SEC Number: 133653
File Number: ______

ASIAN TERMINALS, INC.
(Company's Full Name)

A. Bonifacio Drive, Port Area Manila, Philippines
(Company's Address)

(632) 528-6000
(Telephone Number)

December 31
Calendar Year Ending
(Month & Day)

SEC Form 17-Q
Form Type

____
Amendment Designation (if applicable)

June 30, 2014
Period Ended Date

____
(Secondary License Type and File Number)

cc: Philippine Stock Exchange

SEC FORM 17-Q

Quarterly Report Pursuant to Section 17 of the Securities Regulation Code and SRC Rule 17-2(b) thereunder

1. For the quarter ended : **June 30, 2014**
2. Commission identification Number : **133653**
3. BIR Tax Identification No. : **000-132-413-000**
4. Exact name of issuer as specified in its charter : **ASIAN TERMINALS, INC.**
5. Province, country or other jurisdiction of incorporation or organization: **Manila, Philippines**
6. Industry Classification Code :______________ (SEC Use Only)
7. Address of issuer's principal office : **ATI Head Office**
   A. Bonifacio Drive, Port Area,
   Manila 1018
8. Issuer's telephone number, including area code : **(2)528-6000**
9. Former name, former address and former fiscal year, if changed since last report:
   A. Bonifacio Drive, South Harbor Port Area, Manila
10. Securities registered pursuant to Sections 8 and 12 of the Code, or Sections 4 and 8 of the RSA

Title of Each Class	Number of shares of common stock outstanding and amount of debt outstanding
Capital stock – common	2,000,000,000 shares

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

    Yes [X] No [ ]

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

    Philippine Stock Exchange Common Shares

12. Indicate by check mark whether the registrant:

    (a) has filed all reports required to be filed by Section 17 of the Code and SRC Rule 17 thereunder and Sections 26 and 141 of the Corporation Code of the Philippines, during the preceding twelve (12) months (or for such shorter period the registrant was required to file such reports)

    Yes [X] No [ ]

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

    Yes [X] No [ ]

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

With reference to the attached interim financial statements:

- There were no common stock equivalents issued during the period. As such, basic and diluted earnings per share were the same. Earnings per share for the period is shown in the accompanying Consolidated Statements of Comprehensive Income.
- The Company applied Philippine Financial Reporting Standards (PFRS) in preparing the consolidated financial statements.
- The same accounting policies and methods of computations were followed in the interim financial statements as compared with the most recent annual financial statements.
- Information regarding the business segment is reported under item 1 of the attached Selected Explanatory Notes.
- There was no material event subsequent to the end of this interim that had not been reflected in the financial statements of this interim period.
- There had been no uncertainties known to management that would cause the financial information not to be indicative of future operating results and financial condition.

New Standards, Amendments to Standards and Interpretations

The following are the new standards, amendment to standards, and interpretations, which are effective January 1, 2014 and are applicable to the Company and none of these is expected to have a significant effect on the consolidated financial statements:

- *Offsetting Financial Assets and Financial Liabilities (Amendments to PAS 32).* These amendments clarify that: (a) an entity currently has a legally enforceable right to set-off if that right is not contingent on a future event and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties; and (b) gross settlement is equivalent to net settlement if and only if the gross settlement mechanism has features that eliminate or result in insignificant credit and liquidity risk and process receivables and payables in a single settlement process or cycle.

- Recoverable Amount Disclosures for Non-Financial Assets *(Amendments to PAS 36)*. These narrow-scope amendments to PAS 36 address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The amendments clarified that the scope of those disclosures is limited to the recoverable amount of impaired assets that is based on fair value less costs of disposal.

To be adopted on January 1, 2015

- Defined Benefit Plans: Employee Contributions *(Amendments to PAS 19).* The amendments apply to contributions from employees or third parties to defined benefit plans. The objective of the amendments is to simplify the accounting for contributions that are independent of the number of years of employee service, for example, employee contributions that are calculated according to a fixed percentage of salary. The amendments apply retrospectively for annual periods beginning on or after July 1, 2014. Earlier application is permitted.

PFRS 9 *Financial Instruments* (2009), PFRS 9 *Financial Instruments* (2010) and PFRS 9 *Financial Instruments* (2013)

PFRS 9 (2009) introduces new requirements for the classification and measurement of financial assets. Under PFRS 9 (2009), financial assets are classified and measured based on the business model in which they are held and the characteristics of their contractual cash flows. PFRS 9 (2010) introduces additions relating to financial liabilities. PFRS 9 (2013) introduces the following amendments: (a) a substantial overhaul of hedge accounting that will allow entities to better reflect their risk management activities in the financial statements; (b) changes to address the so-called 'own credit' issue that were already included in PFRS 9 Financial Instruments to be applied in isolation without the need to change any other accounting for financial instruments; and (c) removes the January 1, 2015 mandatory effective date of PFRS 9, to provide sufficient time for preparers of financial statements to make the transition to the new requirements. The IASB is currently discussing some limited amendments to the classification and measurement requirements in PFRS 9 and is also discussing the expected credit loss impairment model to be included in PFRS 9. Once those deliberations are complete the IASB expects to publish a final version of PFRS 9 that will include all of the phases: Classification and Measurement; Impairment and Hedge Accounting. That version of PFRS 9 will include a new mandatory effective date.

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

Consolidated Results of Operations for the six months ended June 30, 2014

Revenues for the six months ended June 30, 2014 totaled P3,922.7 million, 26.6% higher compared to P3,099.5 million for the same period last year. Revenues in South Harbor international container operations grew due to higher volumes. Revenues from Port of Batangas, Phase 1 (Phase 1) and Batangas Container Terminal (BCT) went up on account of higher container volume and RoRo units in Phase 1 and increased containers in BCT. On the other hand, revenues from South Harbor international non-containerized operations declined due to lower volume.

Cost and expenses for the six months of 2014 increased by 27.8% to P2,486.8 million from P1,945.8 million in the same period last year. Port authorities' share in gross revenues in 2014 rose by 55.9% to P797.1 million from P511.2 million last year due to increased revenues and higher variable fee rate. Labor costs were up by 9.4% to P487.0 million in 2014 from P444.9 million last year due to increase in headcount to support higher volumes handled and salary rate increases. Depreciation and amortization amounted to P414.3 million in 2014, 9.4% higher compared to P378.5 million last year on account of additions to intangible assets. Equipment running costs increased by 18.3% to P267.6 million this year from P226.2 million last year due to higher repairs and maintenance and parts replacement costs for Quay Cranes (QCs), reach stackers, empty handlers and ITV and higher fuel consumption for Rubber-Tired Gantries (RTGs). Taxes and licenses in 2014 of P110.0 million were 41.6% higher than P77.5 in 2013 due to higher realty tax on account of increased real property (land) valuation (Ordinance No. 8330), declaration additional areas and equipment and higher tax rate. Security, health, environment and safety of P60.3 million in 2014 were 32.4% above the P45.5 million in 2013 due to additional security posts for additional areas as part of expansion and higher safety costs. Rental of P62.7 million in 2014 went up by 68.7% from P37.2 million in the same period last year due to forklift, crane and pay loader rentals relative to higher volumes. Facilities-related expenses of P82.9 million in 2014 increased by 10.3% from P75.1 million in 2013 due to higher costs for lightings. Professional fees of P16.5 million in 2014 were up by 28.2% from P12.9 million last year due to consultancy fees and recruitment fees. General transport grew by 32.0% to P24.6 million in 2014 from P18.6 million on account of higher trucking costs. Management fees this year of P56.5 million rose by 15.8% compared to P48.8 million last year as a result of higher net income. Other expenses increased by 120.9% to P67.4 million in 2014 from P27.1 million last year, as last year included reversal of excess provisions for claims relating to cargo, labor, and civil cases.

Insurance in 2014 of P38.2 million declined by 5.0% compared to P40.1 million in 2013 due lower ISR premiums.

Finance costs in 2014 of P271.3 million increased by 48.4% from P182.8 million due to higher interest expense on concession rights payable. Finance income dropped to P14.9 million this year from P37.1 million last year due to lower interest rates for Money Market Placement and lower cash balance. Others-net amounted to P123.5 million in 2014 while in 2013, net amounted to negative P300.4 million. This account includes unrealized forex gain on revaluation of dollar-denominated concession rights payable following the change in accounting policy in relation to fixed concession fees amounting to P121.8 million in 2014 and forex losses of P335.2 million for the same period last year.

Income before income tax for the first half of 2014 of P1,303.0 million was 84.1% higher than P707.6 million in the same period last year. Provision for income tax were up by 94.7% to P370.0 million in 2014 from P190.0 million in the same period last year.

Net income amounted to P933.0 million for the six months ended June 30, 2014, 80.3% higher compared to P517.6 million for the same period last year. Excluding the unrealized foreign exchange gain and losses attributable to port concession rights payable, net income would have been P847.7 million for the six months ended June 30, 2014, 12.7% higher than the P752.2 million for the same period last year. Earnings per share this year was P0.47, last year was P0.26.

The Company is affected by the local and global trade environment. Factors that could cause actual results of the Company to differ materially include, but are not limited to:

- material adverse change in the Philippine and the global economic and industry conditions;
- natural events (earthquake and other major calamities); and
- material changes in foreign exchange rates.

In the six months of 2014:

- There had been no known trend, demand, commitment, event or uncertainty that had or are reasonably expected to have a material favorable or unfavorable impact on the Company's liquidity or revenues from continuing operations, other than those discussed in this report.
- There had been no significant element of income that did not arise from the Company's continuing operations.
- There had been no seasonal factor that had a material effect on the financial condition and results of operations.
- There had been no event known to management that could trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.
- There had been no material off-balance sheet transaction, arrangement, obligation (including contingent obligation), and other relationship of the Company with unconsolidated entity or other person created during the period that would address the past and would have a material impact on future operations.

Consolidated Financial Condition

Total assets as of June 30, 2014 of P18,526.0 million declined by 0.7% from P18,649.3 million as of December 31, 2013. Current assets increased by 2.1% to P3,783.2 million as of June 30, 2014 from P3,705.4 million as of December 31, 2013. Cash and cash equivalents of P2,835.1 million as of June 30, 2014 was higher by 3.1% compared to P2,750.1 million as of December 31, 2013. Trade and other receivables-net decreased by 9.8% to P329.3 million as of June 30, 2014 from P365.0 million as of end 2013 due to improved collection efforts. Spare parts and supplies-net of P193.9 million as of June 30, 2014 increased by 3.1% from P188.2 million as of December 31, 2013 in support of operational requirements and equipment maintenance program. Prepaid expenses as of June 30, 2014 amounted to P424.8 million, 2.1% up from P402.2 million as of December 31, 2013 on account of the unamortized portion of prepaid real property and business taxes for the year.

Total noncurrent assets decreased by 1.3% to P14,742.8 million as of June 30, 2014 from P14,943.9 million as of December 31, 2013. Investment in an associate of P49.1 million as of June 30, 2014 dropped by 14.8% from P57.7 million as of December 31, 2013 on account of cash dividend received from an associate. Property and equipment-net of P345.8 million as of June 30, 2014 went up by 1.2% compared to P341.7 million as of December 31, 2013 due to depreciation for the period. Additions to property and equipment which were not subject of the service concession arrangement totaled P27.3 million. Intangible assets-net decreased by 1.3% to P13,970.4 million as of June 30, 2014 from P14,153.2 million as of December 31, 2013 due to depreciation for the period. Deferred tax assets – net amounted to P299.3 million as of June 30, 2014, 2.1% higher than P305.7 million as of December 31, 2013 resulting from the additional deferred tax on concession rights payable related to fixed fees. Other noncurrent assets went down by 8.7% to P78.1 million as of June 30, 2014 from P85.5 million as of December 31, 2013 due to amortization of input taxes on additions to property and equipment and intangible assets.

Total liabilities decreased by 3.7% to P9,378.5 million as of June 30, 2014 from P9,734.0 million as of December 31, 2013. Trade and other payables of P1,519.2 million as of June 30, 2014 were lower by 13.3% compared to P1,752.2 million as of December 31, 2013 brought about by payments on equipment acquisitions. Trade and other payables are covered by agreed payment schedules. Provisions for claims went down by 7.6% to P48.1 million as of June 30, 2014 from P52.1 million as of December 31, 2013 following the reversal of excess provisions for claims relating to cargo, labor, and civil cases. Concession rights payable-current portion increased by 1.8% compared with P127.0 million as of June 30, 2014 from P124.8 million as of December 31, 2013. Income and other taxes payable of P208.9 million as of June 30, 2014 was higher by 23.5% compared with P169.1 million as of December 31, 2013 due to income tax for the second quarter of 2014. Concession rights payable-net of current portion decreased by 2.4% to P7,390.0 million as of June 30, 2014 from P7,569.9 million as of December 31, 2013 due to payments of PPA fixed fees. Pension liability of P85.3 million increased by 29.3% as of June 30, 2014 from P66.0 million as of December 31, 2013.

Consolidated Cash Flows

Net cash provided by operating activities in the first half of 2014 amounted to P1,555.1 million, 26.8% higher compared to P1,226.3 million in the same period last year due to higher operating income.

Net cash used in investing activities in the six months of 2014 was P205.5 million, 96.7% below the P6,317.5 million in the same period last year due to lesser acquisition of property and equipment and intangible assets.

Net cash used in financing activities in the six months of 2014 was P1,260.2 million, compared to net cash provided which amounted to P4,657.2 million in the same period last year due to generation of additional port concession rights payable last year.

Key Performance Indicators (KPI)

KPIs discussed below were based on consolidated amounts as portions pertaining to the Company's subsidiary ATI Batangas, Inc. (ATIB) were not material. As of end June 2014:

- ATIB's total assets were only 3.8% of the consolidated total assets
- Income before other income and expense for ATIB was only 12.2% of consolidated income before other income and expenses.

Consolidated KPI	Manner of Calculation	As of June 30		Discussion
		2014	2013	
Return on Capital Employed	Percentage of annualized income before other income and expenses over capital employed	17.1%	16.5%	Increase resulted from higher annualized income before other income (expense) during the period.
Return on Equity attributable to equity holders of the parent	Percentage of annualized net income over equity attributable to equity holders of the parent	20.6%	12.5%	Increase resulted from higher annualized net income.

Current ratio	Ratio of current assets over current liabilities	1.99 : 1.00	2.19 : 1.00	Decreased due to higher current liabilities.
Asset to equity ratio	Ratio of total assets over equity attributable to equity holders of the parent	2.03 : 1.00	2.13 : 1.00	Decreased due to increase in equity
Debt to equity ratio	Ratio of total liabilities over equity attributable to equity holders of the parent	1.03 : 1.00	1.13 : 1.00	Decreased due to increase in stockholders' equity
Days Sales in Receivables (DSR)	Gross trade receivables over revenues multiplied by number of days	9 days	10 days	Due to improved collection efforts.
Lost Time Injury	No. of lost time from injuries per standard man-hours	1.47	0	Due to higher number of injuries.

Note: Income before other income and expenses is defined as Revenues less Costs and expenses.
Capital employed is defined as Total assets less Current liabilities.

PART II. OTHER INFORMATION

On April 24, 2014, the Board of Directors of ATI approved a cash dividend of P0.35 per share to stockholders on record as of May 13, 2014. Dividends were paid on June 6, 2014. As of date of this report, the Company has ordinary shares only.

Submissions of SEC Form 17-C:

Date Filed	Reference	Particulars
January 24, 2014	SEC 17-C	Certificate of Attendance to the 2013 Board Meetings
January 24, 2014	SEC 17-C	Certification on Compliance with the Manual on Corporate Governance
February 18, 2014	SEC 17-C	Notice of Guidelines for Nominations for Election to the Board of Directors
February 26, 2014	SEC 17-C	Setting the date, venue, agenda and record date of the 2014 Annual Stockholders' Meeting, Amendment to the second article of the Articles of Incorporation
April 28, 2014	SEC 17-C	Declaration of cash dividends, appointment of independent auditors, approval of the audited financial statements, approval of the amendments to the Articles of Incorporation, results of the 2014 Annual Stockholders' Meeting and Organizational Meeting
May 9, 2014	SEC 17-C	Certification on Qualification of Independent Directors
July 21, 2014	SEC 17-C	SEC Approval of Amendment to Company Articles of Incorporation

SIGNATURES

Pursuant to the requirements of the Revised Securities Act, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

ASIAN TERMINALS, INCORPORATED
by:

JOSE TRISTAN P. CARPIO
Vice President and Chief Financial Officer

Date : August 14, 2014

Principal Financial/Accounting Officer:

MARICAR B. PLENO
Assistant Vice President for Accounting and Financial Planning

Date : August 14, 2014

ASIAN TERMINALS, INC. AND A SUBSIDIARY
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(In Thousands)

		June 30, 2014 (Unaudited)		December 31, 2013 (Audited)
ASSETS				
Current Assets				
Cash and cash equivalents	P	2,835,106	P	2,750,116
Trade and other receivables - net		329,349		364,982
Spare parts and supplies		193,908		188,155
Prepaid expenses		424,813		402,152
Total Current Assets		3,783,176		3,705,405
Noncurrent Assets				
Investment in an associate		49,149		57,713
Property and equipment - net		345,825		341,718
Intangible assets - net		13,970,442		14,153,233
Deferred tax assets - net		299,252		305,681
Other noncurrent assets		78,133		85,548
Total Noncurrent Assets		14,742,801		14,943,893
TOTAL ASSETS	P	18,525,977	P	18,649,298
LIABILITIES AND EQUITY				
Current Liabilities				
Trade and other payables	P	1,519,247	P	1,752,178
Provisions for claims		48,121		52,060
Port concession rights payable - current portion		126,966		27,294
Income and other taxes payable		208,863		169,080
Total Current Liabilities		1,903,197		2,000,612
Noncurrent Liabilities				
Port concession rights payable - net of current portion		7,389,990		7,667,379
Pension liability		85,320		65,974
Total Noncurrent Liabilities		7,475,310		7,733,353
		9,378,507		9,733,965
Equity				
Equity Attributable to Equity Holders of the Parent Company				
Capital stock		2,000,000		2,000,000
Additional paid in capital		264,300		264,300
Retained earnings		6,885,396		6,653,749
Other reserves		(5,820)		(5,820)
		9,143,876		8,912,229
Non-controlling Interest		3,594		3,104
Total Equity		9,147,470		8,915,333
TOTAL LIABILITIES AND EQUITY	P	18,525,977	P	18,649,298

ASIAN TERMINALS, INC. AND A SUBSIDIARY

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

(In Thousands, Except Per Share Data)

		For the second quarter ended June 30				For the six months ended June 30		
		2014		2013 (As re-stated)		**2014**		2013 (As re-stated)
REVENUES FROM OPERATION	P	**2,014,960**	P	1,631,488	**P**	**3,922,690**	P	3,099,528
COSTS AND EXPENSES		**(1,266,787)**		(1,028,358)		**(2,486,812)**		(1,945,847)
OTHER INCOME AND EXPENSES								
Finance cost		**(135,430)**		(140,815)		**(271,349)**		(182,789)
Finance income		**6,861**		15,791		**14,913**		37,091
Others - net		**183,034**		(325,267)		**123,515**		(300,386)
		54,465		(450,291)		**(132,921)**		(446,084)
CONSTRUCTION REVENUES		**141,339**		6,139,091		**208,375**		6,331,514
CONSTRUCTION COSTS		**(141,339)**		(6,139,091)		**(208,375)**		(6,331,514)
		-		-		-		-
INCOME BEFORE INCOME TAX		**802,638**		152,839		**1,302,957**		707,597
INCOME TAX EXPENSE								
Current		**188,838**		161,241		**363,560**		294,666
Deferred		**40,791**		(126,305)		**6,430**		(104,640)
		229,629		34,936		**369,990**		190,026
NET INCOME	P	**573,009**	P	117,903	**P**	**932,967**	P	517,571
OTHER COMPREHENSIVE INCOME FOR THE FIRST QUARTER, NET OF TAX		-		-		-		-
TOTAL NET INCOME AND OTHER COMPREHENS	**P**	**573,009**	P	117,903	**P**	**932,967**	P	517,571
Income Attributable To:								
Equity /Holders of the Parent Company	P	**572,270**		117,409	**P**	**931,647**	P	516,655
Non - controlling interest		**739**		494		**1,320**		916
	P	**573,009**	P	117,903	**P**	**932,967**	P	517,571
Basic/Diluted Earnings Per Share Attributable to Equity Holders of the Parent Company	P	**0.29**	P	0.06	**P**	**0.47**	P	0.26
Basic/Diluted Earnings Per Share Attributable to Owners of the Parent Company - Continuing Operations		**P0.29**		P0.06		**P0.47**		P0.26

ASIAN TERMINALS, INC. AND A SUBSIDIARY
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
(In Thousands, Except Per Share Data)

	Attributable to Equity Holders of the Parent Company						Non-controlling Interest	Total Equity
			Retained Earnings					
	Common Stock	Additional Paid-in Capital	Appropriated for Port Development	Unappropriated	Other Reserves	Total		
Balance at January 1, 2014	**P 2,000,000**	**P 264,300**	**P 4,700,000**	**P 1,953,749**	**(P 5,820)**	**P 8,912,229**	**P 3,104**	**P 8,915,333**
Cash dividends - P0.35 a share for ATI	-	-	-	**(700,000)**	-	**(700,000)**	**(830)**	**(700,830)**
Net income for the period	-	-	-	**931,647**	-	**931,647**	**1,320**	**932,967**
Balance at June 30, 2014	**P 2,000,000**	**P 264,300**	**P 4,700,000**	**P 2,185,396**	**(P 5,820)**	**P 9,143,876**	**P 3,594**	**P 9,147,470**
Balance at January 1, 2013, as previously stated	P 2,000,000	P 264,300	P 1,000,000	P 5,237,416	(P 5,820)	P 8,495,896	P 1,906	P 8,497,802
Impact of changes in accounting policies	-	-	-	(144,273)	-	(144,273)	-	(144,273)
Balance at January 1, 2013, as restated	2,000,000	264,300	1,000,000	5,093,143	(5,820)	8,351,623	1,906	8,353,529
Cash dividends - P0.35 a share for ATI	-	-	-	(700,000)	-	(700,000)	(830)	(700,830)
Net income for the period	-	-	-	516,655	-	516,655	916	517,571
Balance at June 30, 2013	P 2,000,000	P 264,300	P 1,000,000	P 4,909,798	(P 5,820)	P 8,168,278	P 1,992	P 8,170,270

ASIAN TERMINALS, INC. AND A SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands)

	For the second quarter ended June 30		For the six months ended June 30	
	2014	2013 (As re-stated)	**2014**	2013 (As re-stated)
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax	**P 802,639**	P 152,838	**P 1,302,957**	P 707,598
Adjustments for:				
Depreciation and amortization	**211,844**	192,760	**414,292**	378,528
Finance cost	**135,430**	140,815	**271,349**	182,789
Finance income	**(6,861)**	(15,791)	**(14,913)**	(37,091)
Contribution to retirement funds	**-**	-	**-**	(28,036)
Net unrealized foreign exchange losses	**61,270**	345,089	**126,207**	334,358
Equity in net earnings of an associate	**(7,475)**	(6,626)	**(14,721)**	(12,193)
Loss (gain) on disposals of:				
Property and equipment	**150**	(35)	**635**	(40)
Amortization of noncurrent prepaid rental	**246**	246	**492**	492
Provisions for inventory obsolescence	**2,608**	-	**5,217**	-
Operating income before working capital changes	**1,199,851**	809,296	**2,091,515**	1,526,405
Decrease (increase) in:				
Trade and other receivables	**(8,030)**	9,946	**36,905**	19,619
Spare parts and supplies	**(12,182)**	3,879	**(10,970)**	(3,388)
Prepaid expenses	**54,207**	(54,059)	**(22,662)**	(163,398)
Increase (decrease) in:				
Trade and other payables	**98,636**	261,590	**(211,667)**	161,385
Provisions for claims	**(2,336)**	(469)	**(3,939)**	(33,867)
Income and other taxes payable	**63,436**	55,756	**32,863**	32,907
Cash generated from operations	**1,393,582**	1,085,940	**1,912,045**	1,539,664
Finance cost paid	**568**	(158)	**(312)**	95
Income tax paid	**(356,640)**	(313,471)	**(356,640)**	(313,471)
Net cash provided by operating activities	**1,037,510**	772,311	**1,555,093**	1,226,288
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of:				
Property and Equipment	**(19,251)**	(11,488)	**(27,284)**	(22,852)
Intangible assets	**(141,339)**	(6,139,091)	**(208,375)**	(6,331,514)
Decrease in other noncurrent assets	**1,931**	7,042	**6,594**	11,846
Proceeds from disposals of:				
Property and Equipment	**(150)**	35	**(581)**	40
(Decrease) Increase in deposits	**(98)**	(54)	**874**	(54)
Dividends received	**7,165**	-	**23,285**	25,076
Net cash used in investing activities	**(151,742)**	(6,143,556)	**(205,487)**	(6,317,458)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments of:				
Cash dividends	**(700,000)**	(700,000)	**(700,000)**	(700,000)
Cash dividend to non-controlling interest	**(830)**	(830)	**(830)**	(830)
Port concession rights payable	**(408,098)**	5,434,346	**(572,513)**	5,319,849
Finance income received	**5,267**	16,697	**13,095**	38,178
Net cash (used in) provided by financing activities	**(1,103,661)**	4,750,213	**(1,260,248)**	4,657,197
NET INCREASE IN CASH AND CASH EQUIVALENTS	**(217,893)**	(621,032)	**89,358**	(433,973)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**(4,828)**	1,080	**(4,368)**	822
CASH & CASH EQUIVALENTS AT BEGINNING OF YEAR	**3,057,827**	3,205,991	**2,750,116**	3,019,190
CASH & CASH EQUIVALENTS AT END OF YEAR	**P 2,835,106**	P 2,586,039	**P 2,835,106**	P 2,586,039

SELECTED
EXPLANATORY NOTES
June 30, 2014
(Amounts in Thousands)

1. Segment Information

The Company's segment information became solely Ports in 2010, following the discontinued non-port operations in August 2010. Information with regard to the Company's Port business segment is presented below:

	For the six months ended June 30	
	2014	2013 (As re-stated)
Revenue	**P 3,922,690**	P 3,099,528
Intangible Assets (excluding goodwill)	**13,928,381**	13,252,313
Property and equipment - net	**345,825**	423,489
Total assets	**18,525,974**	17,371,062
Total liabilities	**9,378,506**	9,200,793
Capital expenditures		
Intangible Assets	**208,375**	6,331,514
Property and equipment	**27,284**	22,852
Depreciation and amortization	**414,292**	378,528
Noncash expenses (income) other than depreciation and amortization	**5,217**	-

2. Trade Receivables - net

Presented below is the aging of the Company's trade receivables - net.

	As of June 30, 2014	As of December 31, 2013
Up to 6 months	**P 262,051**	P 310,682
Over 6 months to 1 year	-	-
Over 1 year	-	-
Total	**P 262,051**	P 310,682

3. Property and Equipment

A summary of property and equipment follows:

	Port facilities and equipment	Leasehold improvements	Furnitures, fixtures and equipment	Transportation and other equipment	Construction In-progress	June 30, 2014	December 31, 2013 (Audited)
Cost							
Balance at beginning of year	P 55,416	P 521,032	P 287,383	P 117,455	P 12,552	P 993,838	1,377,794
Additions	920	4,018	5,349	10,752	6,245	27,283	82,619.5
Disposals	-	-	(1,751)	(4,091)	-	(5,842)	(240,624)
Reclassifications	-	-	3,671		(3,671)	0	(207,765)
Retirements	-	-	-	-	-	-	(18,190)
Balance at end of year	56,336	525,050	294,652	124,116	15,126	1,015,280	993,834
Accumulated depreciation and amortization:							
Balance at beginning of year	44,304	313,953	212,770	81,093	-	652,120	941,998
Additions	1,697	5,848	10,003	5,576	-	23,124	51,313
Disposals	-	-	(1,699)	(4,091)	-	(5,790)	(220,578)
Reclassification	-	-	-	-	-	-	(102,427)
Retirements	-	-	-	-	-	-	(18,190)
Balance at end of year	46,001	319,800	221,074	82,579	-	669,455	652,116
Net book value	P 10,335	P 205,249	P 73,578	P 41,538	P 15,126	P 345,825	P 341,718

4. Intangible Assets

As of June 30, 2014

	Port Concession Rights					
	Upfront Fees	Fixed Fees	Port Infrastructure	SubTotal	Goodwill	Total
Cost:						
Balance at beginning of year	P 282,000	P 8,342,270	P 11,091,945	P 19,716,215	P 42,060	P 19,758,275
Additions			208,375	208,375	-	208,375
Balance at end of year	282,000	8,342,270	11,300,320	19,924,590	42,060	19,966,650
Accumulated depreciation and amortization:						
Balance at beginning of year	6,974	1,403,843	4,194,224	5,605,041	-	5,605,041
Additions	2,820	152,067	236,281	391,167	-	391,167
Balance at end of year	9,794	1,555,910	4,430,505	5,996,208	-	5,996,208
Net book value	P 272,206	P 6,786,360	P 6,869,815	P 13,928,382	P 42,060	P 13,970,442

As of December 31, 2013 (Audited)

	Port Concession Rights					
	Upfront Fees	Fixed Fees	Port Infrastructure	SubTotal	Goodwill	Total
Cost:						
Balance at beginning of year, as previously reported	P -	P -	P 9,279,830	P 9,279,830	P 42,060	P 9,321,890
Effect of change in accounting policy	-	2,771,975	-	2,771,975	-	2,771,975
Balance at beginning of year, as restated	-	2,771,975	9,279,830	12,051,804	42,060	12,093,865
Additions	282,000	5,570,295	1,614,985	7,467,280	-	7,467,280
Disposals	-	-	(329)	(329)	-	(329)
Reclassifications	-		207,765	207,765	-	207,765
Retirements	-	-	(10,306)	(10,306)	-	(10,306)
Balance at end of year	282,000	8,342,270	11,091,945	19,716,215	42,060	19,758,276
Accumulated depreciation and amortization:						
Balance at beginning of year, as previously reported	-		3,664,008	3,664,008	-	3,664,008
Effect of change in accounting policy	-	1,123,628	-	1,123,628	-	1,123,628
Balance at beginning of year, as restated	-	1,123,628	3,664,008	4,787,636	-	4,787,636
Additions	6,974	280,216	418,276	705,466	-	705,466
Disposals	-	-	(329)	(329)	-	(329)
Reclassifications	-		122,573	122,573	-	122,573
Retirements	-	-	(10,306)	(10,306)	-	(10,306)
Balance at end of year	6,974	1,403,843	4,194,224	5,605,041	-	5,605,041
Net book value	P 275,026	P 6,938,427	P 6,897,722	P 14,111,174	P 42,060	P 14,153,234

Service concession represents property and equipment which is the subject of the concession arrangement that will be transferred to the Philippine Ports Authority (PPA) at the end of the operating contracts.

5. Trade and Other Payables

	June 30, 2014	December 31, 2013 (Audited)
Trade	P **63,152**	P 148,126
Accrued expenses:		
Finance costs	**136,797**	139,950
Personnel costs	**147,574**	97,392
Rental	**61,786**	65,433
Repairs and maintenance	**27,290**	27,367
Security expenses	**16,271**	13,422
Professional fees	**10,566**	10,839
Safety and environment	**1,213**	1,635
Others	**222,344**	288,856
Equipment acquisitions	**168,410**	457,463
Due to government agencies	**516,972**	403,145
Shippers' and brokers' deposits	**56,521**	49,325
Due to related parties	**16,527**	4,788
Others	**73,825**	44,436
	P **1,519,247**	P 1,752,178

6. Other Income and Expenses

Finance cost is broken down as follows:

		For the six months ended June 30		
		2014		2013 (As re-stated)
Interest on port concession rights payable	**P**	**269,801**	P	192,160
Interest component of pension expense		**1,236**		4,209
Interest on bank loans/credit facilities		**312**		(13,580)
	P	**271,349**	P	182,789

Finance income is broken down as follows:

		For the six months ended June 30		
		2014		2013 (As re-stated)
Interest on cash in banks and short-term investments	**P**	**14,366**	P	36,386
Accretion of rental deposits		**547**		705
	P	**14,913**	P	37,091

Others consisted of the following:

		For the six months ended June 30		
		2014		2013 (As re-stated)
Lease and other income - net	**P**	**1,522**	P	1,488
Equity in net earnings of an associate		**14,721**		12,193
Foreign exchange gains (losses) - others		**(4,701)**		6,637
Management income		**3,201**		3,001
Foreign exchange gains (losses) - port concession rights payable		**108,772**		(323,704)
		P123,515	(P	300,385)

Foreign exchange gains (losses) – port concession rights payable resulted from revaluation of foreign currency denominated port concession rights payable and includes realized foreign exchange gains and losses on payment of dollar-denominated port authorities' share.

Excluding the unrealized foreign exchange gain and losses attributable to port concession rights payable, net income would have been P847.7 million for the six months ended June 30, 2014, 12.7% higher than the P752.2 million for the same period last year.

7. Financial Risk Management Objectives and Policies

The Company's principal financial instruments comprise of cash and cash equivalents, trade and other receivables and deposits, which arise directly from its operations. Other financial instruments include available-for sale investments.

The main risks arising from the Company's financial instruments are interest rate risk, foreign currency risk, credit risk, and liquidity risk. The Board of Directors reviews and agrees on policies for managing each of these risks.

Interest Rate Risk

The Company's interest rate risk management policy centers on reducing the Company's overall interest expense and exposure to changes in interest rates. Changes in market interest rates relate primarily to the Company's cash and cash equivalents.

As of June 30, 2014, the Company's interest bearing financial instruments are its cash and cash equivalents.

Fair Value Sensitivity Analysis for Fixed Rate Instruments

The Company has no derivative instruments, therefore, a change in interest rates at the reporting date would not affect profit or loss.

Liquidity Risk

The Company monitors its risk to a shortage of funds using a liquidity planning tool. This tool considers the maturity of both the Company's financial investments and financial assets and projected cash flows from operations, among others. The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans.

The table below summarizes the maturity profile of the Company's financial liabilities based on contractual undiscounted payments:

As of June 30, 2014	Carrying Amount	Contractual Cash Flows On demand	Less than 3 months	3 to 12 months	1 to 5 years	>5 years	Total
Trade and other payables	P 1,519,247	P 799,000	P 226,166	P 494,081	P -	P -	P 1,519,247
Port concession rights payables	7,516,956	-	164,415	493,244	3,328,306	11,155,097	15,141,062
Total	P 9,036,203	P 799,000	P 390,581	P 987,325	P3,328,306	P11,155,097	P 16,660,309

As of December 31, 2013	Carrying Amount	Contractual Cash Flows On demand	Less than 3 months	3 to 12 months	1 to 5 years	>5 years	Total
Trade and other payables	P 1,752,178	P 1,061,036	P 58,882	P 492,681	P -	P -	P 1,612,599
Port concession rights payables	7,694,673	-	164,415	493,244	3,316,873	12,021,999	15,996,531
Total	P 9,446,851	P 1,061,036	P 223,297	P 985,925	P 3,316,873	P 12,021,999	P 17,609,130

Credit Risk

The Company trades only with recognized, creditworthy third parties. It is the Company's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Company's exposure to bad debts is not significant. A regular review and evaluation of accounts is being executed to assess the credit standing of customers. In addition, a portion of revenues is on cash basis.

With respect to credit risk arising from the other financial assets of the Company, which comprise of cash and cash equivalents, nontrade receivables, deposits, and available-for-sale investments, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. Since the Company trades only with recognized third parties, there is no requirement for collateral.

There are no significant concentrations of credit risk within the Company.

As of June 30, 2014, 91% of the total trade and other receivables which are neither past due nor impaired are of high grade quality.

Foreign Currency Risk

The Company has foreign currency financial assets and liabilities arising from US dollar (USD)-denominated revenues, lease payments, PPA fees, and other foreign currency-denominated purchases by operating units.

The Company's policy is to manage its foreign currency risk by using a combination of natural hedges and selling foreign currencies at spot rates where necessary to address short-term imbalances.

The Company's foreign currency-denominated accounts are as follows:

	As of June 30, 2014	As of December 31, 2013
Assets:		
Cash and cash equivalents	**US$4,573**	US$1,586
Trade and other receivables	**340**	374
	4,913	1,960
Liabilities:		
Trade and other payables	**2,118**	2,042
Concession rights payable	**156,778**	157,390
	158,896	159,432
Net foreign currency-denominated assets (liabilities)	**(US$153,983)**	(US$15,7472)
Peso equivalent	**(P6,721,358)**	(P6,991,757)

The following table demonstrates the sensitivity to a reasonably possible change in the US dollar exchange rate, with all other variables held constant, of the Company's income before income tax and equity.

Increase/Decrease in U.S. dollar Exchange Rate	Effect on Income Before Income Tax	Effect on Equity
June 30, 2014		
+5%	**(P 336,066)**	**(P 235,246)**
-5%	**336,066**	**235,246**
December 31, 2013		
+5%	(P 349,588)	(P 244,711)
-5%	349,588	244,711

Capital Management

The primary objective of the Company's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

The Company considers capital to include paid-up capital, retained earnings, and other reserves. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust its capital structure, the Company may adjust the dividend payment to shareholders, return to capital shareholders or issue new shares. No changes were made in the objectives, policies or processes during the period ended June 30, 2014.

The Company is not subject to externally imposed capital requirements.

The table below shows the capital structure of the Company.

	June 30, 2014	December 31, 2013
Capital Stock	**P 2,000,000**	P 2,000,000
Additional paid-in capital	**264,300**	264,300
Retained Earnings	**6,885,396**	6,653,749
Other reserves	**(5,820)**	(5,820)
Total	**P 9,143,876**	P 8,912,229

8. Financial Instruments

The table below presents a comparison by category of carrying amounts and estimated fair values of all the Company's financial instruments.

	As of June 30, 2014				As of December 31, 2013			
	Carrying Values		Fair Values		Carrying Values		Fair Values	
Financial assets:								
Loans and receivables:								
Cash and cash equivalents	P	2,835,106	P	2,835,106	P	2,750,116	P	2,750,116
Trade and other receivables - net		329,349		329,349		364,982		364,982
Deposits		26,475		35,214		26,802		36,147
		3,190,930		3,199,669		3,141,900		3,151,245
AFS financial assets		2,652		2,652		2,652		2,652
		3,193,583		3,202,321		3,144,552		3,153,897
Financial liabilities:								
Other Financial liabilities:								
Trade and other payables		1,519,247		1,519,247		1,752,178		1,752,178
Concession rights payable		7,516,956		7,516,956		7,694,673		7,694,673
	P	9,036,204	P	9,036,204	P	9,446,851	P	9,446,851

Fair Value of Financial 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.

a. Nonderivative financial instruments

The fair values of cash and cash equivalents, trade and other receivables, and trade and other payables are approximately equal to their carrying amounts due to the short-term nature of these transactions.

Quoted market prices have been used to determine the fair values of listed available-for-sale investments. The fair values of unlisted AFS financial assets are based on cost since the fair values are not readily determinable.

For noninterest-bearing deposits, the fair value is estimated as the present value of all future cash discounted using the prevailing market rate of interest for a similar instrument. The discount rates used were 3.90% and 3.39% in 2014 and 2013, respectively.

b. Derivative instruments

As of June 30, 2014 and December 31, 2013, respectively, the Company has no derivative financial instruments.

Fair Value Hierarchy

The table below analyses financial instruments carried at fair value, by valuation method.

The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., prices) or indirectly (i.e., derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

		Level 1		Level 2		Level 3
As of June 30, 2014						
AFS financial assets	P	933	P	-	P	1,719
As of December 31, 2013						
AFS financial assets	P	933	P	-	P	1,719

There have been no transfers from one level to another in 2014 and 2013.