 9).

29. Income Taxes

Corporate Recovery and Tax Incentive for Enterprise Act (CREATE)

President Rodrigo Duterte signed into law on March 26, 2021 the CREATE Act to attract more investments and maintain fiscal prudence and stability in the Philippines. Republic Act (RA) 11534 or the CREATE Act introduces reforms to the corporate income tax and incentives systems. It takes effect 15 days after its complete publication in the Official Gazette or in a newspaper of general circulation or April 11, 2021.

The following are the key changes to the Philippine tax law pursuant to the CREATE Act which have an impact on the Company:

- Effective July 1, 2020, RCIT rate is reduced from 30% to 25% for domestic corporations. For domestic corporations with net taxable income not exceeding ₱5,000,000 and with total assets not exceeding ₱100,000,000 (excluding land on which the business entity's office, plant and equipment are situated) during the taxable year, the RCIT rate is reduced to 20%.

- MCIT rate reduced from 2% to 1% of gross income effective July 1, 2020 to June 30, 2023.

- Imposition of improperly accumulated earnings taxes (IAET) is repealed.

The provisions for (benefit from) income tax for years ended December 31, 2021, 2020 and 2019 are as follows:

	2021	2020	2019
Current:			
Regular corporate income tax	**₱1,344,063,724**	₱1,217,703,954	₱1,786,971,767
Effect of CREATE law	**(99,025,330)**	–	–
Final tax on interest income from banks	**5,961,211**	5,626,841	12,660,521
	1,250,999,605	1,223,330,795	1,799,632,288
Deferred:			
Provision for (benefit from) deferred income tax	**(200,545,475)**	(59,565,315)	28,091,787
Effect of CREATE law	**(85,156,424)**	–	–
	(285,701,899)	(59,565,315)	28,091,787
	₱965,297,706	₱1,163,765,480	₱1,827,724,075

The components of the Company's deferred tax assets and deferred tax liabilities are as follows:

	2021	2020
Deferred tax assets:		
Service concession fees payable	**₱491,064,113**	₱921,630,895
Provision for heavy maintenance	**92,281,024**	138,282,901
Accrued expenses and provisions	**17,241,477**	26,648,001
Pension liability	**4,767,794**	51,964,965
Allowance for doubtful accounts	–	14,474,741
Unamortized past service cost	–	11,933,733
	605,354,408	1,164,935,236
Deferred tax liabilities:		
Present value of concession fee payable capitalized as service concession asset	**(491,064,113)**	(921,630,895)
Difference in amortization of service concession assets	**(346,582,324)**	(700,441,848)
Unamortized realized foreign exchange losses capitalized	**(7,124,691)**	(15,139,968)
Unrealized foreign exchange gain	**(264,357)**	(216,962)
Fair value changes on investments in UITF	**(3,021)**	(13,615)
	(845,038,506)	(1,637,443,288)
Deferred tax liabilities – net	**(₱239,684,098)**	(₱472,508,052)

For tax purposes, the Company used the UOP method of amortization for the civil works component of the service concession assets as approved by the BIR.

The reconciliation of provision for income tax computed at the statutory income tax rate to provision for income tax as shown in the statements of income is summarized as follows:

	2021	2020	2019
Income before income tax	₱6,884,149,325	₱4,768,095,299	₱8,443,075,629
Income tax computed at statutory tax rates of:			
25%	1,721,037,331	–	–
30%	–	1,430,428,590	2,532,922,689
Add (deduct) the tax effects of:			
Optional standard deduction	(385,439,025)	(240,138,639)	(703,443,878)
Change in deduction method	(184,619,681)	–	–
CREATE law	(184,181,754)	–	–
Interest income already subjected to final tax	(7,460,376)	(8,605,690)	(19,050,413)
Nondeductible expenses (nontaxable income)	–	(52,945,622)	4,635,156
Final tax on interest income	5,961,211	5,626,841	12,660,521
Capital gains tax	–	29,400,000	–
Provision for income tax	₱965,297,706	₱1,163,765,480	₱1,827,724,075

On December 18, 2008, the BIR issued Revenue Regulations (RR) No. 16-2008, which implemented the provisions of RA No. 9504 on Optional Standard Deduction (OSD), which allowed both individual and corporate taxpayers 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.

The Company opted to avail of the OSD for the taxable years 2021 and 2020.

The reconciliation of net deferred tax liabilities is summarized as follows:

	2021	2020	2019
Balance at beginning of year	**₱472,508,052**	₱544,139,280	₱535,165,307
Provision for (benefit from) deferred income tax during the year recognized in the statements of income	**(200,545,475)**	(59,565,315)	28,091,787
Effect of CREATE law	**(85,156,424)**	–	–
Income tax effect of remeasurement gain (loss) during the year recognized in the statements of comprehensive income (see Note 21)	**52,877,945**	(12,065,913)	(19,117,814)
Balance at end of year	**₱239,684,098**	₱472,508,052	₱544,139,280

30. **Significant Contracts and Commitment**

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, the Company received a letter from the TRB dated November 30, 2010, citing a decision of the Supreme Court (SC) dated October 19, 2010 directing the Company 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 MNEP. 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 the Company 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, 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 are to be remitted to the TRB, while the balance of 10% to PNCC.

The Company recorded PNCC fee amounting to ₱717.7 million, ₱533.7 million and ₱732.7 million for the years ended December 31, 2021, 2020 and 2019, respectively (see Note 23).

Construction of Segment 10, part of Phase II of the Project

On April 28, 2014, the Company 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 are 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, the Company issued the NTP to LCAL, signaling the start of the pre-construction activities. Pursuant to the contract, the Company placed a reserve amount of ₱889.0 million in an escrow account on July 28, 2014, which was recognized under "Other noncurrent assets" account, to cover payment default leading to suspension of works.

On January 12, 2017, pursuant to the escrow agreement, the Company 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 kilometer fully-elevated segment was completed on February 28, 2019, and officially opened to the public on March 1, 2019.

As at December 31, 2019, the balance of the escrow account was already released and used to pay the gain share of Leighton Contractors Asia Limited.

NLEX Harbor Link Segment C3-R10 Port Extension
On June 15, 2020, the Company 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.

NLEX Harbor Link Port Extension to Anda Circle Project
On October 19, 2020, the recommendation of the Department of Public Works and Highways (DPWH) to Toll Regulatory Board (TRB) to implement the proposed Harbor Link Port Extension to Anda Circle Project of the Company has been approved. This project will be within the scope of the existing NLEX concession. The Company 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 December 31, 2021, the Company is still waiting for the approval of the project's investment scheme by TRB.

NLEX Widening Project
On March 2, 2016, the Company 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 MNEP (from Sta. Rita to San Fernando), and the expansion of the carriageway in Segment 3, portion of Phase 1 of MNEP (from Dau to Sta. Ines) from one-by-two to two-by-two lanes. It also covers the lane configuration of Candaba Viaduct from 2 to 3 lanes. The total project cost including civil works, independent design checking services, detailed engineering design and financing cost amounted to ₱2.6 billion, exclusive of VAT, for both Segment 2 and Segment 3. On December 2, 2016, the Segment 3 of the NLEX widening project has started commercial operations. Segment 2 of the NLEX widening project was completed and opened for public use 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. Subsequently, the expanded SFEX was fully opened to the public on February 19, 2021.

Construction of NLEX-SLEX Connector Road
On November 5, 2019, the Company 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 to España Boulevard section.

On December 1, 2021, the Company awarded a ₱4.2 billion contract to China Road and Bridge Corporation for the construction of the second section of the Connector Road. The contract covers the main civil works for the España Boulevard to Sta. Mesa section.

The project will utilize portions of the existing right of way of the Philippine National Railways (PNR).

As at March 21, 2022, the construction of NLEX-SLEX Connector Road Sections 1 and 2 is on-going.

Toll Collection Interoperability Agreement
On September 15, 2017, the Company, together with San Miguel Holdings Corporation, Private Infra Development Corporation, Citra Metro Manila Tollways Corporation, 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, MPTC, CIC, MHI, BCDA, Ayala Corporation, MCX Tollway, Inc., Department of Transportation (DOTr), 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 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. As at December 31 2021, the implementation is still in the works.

Traffic Management Memorandum of Agreement
On January 18, 2006, the Company, DPWH and the City of Valenzuela entered into a memorandum of agreement to develop a traffic engineering management plan in coordination and cooperation with other government agencies and local government units and to address traffic build-up and congestion within the Valenzuela interchange. Under the MOA, DPWH shall improve pavements and construct road widening while the Company and Valenzuela City shall implement measures such as improvement of pedestrian barriers, crossing markings and road signs, deployment of traffic enforcers, clearing of sidewalks.

On July 9, 2019, the Company renewed its agreement with City Government of San Fernando, Pampanga. Under the agreement, both parties shall adopt and execute the agreed traffic management plan to address the traffic situation within the territorial jurisdiction of San Fernando, Pampanga

On June 29, 2020, the Company renewed its memorandum of agreement with City Government of Meycauayan to address the traffic situation within the territorial jurisdiction of Meycauayan City.

On November 23, 2020, the officials of the Company and City of Angeles Pampanga entered into a memorandum of agreement 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.

31. **Financial Risk Management Objectives and Policies**

The Company's principal financial instruments comprise long-term debt, proceeds of which were used to finance the construction of the service concession assets. The Company has various other financial instruments such as cash and cash equivalents, receivables from trade debtors, payables to trade creditors, which arise directly from its operations, and dividends payable. The Company also holds financial assets at FVTPL and financial assets at FVOCI.

The main risks arising from the Company's financial instruments are interest rate, credit, foreign currency and liquidity risks 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 is not significantly exposed to interest rate risk since the Company's interest-bearing financial instruments, particularly its short-term notes payable and long-term debt, bears fixed interest rates as at December 31, 2021 and 2020.

The following tables set out the principal amount, by maturity, of the Company's interest-bearing financial assets and liabilities (amounts in thousands):

		December 31, 2021				
	Interest Rate	**Within 1 Year ('000)**	**More than 1 Year to 3 Years ('000)**	**More than 3 Years to 5 Years ('000)**	**More than 5 Years ('000)**	**Total ('000)**
Financial assets at amortized cost						
Cash and cash equivalents[(a)]	**0.10%–3.75%**	**₱3,824,198**	**₱–**	**₱–**	**₱–**	**₱3,824,198**
Financial Liabilities at Amortized Cost						
Fixed-rate loans:						
Term-loan facility	**4.73%−5.80%**	**₱600,000**	**₱2,950,000**	**₱2,950,000**	**₱3,500,000**	**₱10,000,000**
Corporate Notes	**4.04%-4.293%**	**85,000**	**3,855,600**	**3,855,600**	**9,118,800**	**16,915,000**
Fixed-rate bonds	**5.07%−6.90%**		**2,600,000**	**4,000,000**	**2,000,000**	**8,600,000**
		₱685,000	**₱9,405,600**	**₱10,805,600**	**₱14,618,800**	**₱35,515,000**

[(a)] Excluding cash on hand of ₱31.35 million

		December 31, 2020				
	Interest Rate	Within 1 Year ('000)	More than 1 Year to 3 Years ('000)	More than 1 year to 5 Years ('000)	More than 5 Years ('000)	Total ('000)
Financial assets at amortized cost						
Cash and cash equivalents[(a)]	0.10%–3.75%	₱2,342,450	₱–	₱–	₱–	₱2,342,450
Financial assets at FVOCI						
Financial assets at FVOCI	4.25%	50,000	–	–	–	50,000
		₱2,392,450	₱–	₱–	₱–	₱2,392,450
Financial Liabilities at Amortized Cost						
Fixed-rate loans:						
Series A-10	7.70%	₱910,000	₱–	₱–	₱–	₱910,000
Term-loan facility	4.73%−5.80%	600,000	2,200,000	3,950,000	5,850,000	12,600,000
Corporate Notes	4.04%-4.293%	25,000	592,000	1,134,000	3,249,000	5,000,000
Fixed-rate bonds	5.07%−6.90%	4,400,000	–	6,600,000	2,000,000	13,000,000
		₱5,935,000	₱2,792,000	₱11,684,000	₱11,099,000	₱31,510,000

(a) Excluding cash on hand of ₱0.9 million

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.

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) 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 repay or refinance the loan.

The table below 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 statement of income:

	Increase/Decrease in Basis Points	Effect on Income Before Income Tax
2021	**+50**	**(₱62,375,000)**
	-50	**62,375,000**
2020	+50	(₱70,000,000)
	-50	70,000,000

Credit Risk

Credit risk is the risk that the Company will incur a 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 ESC when Easytrip tag-motorists ply in NLEX and those non-toll revenues in the form of advertising services particularly from Smart. ESC, Smart and TMC are considered as low-risk counterparties as these are well-established companies. Moreover, the Company has payment obligations to TMC which far exceed the aggregate amounts of receivables. 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 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.

	2021	2020
Financial assets at amortized cost:		
Cash and cash equivalents[a]	**₱3,824,197,943**	₱2,342,450,499
Receivables[b]	**869,863,979**	1,208,377,066
Financial assets at FVOCI -		
Financial assets at FVOCI	–	46,145,000
Total credit risk exposure	**₱4,694,061,922**	₱3,596,972,565

[a] *Excluding cash on hand.*
[b] *Excluding advances to officers and employees.*
[c] *Included in "Other current assets" account in the statements of financial position.*

Cash and cash equivalents and financial assets at FVOCI are placed with reputable local and international banks and companies and Philippine Government which meet the standards of the Company's BOD.

The financial assets, except for trade receivables, are grouped according to stage whose description is explained as follows:

Stage 1 - those that are considered current and up to 30 days past due, and based on change in rating, delinquencies and payment history, do not demonstrate significant increase in credit risk.

Stage 2 - those that, based on change in rating, delinquencies and payment history, demonstrate significant increase in credit risk, and/or are considered more than 30 days past due but does not demonstrate objective evidence of impairment as of reporting date.

Stage 3 - those that are considered in default or demonstrate objective evidence of impairment as of reporting date.

The table below shows determination of ECL stage of the Company's financial assets:

	2021			
	ECL Staging			
	Stage 1	**Stage 2**	**Stage 3**	
	12-month ECL	**Lifetime ECL**	**Lifetime ECL**	**Total**
Financial Assets at Amortized Cost				
Cash and cash equivalents[a]	**₱3,824,197,943**	**₱–**	**₱–**	**₱3,824,197,943**
Receivables:				
Trade receivables	**418,471,024**	**–**	**–**	**418,471,024**
Advances to DPWH	**119,763,880**	**–**	**–**	**119,763,880**
Interest receivables	**8,752,149**	**–**	**–**	**8,752,149**
Due from related parties	**13,044,163**	**–**	**–**	**13,044,163**
Receivable from motorist:				
Neither past due nor impaired	**60,350,351**			**60,350,351**
High grade	**–**	**–**	**–**	
Past due and impaired	**–**	**–**	**30,672,291**	**30,672,291**
Other receivables	**85,219,186**	**–**	**–**	**85,219,186**
Gross Carrying Amount	**₱4,529,798,696**	**₱–**	**₱30,672,291**	**₱4,560,470,987**

(a) *Excluding cash on hand of ₱31,354,315 as at December 31, 2021.*

	2020			
	ECL Staging			
	Stage 1	Stage 2	Stage 3	
	12-month ECL	Lifetime ECL	Lifetime ECL	Total
Financial Assets at Amortized Cost				
Cash and cash equivalents[a]	₱2,342,450,499	₱–	₱–	₱2,342,450,499
Receivables:				
Trade receivables	236,135,466	–	5,926,270	242,061,736
Advances to DPWH	133,126,581	–	–	133,126,581
Interest receivables	8,793,310	–	–	8,793,310
Due from related parties	770,361,074	–	–	770,361,074
Receivable from motorist:				
Neither past due nor impaired				
High grade	30,666,964	–	–	30,666,964
Past due and impaired		–	36,270,066	36,270,066
Other receivables	29,293,671	–		29,293,671
Financial assets at FVOCI	46,145,000	–	–	46,145,000
Gross Carrying Amount	₱3,596,972,565	₱–	₱42,196,336	₱3,639,168,901

[a] *Excluding cash on hand of ₱925,565 as at December 31, 2020.*

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.

Management has assessed that trade receivables which are above 30 days past due have no significant increase in credit risk based on the historical collection experience of the Company from its customers.

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. As at December 31, 2021 and 2020, the Company is not significantly exposed to foreign currency risk. The minimal exposure to foreign currency risk relates to the Company's foreign currency denominated cash and cash equivalents and accounts payables as at December 31, 2021 and 2020.

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 arranged additional short-term lines to boost its ability to meet short-term liquidity needs. The Company has short-term credit lines amounting to ₱16,600.0 million and ₱16,500.0 million as at December 31, 2021 and 2020, respectively, and cash and cash equivalents amounting to ₱3,855.6 million and ₱2,343.4 million as at December 31, 2021 and 2020, respectively, that are allocated to meet the Company's short-term liquidity needs.

The tables below summarize the maturity profile of the Company's financial assets and financial liabilities as at December 31, 2021 and 2020 based on undiscounted payments:

	December 31, 2021				
	Within the Year	**More than 1–2 Years**	**More than 2–5 Years**	**More than 5 Years**	**Total**
Financial Assets at Amortized Cost					
Cash and cash equivalents	**₱3,855,552,258**	**₱–**	**₱–**	**₱–**	**₱3,855,552,258**
Receivables[a]		–	–	–	
Financial Assets at FVTPL					
Investments in UITFs	**2,156,378**	–	–	–	**2,156,378**
	₱3,857,708,636	**₱–**	**₱–**	**₱–**	**₱3,857,708,636**
Financial Liabilities at Amortized Cost					
Accounts payable and other current liabilities [c]	**₱3,942,999,354**	**₱–**	**₱–**	**₱–**	**₱3,942,999,354**
Dividends payable	**2,036,000,000**	–	–	–	**2,036,000,000**
Long-term debt [d]	**685,000,000**	**9,405,600,000**	**10,805,600,000**	**14,618,800,000**	**35,515,000,000**
Service concession fees payable[e]	–	**243,154,581**	**486,309,163**	**7,780,946,605**	**8,510,410,349**
	₱6,663,999,354	**₱9,648,754,581**	**₱11,291,909,163**	**₱22,399,746,605**	**₱50,004,409,703**

[a] *Excluding advances to officers and employees.*
[b] *Including interest to be received.*
[c] *Excluding statutory liabilities and unearned revenues.*
[d] *Including interest to be paid.*
[e] *Pertain to undiscounted balances*

	December 31, 2020				
	Within the Year	More than 1–2 Years	More than 2–5 Years	More than 5 Years	Total
Financial Assets at Amortized Cost					
Cash and cash equivalents	₱2,343,376,064	₱–	₱–	₱–	₱2,343,376,064
Receivables[a]	1,208,377,006	–	–	–	1,208,377,006
Financial Assets at FVTPL					
Investments in UITFs	2,136,231	–	–	–	2,136,231
Financial Assets at FVOCI					
Investments in bonds and treasury notes[b]	46,145,000	–	–	–	46,145,000
	₱3,600,034,301	₱–	₱–	₱–	₱3,600,034,301
Financial Liabilities at Amortized Cost					
Accounts payable and other current liabilities [c]	₱4,603,911,159	₱–	₱–	₱–	₱4,603,911,159
Dividends payable	1,900,000,000	–	–	–	1,900,000,000
Long-term debt [d]	7,429,697,116	5,519,272,481	13,657,210,224	12,700,773,521	39,306,953,342
Service concession fees payable[e]	–	243,154,581	486,309,163	7,780,946,605	8,510,410,349
	₱13,933,608,275	₱5,762,427,062	₱14,143,519,387	₱20,481,720,126	₱54,321,274,850

[a] *Excluding advances to officers and employees.*
[b] *Including interest to be received.*
[c] *Excluding statutory liabilities and unearned revenues.*
[d] *Including interest to be paid.*
[e] *Pertain to undiscounted balances*

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. These loan covenants were overhauled in April 2011 and were amended in 2015. Under the loan agreements, NLEX Corp. is required a Maintenance Debt Service Coverage Ratio (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, the Company is required to maintain a DER of not exceeding 3.0 times for the first three 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.

The Company's DSCR stood at 1.64 times and 1.72 times for December 31, 2021 and 2020, respectively, indicating that the Company generates enough income to manage payments for a new loan and still make a profit. Long-term debt to equity ratio stood at 1.61 times and 1.56 times for December 31, 2021 and 2020, respectively, indicating that the Company has the capacity to incur additional long-term debt to build up its capital.

	2021	2020
Long-term debt	**₱35,244,283,325**	₱31,321,079,982
Total equity	**21,875,959,033**	20,113,814,014
Total capital	**₱57,120,242,358**	₱51,434,893,996
Debt to equity ratio	**1.61 times**	1.56 times

The Company continuously evaluates whether its capital structure can support its business strategy. No changes were made in the objectives, policies or processes for managing capital during the year ended December 31, 2021 and 2020.

32. 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 approximate of fair values, by category as at December 31, 2021 and 2020 follows:

	December 31, 2021		December 31, 2020	
	Carrying Value	**Fair Value**	Carrying Value	Fair Value
Financial Assets				
Financial assets at FVTPL:				
Investments in UITFs	**₱2,156,378**	**₱2,156,378**	₱2,136,231	₱2,136,231
Financial assets at FVOCI:				
Investment in LTNCD	–	–	46,145,000	46,145,000
	₱2,156,378	**₱2,156,378**	₱48,281,231	₱48,281,231
Financial Liabilities				
Other financial liabilities:				
Long-term debt	**₱35,244,283,325**	**₱35,880,734,778**	₱31,321,079,982	₱32,261,272,305
Service concession fees payable	**3,273,760,755**	**3,098,122,671**	3,072,102,985	3,491,752,552
	₱38,518,044,080	**₱38,978,857,449**	₱34,393,182,967	₱35,753,024,857

The management assessed that fair values of cash and cash equivalents, receivables, restricted cash, accounts payable and other current liabilities and dividends payable 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:

Investments in UITFs

Fair value of investments in UITFs is determined based on published net asset value per share (NAVPS). NAVPS is computed as total assets of the fund less total liabilities over the total units outstanding as of the end of the reporting period. The funds are primarily invested in quoted securities in various industries and quoted government securities.

Investments in Treasury Bonds and Notes and LTNCD
The fair value of investment in treasury bonds and notes and LTNCD is based on the quoted market price of the financial instruments as at December 31, 2021 and 2020. When the market prices are not readily available, the Company uses adjusted quoted market prices of comparable investments or applied discounted cash flow methodologies.

Long-term Debt
For fixed peso-denominated notes and loans, except the fixed-rate bonds where the fair value is based on its quoted market price as at December 31, 2021 and 2020, estimated fair value is based on the discounted value of future cash flows using the prevailing peso interest rates. In 2021 and 2020, the prevailing peso interest rates ranged from 1.72% to 5.76% and 1.73% to 4.36%, respectively.

Service Concession Fee 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 2021 and 2020, the prevailing peso interest rates ranged from 3.18% to 6.59% and 3.11% to 5.45%, respectively.

Fair Value Hierarchy
As at December 31, 2021 and 2020, the Company held the following financial instruments measured at fair value:

	2021	**Level 1**	**Level 2**	**Level 3**
Assets Measured at Fair Value				
Financial assets at FVTPL:				
Investments in UITFs	**₱2,156,378**	**₱–**	**₱2,156,378**	**₱–**
Liabilities for which Fair Values are Disclosed				
Other financial liabilities:				
Long-term debt				
Fixed-rate bonds	**₱9,265,326,736**	**₱9,265,326,736**	**₱–**	**₱–**
Peso-denominated notes and loans	**26,615,408,042**	**–**	**26,615,408,042**	**–**
Service concession fees payable	**3,098,122,671**	**–**	**–**	**3,098,122,671**
	₱38,978,857,449	**₱9,265,326,736**	**₱26,615,408,042**	**₱3,098,122,671**

	2020	Level 1	Level 2	Level 3
Assets Measured at Fair Value				
Financial assets at FVTPL:				
Investments in UITFs	₱2,136,231	₱–	₱2,136,231	₱–
Financial assets at FVOCI:				
Investment in LTNCD	46,145,000	46,145,000	–	–
	₱48,281,231	₱46,145,000	₱2,136,231	₱–
Liabilities for which Fair Values are Disclosed				
Other financial liabilities:				
Long-term debt				
Fixed-rate bonds	₱12,458,001,400	₱12,458,001,400	₱–	₱–
Peso-denominated notes and loans	19,803,270,905	–	19,803,270,905	–
Service concession fees payable	3,491,752,552	–	–	3,491,752,552
	₱35,753,024,857	₱12,458,001,400	₱19,803,270,905	₱3,491,752,552

33. **Contingencies and Others**

a. VAT

NLEX Corp. received the following VAT assessments from the BIR:

- The BIR issued a Formal Letter of Demand on March 16, 2009 requesting NLEX Corp. to pay deficiency VAT plus penalties amounting to ₱1,010.5 million for taxable year 2006.

- A Final Assessment Notice was received from the BIR dated November 15, 2009 assessing NLEX Corp. deficiency VAT plus penalties amounting to ₱584.6 million for taxable year 2007.

- The BIR issued a Notice of Informal Conference dated October 5, 2009 assessing NLEX Corp. for deficiency VAT plus penalties amounting to ₱470.9 million for taxable year 2008. On May 21, 2010, the BIR issued another notice increasing the deficiency VAT for taxable year 2008 to ₱1,209.2 million (including penalties). 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.

- The BIR issued a Notice of Informal Conference on May 21, 2010 assessing NLEX Corp. deficiency VAT plus penalties amounting to ₱1,026.6 million for taxable year 2009. 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. As at March 9, 2021, the VAT assessments for taxable years 2008 and 2009 remain pending with the BIR and there were no abatements made for these assessments.

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.

b. RPT

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. NLEX Corp. argues that NLEX is property of the public dominion and exempt from RPT. The cases are pending as at March 21, 2022.

In September 2013, NLEX Corp. received notices of realty tax delinquencies for the years 2006 to 2012 and 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 matter is pending as at March 21, 2022.

The outcome of the claims on RPT cannot be presently determined. Management believes that these claims will not have a significant impact on NLEX Corp.'s 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

In June 2012, NLEX Corp., as petitioner-applicant, filed a Petition for Approval of Periodic Toll Rate Adjustment with the TRB praying for the adjustment of the toll rates for the NLEX, effective January 1, 2013 (2012 Petition).

In addition, in September 2014, NLEX Corp., as petitioner-applicant, filed a Petition for Approval of Periodic Toll Rate Adjustment with the TRB praying for the adjustment of the toll rate for the NLEX, effective January 1, 2015 (2014 Petition).

On September 30, 2016, NLEX Corp. as petitioner-applicant, filed a Petition for Approval of Periodic Toll Rate Adjustment with the TRB praying for the adjustment of the toll rate for the NLEX effective January 1, 2017 (2016 Petition).

On September 28, 2018, NLEX Corp. as petitioner-applicant, filed a Petition for Approval of Periodic Toll Rate Adjustment with the TRB praying for the adjustment of the toll rate for the NLEX effective January 1, 2019 (2018 Petition).

On September 30, 2020, NLEX Corp as petitioner-applicant, filed a Petition for Approval of Periodic Toll Rate Adjustment with the TRB praying for the adjustment of the toll rate for the NLEX effective January 1, 2021 (2020 Petition).

On October 27, 2015, NLEX Corp was granted the right and obligation to manage, operate, and maintain the SCTEX under the terms of the Business Agreement between NLEX Corp. 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, and 2015. 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 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) (Segment 10 Add-on Toll Rate Petition).

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).

On February 18, 2021, NLEX Corp. as petitioner-applicant, filed a Petition for Implementation of 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 expansion of NLEX Segment 7 and San Fernando Interchange (NLEX Lane Widening Phase 2 Add-on Toll Rate Petition).

2012 and 2014 Petitions
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. On March 20, 2019, the TRB issued a Notice to Start Collection of the first tranche effective March 21, 2019. On September 30, 2020, NLEX Corp filed with the TRB a Manifestation of Compliance stating the completion of publication of the toll fee matrix with the second tranche and praying for the issuance of a Notice to Start Collection. On October 9, 2020, the TRB issued a Notice to Start Collection of the second tranche effective immediately. On May 6, 2021, the TRB issued a Notice to Start Collection of the third tranche.

2016 Petition
On January 6, 2022, NLEX Corporation received a Resolution dated July 2021 issued by the TRB which approved and allowed NLEX Corporation to implement the toll rate adjustments indicated therein on a date not earlier than 01 January 2022 to protect the general welfare. The TRB directed NLEX Corporation to cause the publication of the adjusted authorized toll rates in a newspaper of general circulation prior to the issuance of a Notice to Start Collection.

2018 and 2020 Petitions
NLEX Corp has yet to receive regulatory approval for these petitions.

Segment 10 Add-on Toll Rate Petition.
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. On March 20, 2019, the TRB issued a Notice to Start Collection effective March 21, 2019.

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. The Company has implemented the toll adjustment starting November 25, 2020.

NLEX Lane Widening Phase 2 Add-on Toll Rate Petition
On October 21, 2021, the TRB issued a Notice to Start Collection of the provisional add-on toll for the Closed System effective immediately. As at March 21, 2022, the effectivity date of the add-on toll rate was put on hold due to the ongoing discussion between the management and DOTr.

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.

d. Arbitration

In August 2015, NLEX Corp wrote the Republic of the Philippines (ROP), acting by and through the Toll Regulatory Board (TRB), a Final Demand for Compensation (Final Demand) based on the 2012 and 2014 petitions for overdue toll rate adjustments (Petitions) pursuant to the parties' Supplemental Toll Operation Agreement dated April 30, 1998 (STOA).

In the Final Demand, NLEX Corp stated that the ROP's/TRB's refusal to act on, and grant, the 2012 and 2014 Petitions violates both the express STOA provisions on the matter and the basic principles of obligations and contracts, to the prejudice of NLEX Corp which has continuously relied in good faith on the ROP's/TRB's timely performance of their express obligations and undertakings under the STOA and the applicable laws.

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). On April 4, 2016, NLEX Corp was constrained to issue a Notice of Arbitration and Statement of Claim to the ROP/TRB to preserve its rights under the STOA.

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. From December 2019 to April 2020, the parties sought from the Arbitral Tribunal a suspension of the proceedings until May 10, 2020 for the parties to explore the possibility of an amicable settlement, which the Arbitral Tribunal granted. On May 11, 2020, the Arbitral Tribunal noted that the parties had not yet reached a settlement and confirmed that it would henceforth resume its deliberations towards issuing an award. On August 15, 2020, the Arbitral Tribunal informed the parties that it is in the process of finalizing its deliberations, is currently exchanging notes on the draft award, and would do its utmost to issue the award in the following months. On March 15, 2021, the Arbitral Tribunal informed the parties that the Final Award in the present arbitration has been finalized and is ready to be issued once the remaining issues in the other related case are dealt with.

On September 7, 2021, NLEX Corp received notice of the ruling of the Arbitral Tribunal. While the Arbitral Tribunal ruled that it has jurisdiction over the claims presented by NLEX Corp, the Arbitral Tribunal held that under the factual circumstances of the case, the TRB is not liable for unreasonable delay on the petitions for toll rate adjustment filed in 2012 and 2014 (2012 and 2014 Petitions). The rejection of the claim is without prejudice to further review by the TRB of the said petitions. The Arbitral Tribunal also noted that the TRB already decided on the 2012 and 2014 Petitions when the TRB issued its resolution in 2018 approving an upward adjustment in the toll rates in NLEX, which have been implemented since March 2019. Based on the foregoing, the Tribunal also denied NLEX Corp's claim for damages. The Arbitral Tribunal also ruled that each Party will bear the costs of arbitration in equal shares and will bear their own costs of legal representation and assistance.

NLEX Corp respects the decision of the Arbitral Tribunal and will continue to work with the TRB on pending toll rate petitions.

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 21, 2022.

f. NLEX Corp. is also a party 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.

g. Legal Assistance for NLEX Corporation in its Dispute Against the City of Valenzuela

On December 3, 2020, the City of Valenzuela sent a letter to the Corporation which constituted the former's formal complaint and demand against NLEX Corp. for unusual heavy traffic in the Valenzuela City after the implementation of the cashless and contactless toll collection program pursuant to the DOTr Department order No. 2020-012. The dispute led to the issuance of suspension orders, through several city ordinances and Executive Orders, which led to the raising of toll barriers and cessation of operations at NLEX toll booths in Valenzuela City on December 7, 2020 until further notice.

Given the substantial loss in revenue and the reputational and operational damage caused by the raising of toll barriers, the Corporation sought the assistance of the its legal counsel to explore remedies for the restoration of normal operations at NLEX toll booth in Valenzuela City and to explore actions against the City of Valenzuela, if necessary. Eventually, on December 16, 2020, NLEX Corp. and the City of Valenzuela reached an agreement for the lifting of the suspension order against the corporation before any action was filed before the courts. On the same date, the operations in NLEX toll booths in Valenzuela City have returned to its normal operations.

34. Supplemental Cash Flow Information

Changes in Liabilities Arising from Financing Activities

In 2021 and 2020, movement in the Company's liabilities arising from financing activities follow:

	January 1, 2021	**Cash Flows**	**Non-cash Changes Amortization of DIC**	**Interest Accretion**	**Other**	**December 31, 2021**
Current portion of long-term debt (see Note 19)	**₱5,909,348,835**	**(₱5,995,000,000)**	**₱16,418,692**	**₱–**	**₱712,162,617**	**₱642,930,144**
Long-term debt-net of current portion (see Note 19)	**25,411,731,147**	**9,910,000,000***	**39,539,219**	**–**	**(759,917,185)**	**34,601,353,181**
Interest payable (see Note 16)	**166,464,487**	**(1,228,711,085)**	**–**	**–**	**1,135,372,861**	**73,126,263**
Dividends payable (see Note 21)	**1,900,000,000**	**(4,068,000,000)**	**–**	**–**	**4,204,000,000**	**2,036,000,000**
Service concession fees payable (see Note 20)	**3,072,102,985**	**–**	**–**	**201,657,770**	**–**	**3,273,760,755**
Total liabilities from financing activities	**₱36,459,647,454**	**(₱1,381,711,085)**	**₱55,957,911**	**₱201,657,770**	**₱5,291,618,293**	**₱40,627,170,343**

**Proceeds from long-term debt of ₱12,000.0 million net of debt issue costs of ₱90.0 million.*

	January 1, 2020	Cash Flows	Non-cash Changes Amortization of DIC	Interest Accretion	Other	December 31, 2020
Short-term notes payable (see Note 19)	₱–	₱–*	₱–	₱–	₱–	₱–
Current portion of long-term debt (see Note 19)	351,861,110	(360,000,000)	8,138,890	–	5,909,348,835	5,909,348,835
Long-term debt-net of current portion (see Note 19)	26,353,356,366	4,940,093,386**	27,630,230	–	(5,909,348,835)	25,411,731,147
Interest payable (see Note 16)	187,783,484	(1,011,893,236)	–	–	990,574,239	166,464,487
Dividends payable (see Note 21)	3,100,000,000	(4,168,000,000)	–	–	2,968,000,000	1,900,000,000
Service concession fees payable (see Note 20)	2,894,320,777	–	–	177,782,208	–	3,072,102,985
Total liabilities from financing activities	₱32,887,321,737	(₱599,799,850)	₱35,769,120	₱177,782,208	₱3,958,574,239	₱36,459,647,454

**Proceeds from availment and payment of short-term notes payable amounted to ₱5,012.0 million and ₱5,012.0 million, respectively.*
***Proceeds from long-term debt of ₱5,000.0 million net of debt issue costs of ₱59.9 million.*

The 'Other' column includes the effect of reclassification of noncurrent portion of interest-bearing loans and borrowings, the accrual of cash dividends that were not yet paid at year-end, and the interest expense on 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, 2021 and 2020:

	2021	2020
Additions to service concession asset:		
On account (see Note 9)	**₱735,621,313**	₱295,634,460
Pertaining to accretion of service concession fees payable (see Note 20)	**201,657,770**	177,782,208
Pertaining to capitalized borrowing costs (see Note 19)	**32,264,272**	13,467,940
Pertaining to capitalized depreciation expense (Note 10)	**3,914,308**	–
Additions to DIC due reclassification of deferred DIC recorded in prior year (Note 19)	**47,754,567**	–
Additions to intangible asset (Note 11)	**616,192**	–
Additions to property and equipment on account (see Note 10)	**95,288**	33,537,984
Sale of investment in a subsidiary	**–**	(744,000,000)
Sale of property and equipment (see Note 10)	**(52,631,316)**	(530,608)

35. **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 financial statements. The Company intends to adopt the following pronouncements when they become effective.

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, *Business Combinations* 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.

  The Company is currently assessing the impact of adopting these amendments.

- 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.

The Company is currently assessing the impact of adopting these 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 Company 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 12, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

  The amendments narrow the scope of the initial recognition exception under PAS 12, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences.

  The amendments also clarify that where payments that settle a liability are deductible for tax purposes, it is a matter of judgement (having considered the applicable tax law) whether such deductions are attributable for tax purposes to the liability recognized in the financial statements (and interest expense) or to the related asset component (and interest expense).

  An entity applies the amendments to transactions that occur on or after the beginning of the earliest comparative period presented for annual reporting periods on or after January 1, 2023.

  The Company is currently assessing the impact of adopting these amendments.

- Amendments to PAS 8, *Definition of Accounting Estimates*

  The amendments introduce a new definition of accounting estimates and clarify the distinction between changes in accounting estimates and changes in accounting policies and the correction of errors. Also, the amendments clarify that the effects on an accounting estimate of a change in an input or a change in a measurement technique are changes in accounting estimates if they do not result from the correction of prior period errors.

  An entity applies the amendments to changes in accounting policies and changes in accounting estimates that occur on or after January 1, 2023 with earlier adoption permitted.

  The amendments are not expected to have a material impact on the Company.

- Amendments to PAS 1 and PFRS Practice Statement 2, *Disclosure of Accounting Policies*

  The amendments provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by:

  - Replacing the requirement for entities to disclose their ‘significant’ accounting policies with a requirement to disclose their ‘material’ accounting policies, and
  - Adding guidance on how entities apply the concept of materiality in making decisions about accounting policy disclosures

  The amendments to the Practice Statement provide non-mandatory guidance. Meanwhile, the amendments to PAS 1 are effective for annual periods beginning on or after January 1, 2023. Early application is permitted as long as this fact is disclosed. The amendments are not expected to have a material impact on the Company.

Effective beginning on or after January 1, 2024

- 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. However, in November 2021, the International Accounting Standards Board (IASB) tentatively decided to defer the effective date to no earlier than January 1, 2024. The Company is currently assessing the impact the amendments will have on current practice and whether existing loan agreements may require renegotiation.

Effective beginning on or after January 1, 2025

- 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

  On December 15, 2021, the FRSC amended the mandatory effective date of PFRS 17 from January 1, 2023 to January 1, 2025. This is consistent with Circular Letter No. 2020-62 issued by the Insurance Commission which deferred the implementation of PFRS 17 by two (2) years after its effective date as decided by the IASB.

  PFRS 17 is effective for reporting periods beginning on or after January 1, 2025, with comparative figures required. Early application is permitted.

  These amendments have no impact on the financial statements of the Company.

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 Financial Reporting Standards Council 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. The amendments are not expected to have a material impact on the Company.

36. Event After the Reporting Period

On March 14, 2022, NLEX Corp made its 5th drawdown from the Corporate Notes Facility amounting to ₱1.5 billion as follows:

	Date	Applicable Interest Rate	Amount
Tranche A	March 14, 2022	6.28%	₱825,000,000
Tranche B	March 14, 2022	5.88%	675,000,000
Total			₱1,500,000,000

37. Supplementary Information Required Under Revenue Regulations (RR) No. 15-2010

In compliance with the requirements set forth by RR No. 15-2010 hereunder are the information on taxes and license fees paid as at and for the year ended December 31, 2021.

Value-added tax (VAT)
Details of the Company's net sales/receipts, output VAT and input VAT accounts are as follows:

a. Net Sales/Receipts and Output VAT declared in the Company's VAT returns filed in 2021

	Net Sales/ Receipts	Output VAT
Sales of services:		
Vatable receipts	₱14,015,329,688	₱1,681,839,563

The Company's sales of services are based on actual collections received, hence, the amount reported per VAT returns may not be the same as amounts reflected in the statements of income. The amount of output tax is deferred upon recording of sales of services subject to VAT. These deferred output taxes are reclassed to output tax upon collection.

Sales from services represent collections received from such sales which for the year amounted to ₱14,015.3 million, of which ₱13,845.8 million pertains to toll collections which are under "Toll revenues" account in the statements of income and ₱169.5 million pertains to collections from TSF and others which are recorded in "Non-toll revenues" account in the statements of income.

The Company has no zero-rated nor exempt sales.

b. Input VAT declared in the Company's VAT returns filed for 2021 are as follows:

Balance at beginning of year:	
Input VAT deferred on capital goods exceeding ₱1.0 million from previous period	₱23,099,903
Current year's importations of goods other than capital goods	3,043,180
Current year's domestic purchases/payments for:	
Goods other than for resale or manufacture	22,133,342
Domestic purchase of services:	
Services lodged under cost of service	917,161,422
Services lodged under other accounts	760,115
Capital goods not subject to amortization	–
Capital goods subject to amortization	9,559,208
Input VAT claimed against output VAT	(955,013,890)
Balance at end of year	₱20,743,280

Balance at end of year pertains to input VAT deferred on capital goods exceeding ₱1.0 million from current year that will be carried forward to the next period.

Documentary Stamp Tax (DST)
The DST paid/accrued on the following transactions are:

Transaction	Amount	DST thereon
Loan instrument	₱12,000,000,000	₱90,000,000
Affiliates	96,466,754	476,004
	₱12,096,466,754	₱90,476,004

Taxes, Duties and License Fee
This includes all other taxes, local and national, including real estate taxes, licenses and permit fees for the year ended December 31, 2021:

a. Local taxes

Local business taxes	₱84,924,196
Real property taxes*	14,920,523
License and permit fees*	78,210
Filing, registration and notarial fees	1,568,038
	₱101,490,967

* *Presented as part of "Cost of services".*

b. National taxes

Fringe benefits taxes	₱11,759,940

Withholding Taxes

Details of withholding tax payments for the year ended December 31, 2021 are as follows:

Expanded withholding taxes	₱320,334,393
Withholding taxes on compensation and benefits	96,184,556
Final withholding taxes	101,740,078
	₱518,259,027

Tax Assessments and Litigations

Real Property Tax (RPT) Assessment. In July 2008 and April 2013, NLEX Corp. filed Petitions for Review under Section 226 of the 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.

In September 2013, NLEX Corp. received notices of realty tax delinquencies for the years 2006 to 2012 and 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 wrote a letter to the Province of Bulacan advising it to hold in abeyance any further course of action pertaining to the alleged RPT 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.

Income Tax Assessment. On June 6, 2018, the Company received a preliminary assessment notice from BIR for the income tax, expanded withholding tax and miscellaneous tax deficiencies covering the 2016 taxable year. On December 1, 2020, the Company received an updated preliminary assessment notice with details of discrepancies. The Company paid the income tax deficiency amounting to ₱6,057,797, inclusive of interest, on December 1, 2020.