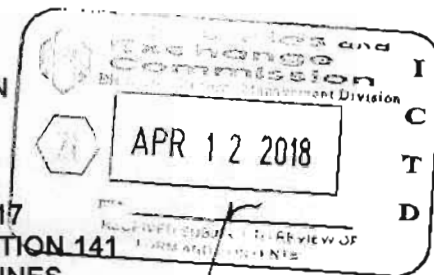


SECURITIES AND EXCHANGE COMMISSION

SEC Form 17-A

ANNUAL REPORT PURSUANT TO SECTION 17  
OF THE SECURITIES REGULATION CODE AND SECTION 141  
OF THE CORPORATION CODE OF THE PHILIPPINES



- 1. For the fiscal year ended : December 31, 2017
- 2. SEC Identification Number : 133653
- 3. BIR Tax Identification Code : 000-132-413
- 4. 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 Principal Office : A. Bonifacio Drive  
Port Area, Manila 1018
- 8. Registrant's telephone number : (632) 528-6000
- 9. Former name, address and fiscal year, if changed since last report : N/A
- 10. Securities registered pursuant to Section 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 or Amount of Debt Outstanding
Common	2,000,000,000 shares

11. Are any or all of registrant's securities listed on a Stock Exchange?

Yes  No

If yes, disclose the name of such Stock Exchange and the class of securities listed therein: Philippine Stock Exchange, Inc.; common shares

12. Check whether the issuer

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder of Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports):

Yes  No

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

Yes [ X ]

No [ ]

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form.

Number of non-affiliate shares as of December 31, 2017	1,346,573,428
Closing price per share as of March 27, 2018 (last trading day)	P12.52
Market value of stocks held by non-affiliates as of March 31, 2018	P16.86B

## PART I- BUSINESS AND GENERAL INFORMATION

### Item 1. Business

#### Corporate Background

Asian Terminals, Inc. (ATI), formerly known as Marina Port Services, Inc. (MPSI), was incorporated on July 9, 1986 to provide general services with respect to the operation and management of port terminals in the Philippines. In August 1990, a consortium of local and foreign companies acquired all the issued and outstanding capital stock of ATI.

#### South Harbor

ATI manages and operates the South Harbor pursuant to the Third Supplement to the Contract for Cargo Handling Services and Related Services granted by the Philippine Ports Authority (PPA) extending ATI's current contract for twenty five (25) years or until May 2038.

The Container Terminal Division handles stevedoring, arrastre, warehousing, storage, crange, container freight station (CFS) and other port-related services for international shipping lines. ATI's 5-year lease contract commencing in 2011 over two parcels of land located in Sta. Mesa, City of Manila continued in 2016 and 2017. This land is being exclusively used as an off-dock container depot.

Pier 15 is dedicated to General Stevedoring operations which provide arrastre, stevedoring and storage services to international shipping lines.

The ATI South Harbor facility is certified compliant with the International Ship and Port Facility Security (ISPS) Code issued by the Office for Transportation Security, Department of Transportation (DOTr) valid until November 2019.

The ATI South Harbor facility has completed the follow-up audit for the Integrated Management Systems last October 2017 which covered ISO 14001:2015 (Environment), OSHAS 18001:2007 (Health and Safety), ISO 9001: 2015 (Quality) and ISO28000:2007 (Specification for the Supply Chain Security). All certificates are current and updated.

#### Inland Clearance Depot

The Inland Clearance Depot (ICD) was established pursuant to Customs Memorandum Order No. 11-97 which designated ICD as an extension of the Port of Manila and as a customs bonded facility. This permits the immediate transfer of cargoes to the facility while still being cleared by customs in Manila. This provides savings in storage charges and efficient just in time delivery for clients in the CALABARZON area. The facility provides storage, trucking, just-in-time delivery, brokerage and maintenance and repair services for its clients. Customs Memorandum Order No. 23-2003 expanded the operations of the ATI-Calamba ICD to include servicing the Port of Batangas, in addition to the Port of Manila, amending CMO 11-97 for the purpose. The ICD also serves as an empty container depot for shipping lines. This provides greater operational efficiency and minimizes locators' costs.

The facility is equipped with CCTV cameras for security monitoring.

The Inland Clearance Depot has completed the follow-up audit for the Integrated Management Systems last October 2017 which covered ISO 14001:2015 (Environment), OSHAS 18001:2007 (Health and Safety), ISO 9001: 2015 (Quality) and ISO28000:2007 (Specification for the Supply Chain Security). All certificates are current and updated.

### **Port of Batangas**

ATI Batangas, Inc. (ATIB), a 99.17%-owned subsidiary of ATI, is the sole cargo handling contractor operating at the Port of Batangas. ATI provides management services to ATIB relating to operations, marketing, training and administration.

ATIB had a 10-year Cargo Handling Contract in Phase 1 of the Port of Batangas effective until October 2015, under which it provides arrastre, stevedoring, storage and related cargo handling services. By virtue of the same contract, ATIB was also given the right to manage and operate the Fastcraft Passenger Terminal and to provide specific services and amenities to all passengers, both for fastcraft and RO-RO vessels.

A Lease Agreement for the management and operation of additional assets and facilities in Phase 1 was signed by ATIB effective August 1, 2009 and co-terminous with the above-mentioned 10-year agreement. Pursuant to this Lease Agreement, the Passenger Terminal Building 2 was turned over to ATIB in May 2010.

On 2 October 2015, ATIB and ATI signed a Contract for the Management, Operation, Maintenance and Development of Phase I, Port of Batangas for a term commencing 01 October 2015 until 30 September 2025. This contract effectively consolidates the above-mentioned contracts of ATIB in Phase 1, Port of Batangas, and included the contract to lease the Main Passenger Terminal Building mentioned in the narrative below.

On January 18, 2010, the PPA issued to ATI the Notice to Proceed to Award the Contract for the Management, Operation, Maintenance, Development and Promotion of the Container Terminal "A-1", Phase II of the Port of Batangas for a period of 25 years. The contract was signed on March 25, 2010 and is effective for a term of 25 years. The Notice to Proceed dated June 16, 2010 allowed ATI to start and commence operations at the Terminal on 1 July 2010.

The container terminal handles stevedoring, arrastre, storage, container freight station (CFS) and other port related activities for domestic and international shipping lines. Other special services include ship's husbanding, maintenance and repair services, and trucking.

ATI's 5-year lease agreement with PPA effective 3 April 2012 covering a land adjacent to the CFS area of the Container Terminal "A-1" continued in 2017. This area is being utilized as storage for completely built units (CBU) of vehicles.

ATIB and Batangas Container Terminal has completed the follow-up audit for the Integrated Management Systems last October 2017 which covered ISO 14001:2015 (Environment), OSHAS 18001:2007 (Health and Safety), ISO 9001: 2015 (Quality) and ISO28000:2007 (Specification for the Supply Chain Security). All certificates are current and updated.

ATIB and Batangas Container Terminal is certified compliant with the International Ship and Port Facility Security (ISPS) Code issued by the Office for Transportation Security, DOTC.

### **Batangas Supply Base**

On February 13, 2007, ATIB entered into a contract to lease the Main Passenger Terminal Building for the purpose of operating a supply base for companies engaged in oil and gas exploration. The contract was initially effective for five (5) years, and has been renewed to be effective until 19 October 2015. The agreement for this facility was included in the "Contract for the Management, Operation, Maintenance and Development of Phase I, Port of Batangas" which was renewed dated 2 October 2015 for a term of 10 years from 01 October 2015 until 30 September 2025.

ATIB operates and manages the Batangas Supply Base within the Port of Batangas under a contract with Shell Philippines Exploration B.V. (SPEX). The Supply Base provides logistics support to the Malampaya Gas-to-Power-Project which includes cargo-handling, crane and equipment hire, transport, labor, vessel agency and waste management. The life of the Malampaya Gas field is approximately 20 years. Its other major client is Rubicon Offshore, International, Inc.

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The Batangas Supply Base has completed the follow-up audit for the Integrated Management Systems last October 2017 which covered ISO 14001:2015 (Environment), OSHAS 18001:2007 (Health and Safety), ISO 9001: 2015 (Quality) and ISO28000:2007 (Specification for the Supply Chain Security). All certificates are current and updated.

#### Tanza Barge Terminal

ATI intends to develop a barge terminal in Tanza, Cavite to cater to South Harbor ro-ro cargoes. In preparation for this project, Tanza Container Terminal, Inc. was incorporated on 18 January 2018. On 15 February 2018, ATI signed an initial lease term of 6-months over a property in Tanza, Cavite, for Php1.54 million per month. The source of funding will be a combination of internally generated funds and bank borrowings.

#### South Cotabato Integrated Port Services, Inc.

ATI owns 35.71% of the issued and outstanding capital stock of South Cotabato Integrated Port Services, Inc. (SCIPSI).

SCIPSI is the existing cargo handling operator at the Makar Wharf in the Port of General Santos, General Santos City. It is located near the business center of the city and caters to the needs of local businesses (which are engaged mainly in agriculture, fisheries, livestock and poultry) as well as importers and exporters.

The services provided by SCIPSI include container terminal handling, arrastre, stevedoring, bagging, domestic cargo handling and equipment services.

SCIPSI is ISO 14001:2004, OHSAS 18001:2007 and ISO 9001:2008 certified since 2004. It is Investors in People (IIP) certified beginning June 16, 2009. In September 2015, SCIPSI reached the IIP – Gold Accreditation. In June 2016, SCIPSI won the IIP Gold Employer of the Year (International) Award in London.

The renewal of compliance certificate with the International Ship and Port Facility Security Code issued by the Office of Transport Security (OTS) is currently being processed.

#### Breakdown of Consolidated Revenues

Based on accounting records, the following is the breakdown of consolidated revenues (in '000 PHP) by service type for the year ended December 31, 2017:

Service	2017		2016		2015	
	Amount	% to Total	Amount	% to Total	Amount	% to Total
Stevedoring	4,833,068	46%	4,041,808	44%	3,157,739	39%
Arrastre	3,715,092	35%	3,644,314	39%	2,746,659	33%
Logistics	104,286	1%	108,417	1%	143,318	2%
Special/Other Services	1,950,726	18%	1,454,623	16%	2,098,781	26%
<b>TOTAL</b>	<b>10,603,172</b>	<b>100%</b>	<b>9,249,162</b>	<b>100%</b>	<b>8,146,497</b>	<b>100%</b>

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Source	2017		2016		2015	
	Amount	% to Total	Amount	% to Total	Amount	% to Total
Domestic	327,524	3%	384,976	4%	393,588	5%
Foreign	10,275,648	97%	8,864,186	96%	7,752,909	95%
<b>TOTAL</b>	<b>10,603,172</b>	<b>100%</b>	<b>9,249,162</b>	<b>100%</b>	<b>8,146,497</b>	<b>100%</b>

**Competition**

ATI manages the South Harbor at the Port of Manila. Its major competitor on the container business is International Container Terminal Services, Inc., (ICTSI) which operates the Manila International Container Terminal (MICT); and on the non-containerized business, Harbour Centre Port Terminal Inc., which operates a private commercial port at the northern end of the Manila North Harbor.

At the Port of Batangas, ATIB competes with two (2) major private commercial ports on breakbulk cargoes -- Philippine National Oil Corporation Energy Base and Bauan International Port Inc. The Batangas Container Terminal has no direct competitor.

The ICD competes with ICTSI's Laguna Gateway Inland Container Terminal (LGICT) located in Calamba, Laguna. The LGICT is an extension of the seaport operations of the MICT.

**Effect of existing or probable governmental regulations on the business**

Various laws, orders, rules and regulations govern ATI's business and operations. ATI's commitments and authority to manage, operate, maintain, develop and promote its business are based on the terms provided in its various contracts with and the administrative rules issued by the Philippine Ports Authority (PPA). The regulatory powers of government agencies namely the Department of Labor and Employment (DOLE), Department of Environment and Natural Resources (DENR), Securities and Exchange Commission (SEC), Bureau of Customs (BOC), Philippine Competition Commission, as well as the concerned Local Government Units (LGU) over various aspects of its business and intended projects, facilitate and ensure observance of existing laws.

**Employees**

ATI has a total manpower complement of 1,607 as of December 31, 2017. Of the total, 1,319 are in Operations, 167 are in Maintenance and 121 are in Management and Administration. The projected headcount for next 12 months is 1,794.

About 78% of the existing manpower is covered by collective bargaining agreements as follows:

TYPE OF WORKER	UNION	FROM	TO
Equipment operators and dockworkers	Associated Workers Union (AWU)	12/01/13	11/30/18
Stevedores	Katipunan ng mga Mangagawa sa Daungan	12/01/13	11/30/18
Field Supervisors	Associated Skilled and Technical Employees Union	08/16/16	08/15/21

Checkers	South Harbor Independent Port Checkers Union	09/07/16	09/07/21
Stevedores and dockworkers	Batangas Pier Stevedores and Labor Union	11/06/12	11/05/17

There were no labor strikes for the past twenty (20) years.

#### Costs and Effects of Compliance with Environmental Laws

In 2017, ATI incurred approximately Php 5.3 million for various environmental activities and other environment related projects. The Company also participated in Corporate Social Responsibility activities benefiting nearby communities.

ATI business units maintain its current certifications to ISO 14001:2015 Environmental Management System and OHSAS 18001:2007 Occupational Health and Safety Management System.

#### Business Risks

The Company regularly undertakes a Business Risk Profile review where risks are identified by priority based on a systematic assessment of probability and impact. Control strategies are identified and action points established with the designated accountable persons. Results and developments are monitored during reviews.

Adequate bonds and insurance coverage with business interruption clauses and global umbrella scope, structural testing and improvement of facilities and equipment, compliance with government regulations, asset management systems, business continuity plans, disaster recovery procedures, safety and health management systems, emergency response procedures and security management systems are in place to meet operational contingencies. Results and developments are monitored during reviews.

Process controls, intensified collection efforts, rationalization of capital and operational spending, close monitoring of economic indicators and financial planning and budget controls are practiced to address financial and strategic contingencies.

Aggressive marketing approach and customer relations, regular dialogue with concerned government entities and port users, productivity and efficiency improvements are initiated as far as commercial and legal contingencies are concerned.

#### Item 2. Properties

The Company has outstanding leases and subleases covering land, buildings, and offshore area in Manila, Calamba, Laguna and Sta. Clara, Batangas. Rental expenses on these properties in 2017 totaled P97.4 million. The current lease agreements have various expiration dates with the longest term expiring in April 2021. The leases are renewable upon mutual agreement with the lessor. There is no intention to purchase any of the real property currently being leased.

**Main Facilities****South Harbor**

The Container Terminal operates a facility with 4 container berths. It has 975 meters of quay line equipped with twin-lift capable ship-to-shore gantry cranes. Capacity was 1.03m prior to 2013 and has now been brought up to 1.2m through developments since 2013. South Harbor provides optimal service through modern equipment comprising of Quay Cranes (QC), Rubber Tyred Gantries (RTG) with stacking capacity up to 6 levels, Container Stackers, Empty Handlers, and Internal Transfer Vehicles and forklifts. The Truck Holding Area can accommodate up to 300 trucks. South Harbor has a Container Freight Station (CFS) and a Designated Examination Area with 5 x-ray machines. Since early 2014, with all domestic cargoes transferred to the domestic ports, the South Harbor facility offers efficient gate access through 5 corridors connecting to main roadways. The Terminal Operating System is managed with Navis SPARCS (Synchronous Planning and Real Time Control System), a graphical planning software that guides proper segregation and stacking of containers, vessels berthing, loading and unloading, and equipment control.

The General Services Division (GSD) occupies a single pier at the Manila South Harbor with a total of 5 berths and a beaching area for landing craft. It has three covered warehouses and a stacking area designed for completely built units. It is equipped with annually certified lifting gears and multiple heavy forklifts rated up to 30T. GSD also provides offshore conventional cargo handling at 18 anchorage berths inside the Manila Bay breakwater.

**Inland Clearance Depot**

ICD is a 4.2 hectare container yard facility. It has a maximum capacity of 2,600 TEUs. It is equipped with two (2) toploaders, one (1) reachstacker and one (1) unit of 3-tonner forklift to service the logistics requirement of clients. The core activities of ICD, among others, include the "Just-in-Time-Deliveries" for CALABARZON based consignees using the Ports of Batangas and Manila.

**Port of Batangas (Phase 1) (ATIB)**

The domestic terminal has 230-meter and 185-meter berths and three general cargo berths with lengths ranging from 130 meters to 180 meters. It has a storage area totaling 62,500 square meters (sqm) and a transit shed measuring 3,000 square meters. Additional services, through partnerships, include operating an offshore supply base.

ATIB operates two (2) modern passenger terminal buildings for high-speed inter-island ferries and RORO vessels. It has seven fast craft berths with a total length of 540 meters and a draft of five meters. It has a ferry berth 124 meters long with five meters draft and six RORO berths with a total length of 680 meters. The passenger terminal facility includes a 25,000 sqm. marshalling area for RORO vehicles. It can handle more than 3 million embarking passengers annually.

**Batangas Container Terminal (Container Terminal "A-1", Phase II of the Port of Batangas) (BCT)**

The Batangas Container Terminal ("A-1", Phase 2) has an existing berth length of 450 meters with a draft of 13 meters. The approximate area of the entire facility of 162,500 sqm include the container yard, working apron, maintenance and control buildings, gates and roadways. The container yard has a total of 1,900 twenty-foot ground slots and equipped with 4 units of RTGs. Ship-to-shore operations are equipped with 2 Quay Cranes. The terminal is also equipped with 10 reefer platforms, a 4,100 sqm. CFS, RFID gate management system, CCTV coverage, and



back-up generator sets. Similar as in the South Harbor Container Terminal, the Terminal Operating System is managed with Navis SPARCS.

#### Batangas Supply Base

For its BSB operations, ATIB allocates an open area measuring nearly 11,000 sqm. for SPEX (Shell Philippines Exploration) in addition to a 2-level covered storage facility with a lot area of nearly 2,500 sqm.

#### South Cotabato Integrated Port Services Inc.

South Cotabato Integrated Port Services, Inc. (SCIPSI) operates the Makar Wharf in General Santos City. Cargoes are loaded or unloaded using ships gears. It has a total berth length of 850 meters. SCIPSI receives and handles cargoes through the use of their various lifting equipment with capacities ranging from 3 tons to 40 tons.

#### Item 3. Legal Proceedings

1. ATI - MAFSICOR Case –Regional Trial Court, Manila. On August 5, 1993, ATI (then Marina Port Services, Inc.) filed a Petition for Declaratory Relief with prayer for Injunction against MAFSICOR and PPA in connection with the contract between MAFSICOR and PPA dated April 2, 1992 allowing MAFSICOR to operate a floating grains terminal at the South Harbor. ATI contended that this encroached on its right as the exclusive provider of stevedoring services at the South Harbor. The RTC denied the granting of a writ of preliminary prohibitory injunction. On appeal, the RTC order was nullified by the Court of Appeals (CA). MAFSICOR and PPA filed with the Supreme Court (SC) a Petition for Review which was granted. The SC ordered the RTC for a trial on the merits and remanded all the records of the case to the lower court. In 2012, the RTC declared MAFSICOR as in default. ATI then moved to dismiss MAFSICOR's counterclaims, which motion was denied. ATI filed a petition for certiorari with the Court of Appeals to question said denial. MAFSICOR then filed a motion to lift the RTC's order of default. In August 2017, the RTC lifted the order of default. ATI filed a motion for reconsideration, but the same was denied in an order dated 21 December 2017. On 8 February 2018, ATI filed with the Court of Appeals a Petition for Certiorari (with the application for issuance of a TRO/ writ of preliminary injunction) to annul the RTC's August and December 2017 orders. Meanwhile, the pre-trial of the case is pending with the RTC.
2. The Company is a party to legal proceedings which arose from normal business activities. However, Management believes that the ultimate liability, if any, resulting therefrom, has no material effect on the Company's financial position.

## PART II- OPERATIONAL AND FINANCIAL INFORMATION

## Item 5. Market for Issuer's Common Equity and Related Stockholder Matters

1. The Company's common equity is traded at the Philippine Stock Exchange.

2016	High	Low
First Quarter (Jan. – Mar.)	11.70	10.00
Second Quarter (Apr. – June)	11.92	10.64
Third Quarter (July – Sept.)	11.60	10.48
Fourth Quarter (Oct. - Dec.)	11.96	10.52
2017	High	Low
First Quarter (Jan. – Mar.)	12.40	10.26
Second Quarter (Apr. – June)	12.36	10.80
Third Quarter (July – Sept.)	11.60	10.60
Fourth Quarter (Oct. - Dec.)	12.20	10.90

On December 29, 2017 (last day when ATI shares were traded for 2017), ATI shares were traded at its highest for the price of Php12.18, lowest for Php11.66 and closed at Php11.82.

The number of stockholders as of December 31, 2017 was 835. Of the 2,000,000,000 common shares outstanding as of December 31, 2017, a total 778,724,387 or 38.94% are foreign-owned.

Top 20 stockholders as of December 31, 2017:

Name	No. of Shares	% to Total
DP World Australia (POAL) Ltd.	346,466,600	17.32
ATI Holdings, Inc.	291,371,231	14.57
PCD Nominee Corporation (Filipino)	234,241,039	11.71
Pecard Holdings, Inc.	198,203,968	9.91
Philippine Seaport Inc.	196,911,524	9.85
Daven Holdings, Inc	155,906,071	7.80
PCD Nominee Corporation (Non-Filipino)	139,457,079	6.97
SG Holdings, Inc.	130,000,000	6.50
Murray Holdings Inc.	100,000,000	5.00
Harbourside Holding Corp.	80,000,000	4.00
Aberlour Holding Co. Inc.	71,517,463	3.58
Rescom Developers, Inc.	26,627,884	1.33
Tanco, Eusebio, H.	15,257,663	0.76
Granite Realty Corporation	1,000,000	0.05
Luym, Douglas	800,000	0.04
Tanco, Joseph Luym	795,000	0.04
Oben, Reginaldo Oben &/or Teresa	784,266	0.04
Sy Tian	682,666	0.03
Sy, Tiffany Grace Tan	667,000	0.03
Cheung Pek Ping	533,333	0.03
TOTAL	1,991,222,787	99.56

2. The cash dividends declared and paid out by the Company during the two (2) most recent fiscal years were as follows:

Date	Dividend Per Share	Record Date
April 28, 2016	0.41	May 20, 2016
April 27, 2017	0.43	May 19, 2017

Under the Company's By-Laws, dividends shall be declared only from unrestricted earnings, and shall be payable at such time and in such manner and in such amounts as the Board of Directors shall determine. No dividends shall be declared which would impair the capital of the Company.

3. Recent Sale of Unregistered Securities or Exempt Securities, including recent Issuances of Securities Constituting an Exempt Transaction (within 3 years)

None.

#### Item 6. Management Discussion and Analysis

Revenues for the year ended December 31, 2017 of P10,603.2 million went up by 14.6% from P9,249.2 million in 2016. Revenues from South Harbor international containerized cargo and Batangas Container Terminal increased from last year by 14.9% and 20.4%, respectively, on account of higher container volumes, which grew by 5.7% and 25.6%, respectively. Likewise, revenues in Port of Batangas was higher by 8.3% compared to last year due to higher volumes. Further, revenues from South Harbor international non-containerized cargo increased from last year by 3.2% despite the lower volume as a result of favorable cargo mix.

Port authorities' share in revenues in 2017 of P1,914.4 million increased by 11.9% from P1,711.6 million in 2016 resulting from higher revenues subject to port authorities' share.

Cost and expenses in 2017 of P4,436.2 million rose by P135.3 million 3.1% from P4,301.0 million in 2016. Labor costs in 2017 of P1,282.9 million were higher by 7.6% compared to P1,192.5 million in 2016 due to salary rate increases and higher overtime costs related to higher volumes. Depreciation and amortization in 2017 of P1,180.7 million increased by 3.9% from P1,136.5 million in 2016 on account of additions to intangible assets and property and equipment. Equipment running in 2017 went up by 22.7% to P595.4 million from P485.3 million in 2016 due to higher usage of equipment spare parts and higher fuel costs resulting for higher prices and higher consumption. Taxes and licenses in 2017 slightly increased by 0.5% to P256.1 million from P254.9 million in 2016. Security, health, environment and safety in 2017 of P181.8 million were higher by 12.7% compared to P161.3 million in 2016 due to higher security costs brought about by rate increase, additional security posts and increased in safety initiatives. Provision for claims in 2017 of P154.1 million were higher compared to P5.8 million in 2016 due to higher provision for civil case. Management fees in 2017 rose by 32.5% to P149.7 million from P113.0 million in 2016 following higher net income. General transport costs in 2017 of P41.1 million were higher by 176.2% compared to P14.9 million in 2016 on account of higher trucking costs in South Harbor and Laguna.

On the other hand, Facilities-related expenses in 2017 went down by 17.3% to P151.9 million from P183.6 million in 2016 due to lower repair and maintenance costs for wharves. Rental in 2017 decreased by 8.2% to P139.9 million from P152.5 million due to lower equipment rentals. Insurance in 2017 slightly decreased by 1.0% to P66.3 million from P66.9 million due to lower insurance premiums. Marketing, commercial, and promotion in 2017 decreased by 86.4% to P45.7 million from P136.2 million due to lesser advertising costs. Professional fees in 2017 amounted to P24.5 million vs. P174.3 million in 2016 decreased by 86.0%, on account of higher

legal expenses and consultancy fees last year. Entertainment expenses in 2017 decreased by 12.7% to P5.2 million from P5.9 million. Other expenses in 2017 totaled P160.8 million, down by 26.0% from P217.3 million in 2016 due to lower general operations.

Finance income amounted to P85.6 million in 2017, 38.1% up from P62.0 million in 2016 due to higher interest rates for money market placements. Finance costs in 2017 of P567.7 million were lower by 2.3% compared to P581.2 million in 2016 due to declining interest expense on port concession rights payable. Others-net in 2017 was negative P335.9 million, 197.4% higher than P112.9 million in 2016 mainly due to fair value losses on cash flow hedge and forex losses on port concession rights payable following the depreciation of the Philippine Peso against the US Dollar.

Income before income tax in 2017 of P3,434.5 million was higher by 31.9% compared to P2,604.5 million in 2016. Provision for income tax in 2017 increased by 35.1% to P944.8 million from P699.5 million in 2016.

Net income for the year ended December 31, 2017 improved by 30.7% to P2,489.7 million from P1,905.0 million last year. Earnings per share was up to P1.24 in 2017 from P0.95 in 2016. Without the foreign exchange impact – as per accounting rules brought in since 2013 – net income would have been P2,795.3 million, 33.4% higher than P2,095.5 million in 2016, on a like-for-like basis.

#### **Plans for 2018**

Asian Terminals Inc. will continuously optimize its ports in Manila and Batangas for containerized cargo, non-containerized cargo and passenger handling, keeping these vital gateways competitive to customer needs and responsive to market demand.

At the core of this is ATI's programed capital investments worth Php8.8 billion for 2018 in line with its investment commitment with the Philippine Ports Authority.

This will invest in the acquisition of more cargo handling equipment and various infrastructure projects at Manila South Harbor and Batangas Port, to further grow capacity, increase efficiency and enhance safety performance, in support of the growing Philippine economy.

As a forward-looking company, ATI looks for more business investment opportunities, including exploring new port operations locally or overseas.

Combining the global leadership of its strategic foreign shareholder DP World and the best of Filipino talent, ATI shall continue leveraging its resources, expertise and management capabilities to bring its competencies where growth potential is high and can add greater value to its shareholders.

#### **Consolidated Financial Condition**

Total assets as of December 31, 2017 rose by 11.3% to P25,765.2 million from P23,139.0 million as of December 31, 2016. Total current assets as of December 31, 2017 grew by 19.4% to P8,469.2 million from P7,090.2 million as of December 31, 2016. Cash and cash equivalents as of December 31, 2017 went up by 18.1% to P6,945.2 million from P5,881.2 million as of December 31, 2016. Trade and other receivables-net as of December 31, 2017 rose by 15.0% to P490.5 million from P426.5 million as of December 31, 2016. Spare parts and supplies-net as of December 31, 2017 of P403.7 million were higher by 28.3% compared to P314.6 million as of December 31, 2016 in support of operational requirements and equipment maintenance program. Prepaid expenses of P629.9 million as of December 31, 2017 went up by 34.6% from P467.9 million as of December 31, 2016.

Total non-current assets of P17,296.0 million as of December 31, 2017 were higher by 7.8% compared to P16,048.8 million as of December 31, 2016. Property and equipment-net

increased by 17.1% to P565.6 million as of December 31, 2017 from P483.2 million as of December 31, 2016. Additions to property and equipment which were not subject of the service concession arrangement totaled P197.6 million in 2017. Intangible assets-net as of December 31, 2017 of P15,753.2 million were higher by 7.0% compared to P14,716.5 million as of December 31, 2016. Acquisitions of intangible assets which consisted of civil works and cargo handling equipment that were subject of the service concession arrangement amounted to P2,102.5 million in 2017. Deferred tax assets-net as of December 31, 2017 of P831.0 million was up by 13.3% to P733.4 million as of December 31, 2016, pertaining to additional deferred tax on concession rights payable, cash flow hedge, and unrealized foreign exchange losses. Other noncurrent assets as of December 31, 2017 decreased by 3.0% to P59.2 million from P61.0 million as of December 31, 2016.

Total liabilities went up by 6.6% to P12,129.7 million as of December 31, 2017 from 11,378.9 million as of December 31, 2016. Trade and other payables as of December 31, 2017 of P2,690.2 million were higher by 34.5% than P2,000.4 million as of December 31, 2016. Trade and other payables are covered by agreed payment schedules. Provision for claims went up to P204.5 million as of December 31, 2017 from P50.9 million as of December 31, 2016. Income and other taxes payable increased by 59.3% to P315.3 million as of December 31, 2017 from P197.9 million as of December 31, 2016. Port concession rights payable (current and noncurrent) as of December 31, 2017 totaled P8,806.6 million, 2.0% below the P8,985.9 million as of December 31, 2016. Pension liability as of December 31, 2017 of P113.1 million were lower by 21.4% compared to P143.9 million as of December 31, 2016.

#### Consolidated Cash Flows

Net cash provided by operating activities increased by 19.8% to P4,979.9 million in 2017 from P4,158.4 million in 2016 due to higher operating income.

Net cash used in investing activities in 2017 of P2,282.8 million were 164.6% higher than P862.7 million in 2016 due to higher acquisitions of property and equipment and intangible assets.

Cash used in financing activities in 2017 of P1,636.7 million were higher by 6.6% than the P1,534.8 million in 2016 due to higher payments of port concession rights payable and cash dividends. Cash dividends paid amounted to P860.0 million and P820.0 million in 2017 and 2016, respectively.

#### Adoption of New or Revised Standards, Amendments to Standards and Interpretation

The Group has adopted the following amendments to standards starting January 1, 2017 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption of these amendments to standards did not have any significant impact on the Group's consolidated financial statements.

- *Disclosure initiative (Amendments to PAS 7 Statement of Cash Flows).* The amendments address financial statements users' requests for improved disclosures about an entity's net debt relevant to understanding an entity's cash flows. The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes – e.g. by providing a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities.
- *Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to PAS 12 Income Taxes).* The amendments clarify that:

- the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset;
  - the calculation of future taxable profit in evaluating whether sufficient taxable profit will be available in future periods excludes tax deductions resulting from the reversal of the deductible temporary differences;
  - the estimate of probable future taxable profit may include the recovery of some of an entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this; and
  - an entity assesses a deductible temporary difference related to unrealized losses in combination with all of its other deductible temporary differences, unless a tax law restricts the utilization of losses to deduction against income of a specific type.
- *Annual Improvements to PFRSs 2014 – 2016 Cycle.* This cycle of improvements contains amendments to three standards. The following are the improvements or amendments to PFRSs effective for annual periods beginning on or after January 1, 2017:
    - *Clarification of the scope of the standard (Amendments to PFRS 12 Disclosure of Interests in Other Entities).* The amendments clarify that the disclosure requirements for interests in other entities also apply to interests that are classified as held for sale or distribution. The amendments are applied retrospectively, with early application permitted.

#### Standards Issued But Not Yet Adopted

A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2017. However, the Group has not applied the following new or amended standards in preparing these consolidated financial statements. Unless otherwise stated, none of these are expected to have a significant impact on the Group's consolidated financial statements.

#### *Effective January 1, 2018*

- **PFRS 9 Financial Instruments (2014).** PFRS 9 (2014) replaces IAS 39 Financial Instruments: Recognition and Measurement and supersedes the previously published versions of IFRS 9 that introduced new classifications and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). PFRS 9 includes revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment, guidance on own credit risk on financial liabilities measured at fair value and supplements the new general hedge accounting requirements published in 2013. PFRS 9 incorporates new hedge accounting requirements that represent a major overhaul of hedge accounting and introduces significant improvements by aligning the accounting more closely with risk management.

The new standard is to be applied retrospectively for annual periods beginning on or after January 1, 2018, with early adoption permitted.

Based on the management's initial assessment, the new standards will not have a significant impact on the measurement of its financial instruments.

- PFRS 15 Revenue from Contracts with Customers replaces PAS 11 Construction Contracts, PAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 18 Transfer of Assets from Customers and SIC-31 Revenue – Barter Transactions Involving Advertising Services. The new standard introduces a new revenue recognition model for contracts with customers which specifies that revenue should be recognized when (or as) a company transfers control of goods or services to a customer at the amount to which the company expects to be entitled. Depending on whether certain criteria are met, revenue is recognized over time, in a manner that best reflects the company's performance, or at a point in time, when control of the goods or services is transferred to the customer. The standard does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other PFRSs. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties. Furthermore, if a contract with a customer is partly in the scope of another PFRS, then the guidance on separation and measurement contained in the other PFRS takes precedence.

The new standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

Based on the Group's assessment, the new standard will not have a material impact on the financial statements.

- *Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts (Amendments to PFRS 4)*. The amendments provide a temporary exemption from PFRS 9, where an entity is permitted to defer application of PFRS 9 in 2018 and continue to apply PAS 39 *Financial Instruments: Recognition and Measurement* if it has not applied PFRS 9 before and its activities are predominantly connected with insurance. A qualified entity is permitted to apply the temporary exemption for annual reporting periods beginning before January 1, 2021. The amendments also provide an overlay approach to presentation when applying PFRS 9 where an entity is permitted to reclassify between profit or loss and other comprehensive income the difference between the amounts recognized in profit or loss under PFRS 9 and those that would have been reported under PAS 39, for designated financial assets. A financial asset is eligible for designation if it is not held for an activity that is unconnected with contracts in the scope of PFRS 4, and if it is measured at fair value through profit or loss under PFRS 9, but would not have been under PAS 39. An entity is generally permitted to start applying the overlay approach only when it first applies PFRS 9, including after previously applying the temporary exemption.

The amendments permitting the temporary exemption is for annual periods beginning on or after January 1, 2018 and the amendments allowing the overlay approach are applicable when an entity first applies PFRS 9.

- *Philippine Interpretation IFRIC-22 Foreign Currency Transactions and Advance Consideration*. The interpretation clarifies that the transaction date to be used for translation for foreign currency transactions involving an advance payment or receipt is the date on which the entity initially recognizes the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date. The interpretation applies when an entity pays or receives consideration in a foreign currency and recognizes a non-monetary asset or liability before recognizing the related item.

The interpretation is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

- *Annual Improvements to PFRSs 2014 – 2016 Cycle*. This cycle of improvements contains amendments to three standards. The following are the said improvements

or amendments to PFRSs effective for annual periods beginning on or after January 1, 2018:

- *Deletion of short-term exemptions for first-time adopters (Amendments to PFRS 1 First-time Adoption of Philippine Financial Reporting Standards)*. The amendments remove the outdated exemptions for first-time adopters of PFRS, the relief of which had been available to entities only for reporting periods that had passed.
- *Measuring an associate or joint venture at fair value (Amendments to PAS 28 Investments in Associates and Joint Ventures)*. The amendments provide that a venture capital organization, or other qualifying entity, may elect to measure its investments in an associate or joint venture at fair value through profit or loss. This election can be made on an investment-by-investment basis. The amendments also provide that a non-investment entity investor may elect to retain the fair value accounting applied by an investment entity associate or investment entity joint venture to its subsidiaries. This election can be made separately for each investment entity associate or joint venture. The amendments are applied retrospectively, with early application permitted.

*Effective January 1, 2019*

- *PFRS 16 Leases* supersedes *PAS 17 Leases* and the related Philippine Interpretations. The new standard introduces a single lease accounting model for lessees under which all major leases are recognized on-balance sheet, removing the lease classification test. Lease accounting for lessors essentially remains unchanged except for a number of details including the application of the new lease definition, new sale-and-leaseback guidance, new sub-lease guidance and new disclosure requirements. Practical expedients and targeted reliefs were introduced including an optional lessee exemption for short-term leases (leases with a term of 12 months or less) and low-value items, as well as the permission of portfolio-level accounting instead of applying the requirements to individual leases. New estimates and judgmental thresholds that affect the identification, classification and measurement of lease transactions, as well as requirements to reassess certain key estimates and judgments at each reporting date were introduced.

PFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply PFRS 15 *Revenue from Contracts with Customers* at or before the date of initial application of PFRS 16.

The Group is still in the process of assessing the potential impact on its consolidated financial statements

- *Philippine Interpretation IFRIC-23 Uncertainty over Income Tax Treatments* clarifies how to apply the recognition and measurement requirements in PAS 12 *Income Taxes* when there is uncertainty over income tax treatments. Under the interpretation, whether the amounts recorded in the financial statements will differ to that in the tax return, and whether the uncertainty is disclosed or reflected in the measurement, depends on whether it is probable that the tax authority will accept the Company's chosen tax treatment. If it is not probable that the tax authority will accept the Company's chosen tax treatment, the uncertainty is reflected using the measure that provides the better prediction of the resolution of the uncertainty – either the most likely amount or the expected value. The interpretation also requires the reassessment of judgements and estimates applied if facts and circumstances change – e.g. as a result of examination or action by tax authorities, following changes in tax rules or when a tax authority's right to challenge a treatment expires.



The interpretation is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted.

- *Prepayment Features with Negative Compensation (Amendments to PFRS 9).* The amendments cover the following areas:

- *Prepayment features with negative compensation.* The amendment clarifies that a financial asset with a prepayment feature could be eligible for measurement at amortized cost or fair value through other comprehensive income irrespective of the event or circumstance that causes the early termination of the contract, which may be within or beyond the control of the parties, and a party may either pay or receive reasonable compensation for that early termination.

The amendment is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted. Retrospective application is required, subject to relevant transitional reliefs.

- *Modification of financial liabilities.* The amendment to the Basis for Conclusions on PFRS 9 clarifies that the standard provide an adequate basis for an entity to account for modifications and exchanges of financial liabilities that do not result in derecognition and the treatment is consistent with the requirements for adjusting the gross carrying amount of a financial asset when a modification does not result in the derecognition of the financial asset - i.e., the amortized cost of the modified financial liability is recalculated by discounting the modified contractual cash flows using the original effective interest rate and any adjustment is recognized in profit or loss.

If the initial application of PFRS 9 results in a change in accounting policy for these modifications or exchanges, then retrospective application is required, subject to relevant transition reliefs

- *Long-term Interests in Associates and Joint Ventures (Amendments to PAS 28).* The amendment requires the application of PFRS 9 to other financial instruments in an associate or joint venture to which the equity method is not applied. These include long-term interests (LTIs) that, in substance, form part of the entity's net investment in an associate or joint venture. The amendment explains the annual sequence in which PFRS 9 and PAS 28 are to be applied. In effect, PFRS 9 is first applied ignoring any prior years' PAS 28 loss absorption. If necessary, prior years' PAS 28 loss allocation is trued-up in the current year which may involve recognizing more prior years' losses, reversing these losses or re-allocating them between different LTI instruments. Any current year PAS 28 losses are allocated to the extent that the remaining LTI balance allows and any current year PAS 28 profits reverse any unrecognized prior years' losses and then allocations against LTI.

*Deferral of the local implementation of Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to PFRS 10 and PAS 28).* The amendments address an inconsistency between the requirements in PFRS 10 and in PAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

Originally, the amendments apply prospectively for annual periods beginning on or after January 1, 2016 with early adoption permitted. However, on January 13, 2016, the FRSC decided to postpone the effective date of these amendments until the IASB has completed 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.

**Other information:**

- The Company's businesses are 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 global economic and industry conditions;
  - natural events (earthquake, typhoons and other major calamities); and
  - material changes in exchange rates.
- There was no known trend, event or uncertainty that had or may have a material impact on liquidity and on revenues or income from continuing operations. There was no known event that may cause a material change in the relationships between costs and revenues.
- There was no seasonal factor that had a material effect on the financial condition and results of operations.
- There was no event that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.
- Except for the commitments and contingencies mentioned in Note 23 of the consolidated financial statements, the Company has no knowledge of any material off-balance sheet (statement of financial position) transactions, arrangements, obligations and other relationships of the Company with unconsolidated entities or other persons created during the reporting period that would address the past and would have material impact on future operations.
- Projected capital expenditures for 2018 is P8.8 billion, which includes yard and berth development as well as construction of new facilities and equipment acquisition. The capital expenditure will strengthen the Company's operations and capability to handle growth.

**Key Performance Indicators (KPIs)**

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 2017:

- ATIB's total assets were only 10.0% of the consolidated total assets
- Income before other income and expense from ATIB was only 10.9% of consolidated income before other income and expense.<sup>1</sup>

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<sup>1</sup> Income before other income and expense is defined as income before net financing costs, net gains on derivative instruments and others.

Consolidated KPI	Manner of Calculation	2017	2016	Discussion
Return on Capital Employed	Percentage of income before interest and tax over capital employed	19.2%	16.2%	Increase resulted from higher income before other income (expense) during the period.
Return on Equity attributable to equity holders of the parent	Percentage of net income over equity attributable to equity holders of the parent	19.6%	16.9%	Improved due to higher increase in net income.
Current ratio	Ratio of current assets over current liabilities	2.44 : 1.00	2.85 : 1.00	Decrease due to higher current liabilities.
Asset to equity ratio	Ratio of total assets over equity attributable to equity holders of the parent	1.89 : 1.00	1.97 : 1.00	Decrease due to higher equity.
Debt to equity ratio	Ratio of total liabilities over equity attributable to equity holders of the parent	0.89 : 1.00	0.97 : 1.00	Decrease due to higher equity.
Days Sales in Receivables (DSR)	Gross trade receivables over revenues multiplied by number of days	11 days	12 days	Due to improved collection efforts.
Net Income Margin	Net income over revenues less government share in revenues	28.7%	25.3%	Increase due to higher revenues.
Reportable Injury Frequency Rate (RIFR) <sup>2</sup>	Number of reportable injuries within a given accounting period relative to the total number of hours worked in the same accounting period.	0.53	1.05	Improved as a result of extensive safety campaign and strict implementation of HSES policies.

## Summary of Selected Financial Data (in millions)

Description	Year ended December 31, 2017	Year ended December 31, 2016
Revenues	P10,603.2	P 9,249.2
Net income	2,489.7	1,905.0
Total assets	25,765.2	23,139.0
Total liabilities	12,129.7	11,378.9

<sup>2</sup> RIFR is the new KPI for injuries introduced in 2014 to replace LTIFR. RIFR is a more stringent KPI as it covers not only Lost Time Injuries (LTIs) but also Medically Treated Injuries (MTIs) and Fatality incidents.

Years ended December 31, 2016 and 2015

Revenues for the year ended December 31, 2016 grew by 13.5% to P9, 249.2 million from P8,146.5 million in 2015. Revenues from South Harbor international containerized cargo increased from last year by 18.2% on account of higher container volume, which grew by 19.4%. Notably, in 2016, South Harbor international containerized cargo set a new record as it broke through the one-million teu (twenty-foot equivalent unit) mark for the first time. Likewise, revenues in Port of Batangas was higher by 16.1% compared to last year following a 42.2% growth in volume of international Completely Built Units (CBUs). On the other hand, revenues from South Harbor international non-containerized cargo and Batangas Container Terminal were down from last year by 11.8%, and 4.2%, respectively.

Port authorities' share in revenues in 2016 totaled P1,711.6 million, 21.4% higher than last year resulting from higher revenues subject to port authorities' share.

Cost and expenses in 2016 of P4,301.0 million went up by P564.8 million 15.1% from P3,736.1 million in 2015. Labor costs in 2016 of P1,192.5 million were higher by 9.3% compared to P1,091.4 million in 2015 due to higher headcount and salary rate increases. Depreciation and amortization in 2016 of P1,136.5 million increased by 20.3% from P944.9 million in 2015 on account of additions to intangible assets and property and equipment. Equipment running in 2016 slightly went up by 0.5% to P485.3 million from P482.8 million in 2015. Facilities-related expenses in 2016 went up by 13.6% to P183.6 million from P161.6 million in 2015 due to higher repair and maintenance costs for wharves and IT costs. Professional fees in 2016 amounted to P174.3 million vs. P47.7 million in 2015, which mainly pertain to legal and consultancy fees. Marketing, commercial, and promotion in 2016 increased to P136.2 million from P36.7 million in 2015 due to increased marketing and communications efforts. Management fees in 2016 rose by 7.4% to P113.0 million from P105.2 million in 2015 following higher net income. Other expenses in 2016 totaled P223.2 million, up by 20.5% from P185.2 million in 2015 due to higher general operations and CSR expenses.

On the other hand, Taxes and licenses in 2016 decreased by 8.7% to P254.9 million from P279.3 million due to lower real property taxes. General transport costs in 2016 of P14.9 million were lower by 30.8% compared to P21.5 million in 2015 on account of lower trucking costs in South Harbor and Laguna.

Finance income amounted to P62.0 million in 2016, 20.4% up from P51.5 million in 2015 due to higher interest rates for money market placements. Finance costs in 2016 of P581.2 million were higher by 5.9% compared to P548.8 million in 2015 due to increases in interest expense on port concession rights payable and defined benefit pension plans. Others-net in 2016 was negative P113.0 million, 57.0% higher than P71.9 million in 2015. This account included unrealized forex losses of P60.3 million and P35.4 million in 2016 and 2015, respectively, resulting from revaluation of dollar-denominated concession rights payable and fair value losses on a cash flow hedge of P211.9 million and P99.5 million in 2016 and 2015, respectively, following the depreciation of the Philippine Peso against the US Dollar.

Income before income tax in 2016 of P2,604.5 million was higher by 7.1% compared to P2,431.9 million in 2015. Provision for income tax in 2016 increased by 5.2% to P699.5 million from P664.7 million in 2015.

Net income for the year ended December 31, 2016 improved by 7.8% to P1,905.0 million from P1,767.2 million last year. Earnings per share was up to P0.95 in 2016 from P0.88 in 2015. Without the foreign exchange impact – as per accounting rules brought in since 2013 – net income would have been P2,095.5 million, 12.6% higher than P1,861.6 million in 2015, on a like-for-like basis.

**Consolidated Financial Condition**

Total assets as of December 31, 2016 grew by 8.4% to P23,139.0 million from P21,341.8 million as of December 31, 2015. Total current assets as of December 31, 2016 increased by 35.4% to P7,090.2 million from P5,237.6 million as of December 31, 2015. Cash and cash equivalents as of December 31, 2016 went up by 42.8% to P5,881.2 million from P4,118.8 million as of December 31, 2015. Trade and other receivables-net as of December 31, 2016 rose by 21.0% to P426.5 million from P352.4 million as of December 31, 2015. Spare parts and supplies-net as of December 31, 2016 of P314.6 million were higher by 19.7% compared to P262.8 million as of December 31, 2015 in support of operational requirements and equipment maintenance program. Prepaid expenses of P467.9 million as of December 31, 2016 declined by 7.1% from P503.7 million as of December 31, 2015.

Total non-current assets of P16,048.8 million as of December 31, 2016 were slightly lower by 0.3% compared to P16,104.2 million as of December 31, 2015. Property and equipment-net decreased by 1.6% to P483.2 million as of December 31, 2016 from P491.0 million as of December 31, 2015. Additions to property and equipment which were not subject of the service concession arrangement totaled P81.7 million in 2016. Intangible assets-net as of December 31, 2016 of P14,716.5 million were lower by 1.5% compared to P14,934.3 million as of December 31, 2015. Acquisitions of intangible assets which consisted of civil works and cargo handling equipment that were subject of the service concession arrangement amounted to P832.9 million in 2016. Deferred tax assets-net as of December 31, 2016 of P733.4 million was up by 29.5% to P566.3 million as of December 31, 2015, pertaining to additional deferred tax on concession rights payable, cash flow hedge, and unrealized foreign exchange losses. Other noncurrent assets as of December 31, 2016 increased by 3.1% to P61.0 million from P59.1 million as of December 31, 2015.

Total liabilities rose by 7.4% to P11,378.9 million as of December 31, 2016 from P10,594.1 million as of December 31, 2015. Trade and other payables as of December 31, 2016 of P2,000.4 million were higher by 41.4% than P1,414.3 million as of December 31, 2015. Trade and other payables are covered by agreed payment schedules. Provision for claims dropped by 4.8% to P50.9 million as of December 31, 2016 from P53.5 million as of December 31, 2015. Income and other taxes increased by 1.5% to P197.9 million as of December 31, 2016 from P195.0 million as of December 31, 2015. Port concession rights payable (current and noncurrent) as of December 31, 2016 totaled P8,985.9 million, 2.8% above the P8,740.7 million as of December 31, 2015 due to full-year impact of the contract for Port of Batangas renewed in October 2015 resulting to adoption of IFRIC 12. Pension liability as of December 31, 2016 of P143.9 million were lower by 24.5% compared to P190.6 million as of December 31, 2015.

**Consolidated Cash Flows**

Net cash provided by operating activities increased by 48.8% to P4,158.4 million in 2016 from P2,794.1 million in 2015 due to higher operating income.

Net cash used in investing activities in 2016 of P862.7 million were 15.6% higher than P746.4 million in 2015 due to higher acquisitions of property and equipment and intangible assets.

Cash used in financing activities in 2016 of P1,534.8 million were slightly lower by 0.1% than the P1,536.6 million in 2015. Cash dividends paid amounted to P820.0 million in 2016 and 2015.

**Adoption of New or Revised Standards, Amendments to Standards and Interpretation**

The following are the new standards, amendment to standards, and interpretations, which are effective January 1, 2015 and are applicable to the Company and none of these is expected to have a significant effect on the consolidated financial statements:

- *Clarification of Acceptable Methods of Depreciation and Amortization (Amendments to PAS 16 and PAS 38).* The amendments to PAS 38, *Intangible Assets* introduce a rebuttable presumption that the use of revenue-based amortization methods for intangible assets is inappropriate. This presumption can be overcome only when revenue and the consumption of the economic benefits of the intangible asset are 'highly correlated,' or when the intangible asset is expressed as a measure of revenue.

The amendments to PAS 16, *Property, Plant and Equipment* explicitly state that revenue-based methods of depreciation cannot be used for property, plant and equipment. This is because such methods reflect factors other than the consumption of economic benefits embodied in the asset - e.g. changes in sales volumes and prices.

- *Equity Method in Separate Financial Statements (Amendments to PAS 27).* The amendments allow the use of the equity method in separate financial statements, and apply to the accounting not only for associates and joint ventures, but also for subsidiaries.
- *Annual Improvements to PFRSs 2012 - 2014 Cycle.* This cycle of improvements contains amendments to four standards, none of which are expected to have significant impact on the Group's consolidated financial statements.

- *Disclosure of information "elsewhere in the interim financial report" (Amendment to PAS 34).* PAS 34 is amended to clarify that certain disclosures, if they are not included in the notes to interim financial statements, may be disclosed "elsewhere in the interim financial report" - i.e. incorporated by cross-reference from the interim financial statements to another part of the interim financial report (e.g. management commentary or risk report). The interim financial report is incomplete if the interim financial statements and any disclosure incorporated by cross-reference are not made available to users of the interim financial statements on the same terms and at the same time.

The amendment to PAS 34 is applied retrospectively, in accordance with PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*.

- *Disclosure Initiative (Amendments to PAS 1)* addresses some concerns expressed about existing presentation and disclosure requirements and to ensure that entities are able to use judgment when applying PAS 1. The amendments clarify that:
  - Information should not be obscured by aggregating or by providing immaterial information.
  - Materiality considerations apply to all parts of the financial statements, even when a standard requires a specific disclosure.
  - The list of line items to be presented in the statement of financial position and statement of profit or loss and other comprehensive income can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements.
  - An entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss.

#### Standards Issued but Not Yet Adopted

A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2016. However, the Group has not applied the following new or amended standards in preparing these consolidated financial statements. Unless otherwise stated, none of these are expected to have a significant

impact on the Group's consolidated financial statements.

*Effective January 1, 2017*

- *Disclosure initiative (Amendments to PAS 7).* The amendments address financial statements users' requests for improved disclosures about an entity's net debt relevant to understanding an entity's cash flows. The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes – e.g. by providing a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities.

The amendments are effective for annual periods beginning on or after January 1, 2017. Early adoption is permitted. When an entity first applies the amendments, it is not required to provide comparative information for preceding periods.

- *Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to PAS 12).* The amendments clarify that:
  - the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset;
  - the calculation of future taxable profit in evaluating whether sufficient taxable profit will be available in future periods excludes tax deductions resulting from the reversal of the deductible temporary differences;
  - the estimate of probable future taxable profit may include the recovery of some of an entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this; and
  - an entity assesses a deductible temporary difference related to unrealized losses in combination with all of its other deductible temporary differences, unless a tax law restricts the utilization of losses to deduction against income of a specific type.

The amendments are to be applied retrospectively for annual periods beginning on or after January 1, 2017. Early adoption is permitted. On initial application, the change in the opening equity of the earliest comparative period may be recognized in opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other components of equity. If an entity applies the relief, it shall disclose that fact.

*Effective January 1, 2018*

- *PFRS 9, Financial Instruments (2014).* PFRS 9 (2014) replaces PAS 39, *Financial Instruments: Recognition and Measurement* and supersedes the previously published versions of PFRS 9 that introduced new classifications and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). PFRS 9 includes revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment, guidance on own credit risk on financial liabilities measured at fair value and supplements the new general hedge accounting requirements published in 2013. PFRS 9 incorporates new hedge accounting requirements that represent a major overhaul of hedge accounting and introduces significant improvements by aligning the accounting more closely with risk management.

The new standard is to be applied retrospectively for annual periods beginning on or after January 1, 2018, with early adoption permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of PFRS 9.

- PFRS 15, *Revenue from Contracts with Customers* replaces PAS 11, *Construction Contracts*, PAS 18 *Revenue* and related Philippine Interpretations. The new standard introduces a new revenue recognition model for contracts with customers which specifies that revenue should be recognized when (or as) a company transfers control of goods or services to a customer at the amount to which the company expects to be entitled. Depending on whether certain criteria are met, revenue is recognized over time, in a manner that best reflects the company's performance, or at a point in time, when control of the goods or services is transferred to the customer. The standard does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other PFRSs. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties. Furthermore, if a contract with a customer is partly in the scope of another IFRS, then the guidance on separation and measurement contained in the other PFRS takes precedence.

However, the FRSC has yet to issue/approve this new revenue standard for local adoption pending completion of a study by the Philippine Interpretations Committee on its impact on the real estate industry. If approved, the standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

#### *Effective January 1, 2019*

- PFRS 16 *Leases* supersedes PAS 17 *Leases* and the related Philippine Interpretations. The new standard introduces a single lease accounting model for lessees under which all major leases are recognized on-balance sheet, removing the lease classification test. Lease accounting for lessors essentially remains unchanged except for a number of details including the application of the new lease definition, new sale-and-leaseback guidance, new sub-lease guidance and new disclosure requirements. Practical expedients and targeted reliefs were introduced including an optional lessee exemption for short-term leases (leases with a term of 12 months or less) and low-value items, as well as the permission of portfolio-level accounting instead of applying the requirements to individual leases. New estimates and judgmental thresholds that affect the identification, classification and measurement of lease transactions, as well as requirements to reassess certain key estimates and judgments at each reporting date were introduced.

PFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply PFRS 15 *Revenue from Contracts with Customers* at or before the date of initial application of PFRS 16.

The Group is currently assessing the potential impact of PFRS 16 and plans to adopt this new standard on leases on the required effective date.

- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to PFRS 10 and PAS 28)*. The amendments address an inconsistency between the requirements in PFRS 10 and in PAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.



Originally, the amendments apply prospectively for annual periods beginning on or after January 1, 2016 with early adoption permitted. However, on January 13, 2016, the FRSC decided to postpone the effective date of these amendments until the IASB has completed 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.

**Other information:**

- The Company's businesses are 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 global economic and industry conditions;
  - natural events (earthquake, typhoons and other major calamities); and
  - material changes in exchange rates.
- There was no known trend, event or uncertainty that had or may have a material impact on liquidity and on revenues or income from continuing operations. There was no known event that may cause a material change in the relationships between costs and revenues.
- There was no seasonal factor that had a material effect on the financial condition and results of operations.
- There was no event that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.
- Except for the commitments and contingencies mentioned in Note 23 of the consolidated financial statements, the Company has no knowledge of any material off-balance sheet (statement of financial position) transactions, arrangements, obligations and other relationships of the Company with unconsolidated entities or other persons created during the reporting period that would address the past and would have material impact on future operations.
- Projected capital expenditures for 2017 is P4.6 billion, which includes yard and berth development as well as equipment acquisition. The capital expenditure will strengthen the Company's operations and capability to handle growth and will be sourced from internal funds.

**Key Performance Indicators (KPIs)**

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 2016:

- ATIB's total assets were only 9.6% of the consolidated total assets
- Income before other income and expense from ATIB was only 14.1% of consolidated income before other income and expense.<sup>3</sup>

Consolidated KPI	Manner of Calculation	2016	2015	Discussion
Return on Capital Employed	Percentage of income before interest and tax over capital employed	16.2%	15.5%	Increase resulted from higher income before other income (expense) during the period.
Return on Equity attributable to equity holders of the parent	Percentage of net income over equity attributable to equity holders of the parent	16.9%	17.0%	Decrease due to higher equity.

<sup>3</sup> Income before other income and expense is defined as income before net financing costs, net gains on derivative instruments and others.

Current ratio	Ratio of current assets over current liabilities	2.85 : 1.00	2.82 : 1.00	Increase due to higher current asset.
Asset to equity ratio	Ratio of total assets over equity attributable to equity holders of the parent	1.97 : 1.00	1.99 : 1.00	Decrease due to higher equity.
Debt to equity ratio	Ratio of total liabilities over equity attributable to equity holders of the parent	0.97 : 1.00	0.99 : 1.00	Decrease due to higher equity.
Days Sales in Receivables (DSR)	Gross trade receivables over revenues multiplied by number of days	12 days	8 days	Due to higher trade receivables.
Net Income Margin	Net income over revenues less government share in revenues	25.3%	26.2%	Decrease due to higher expenses.
Reportable Injury Frequency Rate (RIFR) <sup>4</sup>	Number of reportable injuries within a given accounting period relative to the total number of hours worked in the same accounting period.	1.05	1.63	Improved as a result of extensive safety campaign and strict implementation of HSES policies.

**Summary of Selected Financial Data (in millions)**

Description	Year ended December 31, 2016	Year ended December 31, 2015
Revenues	P 9,249.2	P 8,146.5
Net income	1,905.0	1,767.2
Total assets	23,139.0	21,341.8
Total liabilities	11,378.9	10,594.1

**Years ended December 31, 2015 and 2014**

Revenues for the year ended December 31, 2015 totaled P8,146.5 million, 1.1% down from P8,241.1 million in 2014. With the soft market environment, revenues from South Harbor international containerized cargo were lower than last year following lower container volume, which were down by 1.3%. On the other hand, due to volume growth, revenues from South Harbor international non-containerized cargo, Batangas Container Terminal, and Port of Batangas were higher than last year by 14.7%, 57.5%, and 15.9%, respectively. Volume of international containers handled at BCT grew by 35%, while volumes of international CBUs in ATIB grew by 21%.

Port authorities' share in revenues in 2015 declined by P246.0 million or 14.9% from last year following lower revenues subject to port authorities' share.

Cost and expenses in 2015 of P3,736.1 million increased by 137.9 million 3.8% from P3,598.2 million in 2014. Labor costs rose by 11.5% to P1,091.4 million in 2015 from P978.9 million in 2014 due to increase in headcount and salary rate increases. Depreciation and amortization

<sup>4</sup> RIFR is the new KPI for injuries introduced in 2014 to replace LTIFR. RIFR is a more stringent KPI as it covers not only Lost Time Injuries (LTIs) but also Medically Treated Injuries (MTIs) and Fatality incidents.

in 2015 of P944.9 million went up by 9.6% compared to P862.0 million in 2014 on account of additions to intangible assets and property and equipment. Taxes and licenses of P279.3 million in 2015 grew by 29.5% from P215.6 million in 2014 due to higher realty tax on account of higher real property and business taxes. Facilities-related expenses in 2015 slightly up by 1.1% to P161.6 million from P159.8 million in 2014 due to higher pavement repair and maintenance costs. Security, health, environment and safety costs in 2015 of P160.2 million were higher by 5.1% compared to P152.4 million in 2014 due to additional security posts for additional areas and increased industrial safety focus. Other expenses in 2015 totaled P185.2 million, up by 8.3% from P171.0 million last year.

On the other hand, Equipment running costs decreased by 10.8% to P482.8 million in 2015 from P541.6 million in 2014 mainly due to lower fuel costs. Rentals totaled P150.3 million in 2015, 12.1% down from P171.0 million in 2014. Marketing, commercial and promotion in 2015 declined by 35.3% to P36.7 million from P56.7 million in 2014 due to lesser advertising costs. Management fees in 2015 of P105.2 million were lower by 9.2% compared to P115.9 million in 2014 following lower net income. Insurance in 2015 of P64.4 million were lower than 14.1% compared to P74.9 million in 2014 due to lower property insurance premiums. Professional fees in 2015 went down by 8.9% to P47.7 million from P52.4 million in 2014. General transport costs dropped by 48.5% to P21.5 million in 2015 from P41.8 million in 2014 on account of lower trucking costs in Inland Clearance Depot.

Finance costs in 2015 amounted to P548.8 million, up by 1.5% from P540.5 million in 2014 due to increases in interest expense on port concession rights payable and defined benefit pension plans. Finance income increased by 59.8% to P51.5 million in 2015 from P32.2 million in 2012 due to higher interest rates for money market placements. Others-net in 2015 amounted to negative P71.9 million while in 2014, Others-net amounted to P181.3 million. This account includes net forex losses of P35.4 million and net forex gains of P98.7 million in 2015 and 2014, respectively, resulting from revaluation of dollar-denominated concession rights payable. Also, this account includes fair value losses on a cash flow hedge of P99.5 million and P19.9 million in 2015 and 2014, respectively.

Income before income tax of P2,431.9 million in 2015 was lower by 8.6% compared to P2,660.7 million in 2014. Provision for income tax in 2015 decreased by 12.4% to P664.7 million from P759.3 million in 2014.

Net income for the year ended December 31, 2015 was P1,767.2 million, 7.0% below than P1,901.3 million last year. Earnings per share was down to P0.88 in 2015 from P0.95 in 2014. Without the foreign exchange impact – as per accounting rules brought in since 2013 – net income would have been P1,858.6 million, 0.8% up from P1,843.9 million in 2014 on a like-for-like basis.

#### Consolidated Financial Condition

Total assets as of December 31, 2015 rose by 7.4% to P21,341.8 million from P19,870.7 million as of December 31, 2014. Total current assets as of December 31, 2015 grew by 10.9% to P5,237.6 million from P4,723.2 million as of December 31, 2014. Cash and cash equivalents of P4,118.8 million as of December 31, 2015 were higher by 14.2% compared to P3,606.9 million as of December 31, 2014. Trade and other receivables-net as of December 31, 2014 dropped by 26.4% to P352.4 million from P478.8 million as of December 31, 2014. Spare parts and supplies-net as of December 31, 2015 of P262.8 million increased by 35.3% from P194.3 million as of December 31, 2014 in support of operational requirements and equipment maintenance program. Prepaid expenses of P503.7 million as of December 31, 2015 went up by 13.6% from P443.2 million as of December 31, 2014.

Total non-current assets of P16,104.2 million as of December 31, 2015 were 6.3% higher compared to P15,147.5 million as of December 31, 2014. Property and equipment-net went up by 7.8% to P491.0 million as of December 31, 2015 from P455.6 million as of December 31, 2014. Additions to property and equipment which were not subject of the service concession arrangement totaled P141.5 million. Intangible assets-net increased by 5.4% to P14,934.3

million as of December 31, 2015 from P14,175.4 million as of December 31, 2014. Acquisitions of intangible assets which consisted of civil works and cargo handling equipment that were subject of the service concession arrangement amounted to P664.2 million in 2015. Deferred tax assets-net went up by 46.4% to P566.3 million as of December 31, 2015 from P386.9 million as of December 31, 2014 resulting from the additional deferred tax on concession rights payable, cash flow hedge, and unrealized foreign exchange losses. Other noncurrent assets as of December 31, 2015 declined by 15.7% to P59.1 million from P70.2 million as of December 31, 2014 due to amortization of input taxes on additions to property and equipment and intangible assets.

Total liabilities went up by 7.3% to P10,594.1 million as of December 31, 2015 from P9,873.3 million as of December 31, 2014. Trade and other payables as of December 31, 2015 amounted to P1,414.3 million, 24.0% lower than P1,861.7 million as of December 31, 2014. Trade and other payables are covered by agreed payment schedules. Provision for claims rose by 5.5% to P53.5 million as of December 31, 2015 from P50.8 million as of December 31, 2014. Income and other taxes decreased by 6.9% to P195.0 million as of December 31, 2015 from P209.6 million as of December 31, 2014. Port concession rights payable (current and noncurrent) as of December 31, 2015 totaled P8,740.7 million, 14.6% below the P7,629.4 million as of December 31, 2014 due to contract renewal for Port of Batangas in October 2015 resulting to adoption of IFRIC 12. Pension liability as of December 31, 2015 of P190.6 million were higher by 56.4% compared to P121.8 million as of December 31, 2014.

#### Consolidated Cash Flows

Net cash provided by operating activities amounted to P2,794.1 million in 2015, lower by 11.6% vs. P3,162.6 million in 2014 due to lower operating income.

Net cash used in investing activities in 2015 of P746.4 million were lower by 22.5% compared to P963.0 million in 2014 on account of lower acquisitions of property and equipment and intangible assets.

Cash used in financing activities in 2015 of P1,536.6 million were 14.8% higher than the P1,338.6 million in 2014 due to higher dividends and payments of PPA fixed fees for the period. Cash dividends paid in 2015 amounted to P820.0 million while amount paid in 2014 was P700.0 million.

#### Adoption of New or Revised Standards, Amendments to Standards and Interpretation

The following are the new standards, amendment to standards, and interpretations, which are effective January 1, 2015 and are applicable to the Company and none of these is expected to have a significant effect on the consolidated financial statements:

- *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.
- *Annual Improvements to PFRSs: 2010 – 2012 and 2011 - 2013 Cycles –* Amendments were made to a total of nine standards, with changes made to the standards on business combinations and fair value measurement in both cycles. Most amendments will apply prospectively for annual periods beginning on or after July 1, 2014. Earlier application is permitted, in which case the related consequential amendments to other PFRSs would also apply. Special transitional requirements have been set for amendments to the following standards: PFRS 2, PAS 16, PAS 38 and PAS 40.
- *Definition of 'related party' (Amendment to PAS 24).* The definition of a 'related party' is extended to include a management entity that provides key management personnel

(KMP) services to the reporting entity, either directly or through a group entity. For related party transactions that arise when KMP services are provided to a reporting entity, the reporting entity is required to separately disclose the amounts that it has recognized as an expense for those services that are provided by a management entity; however, it is not required to 'look through' the management entity and disclose compensation paid by the management entity to the individuals providing the KMP services. The reporting entity will also need to disclose other transactions with the management entity under the existing disclosure requirements of PAS 24 – e.g. loans

#### To be adopted on January 1, 2018

- *PFRS 9 Financial Instruments (2014)*. PFRS 9 (2014) replaces PAS 39 *Financial Instruments: Recognition and Measurement* and supersedes the previously published versions of PFRS 9 that introduced new classifications and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). PFRS 9 includes revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment, guidance on own credit risk on financial liabilities measured at fair value and supplements the new general hedge accounting requirements published in 2013. PFRS 9 incorporates new hedge accounting requirements that represent a major overhaul of hedge accounting and introduces significant improvements by aligning the accounting more closely with risk management.

The new standard is to be applied retrospectively for annual periods beginning on or after January 1, 2018, with early adoption permitted.

The Group is assessing the potential impact on its consolidated financial statements resulting from the application of PFRS 9.

#### Other information:

- The Company's businesses are 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 global economic and industry conditions;
  - natural events (earthquake, typhoons and other major calamities); and
  - material changes in exchange rates.
- There was no known trend, event or uncertainty that had or may have a material impact on liquidity and on revenues or income from continuing operations. There was no known event that may cause a material change in the relationships between costs and revenues.
- There was no seasonal factor that had a material effect on the financial condition and results of operations.
- There was no event that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.
- Except for the commitments and contingencies mentioned in Note 23 of the consolidated financial statements, the Company has no knowledge of any material off-balance sheet (statement of financial position) transactions, arrangements, obligations and other relationships of the Company with unconsolidated entities or other persons created during the reporting period that would address the past and would have material impact on future operations.

#### Key Performance Indicators (KPIs)

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 2015:

- ATIB's total assets were only 9.2% of the consolidated total assets
- Income before other income and expense from ATIB was only 12.6% of consolidated income before other income and expense.<sup>5</sup>

Consolidated KPI	Manner of Calculation	2015	2014	Discussion
Return on Capital Employed	Percentage of income before interest and tax over capital employed	15.5%	17.4%	Decrease resulted from lower income before other income (expense) during the period.
Return on Equity attributable to equity holders of the parent	Percentage of net income over equity attributable to equity holders of the parent	17.0%	20.1%	Decrease due to lower net income.
Current ratio	Ratio of current assets over current liabilities	2.82 : 1.00	2.09 : 1.00	Increase due to higher current asset.
Asset to equity ratio	Ratio of total assets over equity attributable to equity holders of the parent	1.99 : 1.00	1.99 : 1.00	
Debt to equity ratio	Ratio of total liabilities over equity attributable to equity holders of the parent	0.99 : 1.00	0.99 : 1.00	
Days Sales in Receivables (DSR)	Gross trade receivables over revenues multiplied by number of days	8 days	12 days	Due to improved collection efforts.
Reportable Injury Frequency Rate (RIFR) <sup>6</sup>	Number of reportable injuries within a given accounting period relative to the total number of hours worked in the same accounting period.	1.63	1.95	Improved as a result of extensive safety campaign and strict implementation of HSES policies.

<sup>5</sup> Income before other income and expense is defined as income before net financing costs, net gains on derivative instruments and others.

<sup>6</sup> RIFR is the new KPI for injuries introduced in 2014 to replace LTIFR. RIFR is a more stringent KPI as it covers not only Lost Time Injuries (LTIs) but also Medically Treated Injuries (MTIs) and Fatality incidents.

## Summary of Selected Financial Data (in millions)

Description	Year ended December 31, 2015	Year ended December 31, 2014
Revenues	P 8,146.5	P 8,241.1
Net income	1,767.2	1,901.3
Total assets	21,341.8	19,870.7
Total liabilities	10,594.1	9,873.3

## Information on Independent Accountant and External Audit Fees

The appointment of R.G. Manabat & Co. as the external auditors of Asian Terminals, Inc. for 2017 was approved by the shareholders during the annual meeting held on April 27, 2017. The same external auditors are being recommended for re-election at the scheduled 2018 annual meeting of the Stockholders.

In compliance with Securities Regulation Code Rule 68, Mr. Enrico E. Baluyut has been the Partner-in Charge for five years.

The aggregate fees for audit services rendered were as follows:

	2017 (P'000)	2016 (P'000)
Audit Fees	2,950.0	2,950.0

*Audit Fees* are for professional services rendered in connection with the audit of our annual financial statements and services provided by the external auditors in connection with statutory and regulatory filings or engagements.

There was no engagement for tax or other services with R.G. Manabat & Co. in 2017 and 2016.

## Audit Committee Pre-Approval Policy

The Audit Committee pre-approves and recommends to the Board of Directors all audit and non-audit services to be rendered by the external auditors as well as the engagement fees and other compensation to be paid. When deciding whether to approve these items, the Audit Committee takes into account whether the provision of any non-audit service is compatible with the independence standards under the guidelines of the SEC. To assist in this undertaking, the Audit Committee actively engages in a dialogue with the external auditors with respect to any disclosed relationships or services that may impact their objectivity and independence and, if appropriate, recommends that the Board take appropriate action to ensure their independence.

## Financial Statements

The audited consolidated financial statements are herein attached as Exhibit 1.

## Changes in and Disagreements with Accountants on Accounting and Financial Disclosures

There was no change in or disagreement with external auditors on accounting and financial disclosures.

## PART III-CONTROL AND COMPENSATION INFORMATION

## Item 9. Directors and Executive Officers of the Issuer

As of December 31, 2017, the following were the directors and executive officers of Asian Terminals Inc.

Name	Age	Position
Rashed Ali Hassan Abdulla	46	Chairman
Eusebio H. Tanco	69	Director/President
Kwok Leung Law	54	Director
Mohammad Ali Mohammad Ahmad	49	Director
Teodoro L. Locsin, Jr.	69	Director
Monico V. Jacob	72	Director
Felino A. Palafox, Jr.	67	Director
Artemio V. Panganiban	81	Director
Andrew R. Hoad	51	Executive Vice President
Sean L. Perez	52	Senior Vice President for Commercial and Outports
Rodolfo G. Corvite, Jr.	58	Corporate Secretary and Vice President for Business Support Services
Jose Tristan P. Carpio	49	Treasurer/ Vice President for Finance/CFO
Christopher Joe Styles	48	Vice President for Engineering
Chi Wai Chan	43	Vice President for Group Operations

On various dates in 2018 and prior to the filing of this SEC Form 17-A, the following were the changes in the composition of the Board and executive officers.

Name	Age	Position
Andrew R. Hoad <sup>7</sup>	51	Chairman
Eusebio H. Tanco	69	Director/President
Ahmad Yousef Ahmad Alhassan Al Simreen <sup>8</sup>	38	Director
Matthew Wells Leech <sup>9</sup>	53	Director
Teodoro L. Locsin, Jr.	69	Independent Director
Monico V. Jacob	72	Director
Felino A. Palafox, Jr.	68	Director
Artemio V. Panganiban	81	Independent Director
William Wassaf Khoury Abreu <sup>10</sup>	39	Executive Vice President
Sean L. Perez	52	Senior Vice President for Commercial and Outports
Rodolfo G. Corvite, Jr.	58	Corporate Secretary and Vice President for Business Support Services
Jose Tristan P. Carpio	49	Treasurer/ Vice President for Finance/CFO
Christopher Joe Styles	48	Vice President for Engineering
Chi Wai Chan	43	Vice President for Group Operations

<sup>7</sup> Last February 22, 2018, Mr. Andrew R. Hoad was elected by the Board as Director (replacing Mr. Kwok Leung Law who resigned last February 21) and as Chairman effective April 1, 2018 replacing Mr. Rashed Ali Hassan Abdulla. Mr. Abdulla accepted a regional post overseas and stayed as ATI's Chairman until April 1, 2018.

<sup>8</sup> The Board elected Mr. Ahmad Yousef Ahmad Alhassan Al Simreen last February 22, 2018 to replace Mr. Rashed Ali Hassan Abdulla as director effective April 1, 2018.

<sup>9</sup> Matthew Wells Leech was elected by the Board in the meeting last January 29, 2018, replacing Mr. Mohammad Ali Mohammad Ahmad who resigned last January 19, 2018.

<sup>10</sup> Last February 2, 2018, Mr. William Wassaf Khoury Abreu was appointed as Executive Vice President effective March 17, 2018, replacing Mr. Andrew R. Hoad.



A brief background of the current Company's Board of Directors and Executive Officers is as follows (brief description of their respective business experience for the past five (5) years included):

**Andrew R. Hoad**,<sup>11</sup> 51, British, is the Chairman of the Board effective April 1, 2018 replacing Mr. Rashed Ali Hassan Abdulla. He was elected as director of ATI during the regular meeting last February 22, 2018 replacing Mr. Kwok Leung Law. He was the former Executive Vice President of ATI until March 17, 2018. Effective April 1, 2018, Mr. Hoad will be the CEO and Managing Director of DPWorld Asia Pacific Region. Prior to ATI Mr. Hoad has been based elsewhere in the Asia Pacific region, the Middle East, Europe and the Americas, most recently as chief executive of DP World terminals in Peru and the Dominican Republic; and prior to this as Commercial Director Asia Pacific, based in Hong Kong and Dubai. Before DP World he was General Manager of CSX World Terminals Europe, and he began his maritime career with the P&O Group, where he undertook a variety of management roles including General Manager for Saudi Arabia and the Red Sea region for P&O Containers, and Commercial Manager for Southampton Container Terminal with P&O Ports. Mr. Hoad holds both Bachelor and Masters degrees in History and Economic History from Pembroke College Cambridge University, qualifications from the Institute of Chartered Shipbrokers, and has undertaken executive management programs at IMD Business School, the National University of Singapore and Case Western Reserve University.

**Eusebio H. Tanco**, 69, Filipino, is the President of the Company from 1995 to 2001 and 2007 to present. He is the Chairman of STI Education Systems Holdings, Inc. (formerly JTH Davies Holdings, Inc., since 2010), STI West Negros University (since 2013), Mactan Electric Company (since 1988), DLS-STI College (since 2003), Eximious Holdings, Inc. (formerly Capital Managers and Advisors, Inc., since 1995), GROW Vite (since 2014), Venture Securities, Inc. (since 1980), and the executive committee chairman of STI Education Services Group, Inc. (since 2003). He is Chairman and President of Prime Power Holdings (since 1999), Prudent Resources, Inc. (since 1999), and CEO of Classic Finance, Inc. (since 2004). He is also the president of Philippines First Insurance Co. (since 1973), Global Resource for Outsourced Workers, Inc. (GROW, Inc.) (since 2002), Bloom with Looms Logistics, Inc. (formerly STMI Logistics, Inc., since 1988), Total Consolidated Asset Management Inc. (TCAMI) (since 2006), Eujo Philippines, Inc. (since 1986), Tantivy Holdings, Inc. (formerly Insurance Builders Inc., since 1979) Mar-Bay Homes Inc. (since 1980), Cement Center, Inc. (since 1983), Biolim Holdings and Management Corp. (formerly Rescom Developers, Inc., since 1983). In addition, he is a Director of iACADEMY (since 2002), Philhealthcare Inc. (since 2009), Philplans First, Inc. (since 2017), Philippine Life Financial Assurance (formerly Asian Life Financial Assurance, since 2012), United Coconut Chemicals, Inc. (since 1995), M.B. Paseo (since 1980), Philippine Health Educators, Inc. (since 2004), First Optima Realty Corporation (since 1980), Maestro Holdings, Inc. (formerly STI Investments, since 2007), Philippine Racing Club (since 2011), Leisure & Resorts World Corporation (since 2011) and Philippine Stock Exchange (since 2007). His professional associations include the Philippines-Thailand Business Council, Philippines-UAE Business Council, and the Philippine Chamber of Commerce and Industry. He obtained his Master of Science in Economics from the London School of Economics and Political Science. He has been a member of the ATI Board since 1993.

**Monico Jacob**, 72, Filipino, is currently the President of STI Education Systems Holdings, Inc. (2011), STI West Negros University (since 2014) and the CEO and Vice-Chairman of the STI Education Services Group (since 2016). He is the Chairman of

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<sup>11</sup> Mr. Hoad was elected during the regular board meeting last February 22, 2018, replacing Mr. Kwok Leung Law. Mr. Hoad was replaced by Mr. William Wassaf Khoury Abreu effective March 17, 2018 as the Executive Vice President of ATI.

Rosehills Memorial Management, Inc. (since 2014), Philippine Life Financial Assurance, Inc. (PhilLife, since 2016), Global Resource for Outsourced Workers, Inc. (GROW, Inc., since 2000), Total Consolidated Asset Management Inc. (since 2006), and GROW-Vite (since 2014). He is currently a director of iACADEMY, (since 2010) and PhilCare, (since 2012). He is also an independent director of Jollibee Foods, Inc. (since 2001), 2Go Group (since 2011), Phoenix Petroleum Philippines (since 2008) Rockwell Land Inc. (since 2015), and Lopez Holdings, Inc. (since 2014). Prior to his current engagements, he was the General Manager of the National Housing Authority (NHA) (from 1989 to 1991); Chairman and CEO of Petron Corporation from 1991 to 1998 and Philippine National Oil Company (PNOC) and all of its subsidiaries from 1991 to 1994; and CEO of the Home Development Mutual Fund (PAG-IBIG Fund) from 1988 to 1989. Mr. Jacob also served as an Associate Commissioner for the Securities and Exchange Commission in 1986. He is a member of the Integrated Bar of the Philippines and the Management Association of the Philippines (MAP) and served as its President in 1998. Mr. Jacob finished his Bachelor of Arts degree with a Major in Liberal Arts from the Ateneo de Naga University in 1966 and his Bachelor of Laws degree from the Ateneo de Manila University in 1971. He joined the Board in 2009.

**Felino A. Palafox, Jr.**, 68, Filipino, has more than 45 years of experience in the field of architecture and planning. He is the Principal Architect-Urban Planner and Founder of Palafox Associates which was founded in 1989. For more than 25 years, he led and managed his firm in carrying out the planning of more than 16 billion square meters of land area and the architecture of more than 12 million square meters of building floor area in 38 countries. Palafox Associates ranks 89<sup>th</sup> in the London-based/ BD World architecture magazine's list of world's top architectural firms and also cited Top 8 in the world for Leisure projects. He is the President of FIABCI (International Real Estate Federation) Philippines for 2015. He is also an international associate of the American Institute of Architects, country leader of the Council on Tall Buildings and Urban Habitat, member of the U.S. Green Building, Urban Land Institute, Congress for the New Urbanism, American Planning Association, and the International Council of Shopping Centers, all U.S.-based. He was recently elected as the Chairman of National Real Estate Association (NREA). He was the past President of the Philippine Institute of Environmental Planners and the Management Association of the Philippines. He is a Fellow of the United Architects of the Philippines (UAP). He finished his Bachelor of Science in Architecture in 1972 from the University of Santo Tomas, Manila, and his Master in Environmental Planning from the University of the Philippines as a scholar of the United Nations Development Program (UNDP), in 1974. He took up Advanced Management Development Program for Real Estate in 2003, and 6 other continuing education courses, from the Harvard University. Architect Palafox is a registered APEC Architect and a recipient of several local and international awards. He joined the Board in 2009.

**Artemio V. Panganiban**, 81, Filipino. He served as Chief Justice of the Supreme Court from 2005 to 2006 and as Associate Justice from 1995 to 2005. Prior to his appointment to the Supreme Court, he was a senior partner at Panganiban Benitez Parlade Africa and Barinaga Law Offices from 1963 to 1995. He is a recipient of over 250 prestigious awards and recognitions from various associations and groups for his role as a jurist, lawyer, civic leader, Catholic lay worker, and entrepreneur and youth leader. Among such awards is the "Renaissance Jurist of the 21<sup>st</sup> Century" given by the Supreme Court of the Philippines upon his retirement in 2006. Chief Justice Panganiban holds a Bachelor's Degree in Law from the Far Eastern University where he graduated *cum laude*. He was a 6<sup>th</sup> placer in the 1960 Bar Examinations. He was also conferred Doctor of Laws (*Honoris Causa*) by several universities. At present, he writes a column for the Philippine Daily Inquirer. He sits as an independent director in the following publicly-listed companies aside from Asian Terminals, Inc.; GMA Network, Inc. (2007-present), First Philippine Holdings Corp. (2007-present), Metro Pacific Investments Corp. (2007-present), Manila Electric Company (2008-present), Robinsons Land Corp. (2008-present), GMA Holdings, Inc. (2009-present), Petron Corporation (2010-present), Philippine Long Distance Telephone Company (2013-present). He is also a non-

executive Director at Jollibee Foods Corporation (2012-present), Senior Adviser, Metrobank (2007 to present), Member of the Advisory Council, Bank of the Philippine Islands (2016-present) and Adviser, DoubleDragon Properties Corp. (2014-present). He is the Chairman of Corporate Governance Committee and a member of the Company's Compensation Committee and Nomination Committee. He has been an independent director of Asian Terminals, Inc. since April 22, 2010.

**Matthew Wells Leech**, 52, American, is currently the Chief Operating Officer for DP World's Ports & Terminals Division in UAE. Prior to this, he was the DP World SVP and Managing Director in the Americas from 2009 to 2016 and held various positions at CSX World Terminals from 1999 to 2005. Mr. Leech has a degree in Economics from Georgetown University and MBA from University of Maryland. He joined the Board last January 29, 2018.

**Teodoro Locsin, Jr.**, 69, Filipino. He served as member of the House of Representatives from 2001 to 2010. Since 2005, he is an independent director of The Medical City, and a member of the Board of Governors of iAcademy and a director of STI Holdings, Inc. (since 2015). He is an editor, publisher, television host and speechwriter of former presidents Corazon Aquino, Joseph Ejercito Estrada and Gloria Arroyo. He also served as a Minister of Information during President Aquino's term. Atty. Locsin, Jr., worked as an associate at Angara Abello Concepcion Regala and Cruz Law Offices. He also worked as an executive assistant to the Chairman of Ayala Corporation, Enrique Zobel. He obtained his Bachelor of Law from the Ateneo de Manila University and Master of Laws from Harvard University. In 2017, he was appointed and took his oath as Philippine Representative to the United Nations based in New York. Atty. Locsin, Jr. is the Chairman of the Audit Committee and is a member of the Executive Committee and Corporate Governance Committee. He serves as an independent director of Asian Terminals, Inc. since April 22, 2010.

**Ahmad Yousef Ahmad Alhassan Al Simreen**<sup>12</sup>, 38, UAE national, is the current Head of Finance at DPWorld Asia Pacific, Hong Kong. He has extensive experience in financial planning, treasury, project finance, corporate transformation and strategy covering various sectors such as real estate, banking, logistics and healthcare. Mr. Alhassan was the former Chief Financial Officer of Dubai Healthcare City from 2016 to 2017, Deputy Finance Director of DPWorld London Gateway from 2013 to 2016 and Assistant Group Treasurer of DPWorld Dubai from 2010 to 2013. He obtained his degree in Business Administration from American University, Kogod School of Business in Washington, USA in 2001, MBA from Marymount University in Virginia, USA in 2003 and a graduate of the Dubai World Leaders' Programme from Wharton held in Singapore, Hong Kong and USA.

**William Wassaf Khoury Abreu**, 39, a national of Dominican Republic. He is the Executive Vice President of ATI effective March 17, 2018, replacing Mr. Andrew R. Hoad. He was formerly a Director at PT Terminal Petikemas Surabaya (TPS) Indonesia (from 2014 to 2018), the CEO of DP World-Saigon Premier Container Terminal from 2010 to 2014, the Operations Director of DP World Korea from 2009 to 2010 and held various management positions at DP World Caucedo, Dominican Republic from 2003 to 2009 and CSX World Terminals (Caucedo) from 2001 to 2003. He obtained a degree in Industrial Engineering from Universidad Nacional Pedro Henriquez Ureña in 2000 and Post Graduate Diploma in Port Management from IMTA-STC in Rotterdam in 2001. Mr. Abreu was appointed by the Board as EVP during the meeting last February 2, 2018.

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<sup>12</sup>Effective April 1, 2018, Mr. Ahmad Yousef Ahmad Alhassan Al Simreen became a director of ATI replacing Mr. Rashed Ali Hassan Abdulla. He was elected by the Board in the meeting last February 22, 2018.

**Sean James L. Perez**, 52, Filipino, is the Senior Vice-President for Marketing and Outports since November 2017. He was the Vice-President for Marketing and Commercial October 2008 to October 2017, Vice President for Domestic and Outports from January 2007 to September 2008, Vice-President for Domestic/Marketing and Commercial Services (2004-2006). He has held various positions in the Company from the position of being the Terminal Manager of Batangas, Container Division and General Stevedoring Division for South Harbor to Vice-President for Operations, Marketing and Outports. He obtained his degree in Bachelor of Arts, Major in Economics from the University of Santo Tomas. He has been with the Company since 1996.

**Jose Tristan P. Carpio**, 49, Filipino, is the Vice-President for Finance and Chief Financial Officer (CFO) of the Company since July 2012. He joined ATI in 2000 as Assistant Vice President for Treasury and Special Projects. Prior to joining ATI, he was the Assistant Vice President for Capital Markets of All Asia Capital & Trust Corporation from 1997 to 2000. Mr. Carpio obtained his degree in B.S. Management Engineering from Ateneo de Manila University.

**Rodolfo G. Corvite, Jr.**, 58, Filipino, is the Corporate Secretary since 1997 and the Vice President for Business Support Services. He has held various positions in the Company handling Administration, Legal, Human Resources, Procurement, Industrial Relations, HSES, Insurance and Claims, Risk Management and Corporate Communications. He was a Law Partner of Diaz, Corvite and Associates. He is a member of the Integrated Bar of the Philippines. He obtained his Bachelor of Laws from the Ateneo de Manila University. He has been with the Company since 1989.

**Chi Wai Chan**, 43, Chinese, joined ATI last November 1, 2017, replacing Mr. Bastiaan Hokke as the Vice President for Group Operations. Prior to this, he was the former Operations Director (from 2012 to 2017) and Senior Manager for Business Process and Design (from 2008 to 2012) of DPWorld Asia Pacific. He holds a Bachelor's Degree in Business Administration and Management from the Chinese University of Hong Kong.

**Christopher Joe Styles**, 48, British, joined ATI in December 2013 as Vice President for Engineering. Prior to joining ATI, he worked at APM Terminals from September 2008 to November 2013 holding various positions in its terminals in Bahrain and Jordan. His last position was General Manager for Technical Services in Bahrain. Mr. Styles graduated in 2009 from University of Leicester with a Masters degree in Business Administration and in 1990 at the Lackham College with a Bachelor's Degree in Mechanical Engineering. He also holds a green belt in Lean Six Sigma.

While the brief background of the directors as of December 31, 2017 who resigned on various dates in 2018 are as follows:

**Rashed Ali Hassan Abdulla**<sup>13</sup>, 46, UAE national, is the Chairman of the Board of Directors of Asian Terminals, Inc. and the Senior Vice-President and Managing Director of DP World Asia Pacific since November 2013. His main responsibility is managing several business units in China, Korea, HK and SE Asia. Mr. Abdulla previously held the position of Senior Vice President Global Operations DP World Head Office (from 2011 to 2013). He joined DP World as a graduate trainee in 1995 and has risen rapidly through the ranks. He was executed an international assignment in Romania-Constanta from 2004 to 2007, as Manager - Container Terminal. Upon his return to Dubai in 2007, he was promoted to Director of Jebel Ali's brand new Terminal 2. From 2009 to 2011 he was appointed as Chief Operating Officer of all Jebel Ali operations and Business Units, including Containers Terminals, General Cargo, Marine, Safety

<sup>13</sup> Mr. Rashed Ali Hassan Abdulla accepted a regional post overseas and stayed as ATI's Chairman until April 1, 2018. Last February 22, 2018, the Board elected Mr. Ahmad Yousef Ahmad Alhassan Al Simreen as his replacement as Director. In the same meeting, Mr. Andrew R. Hoard was elected by the Board as director (replacing Mr. Kwok Leung Law) and as Chairman effective April 1, 2018 and shall hold office until the next annual election.

and Security. Mr. Abdulla graduated from UAE University in 1995 with a Bachelor's degree in Geography. He earned a Diploma in Maritime and Port Management from National University of Singapore in 2002 and Managing Terminal Operations in P & O Institute, Cardiff, UK (2006). He joined the Board in January 15, 2013 and resigned last April 1, 2018.

**Kwok Leung Law, 54**, Chinese, is the Director, Finance and Business Development, DP World Asia Pacific since 2013 up to February 2018. He was the Finance Director of DP World Southeast Asia from 2010 to 2013, Finance Director for Saigon Premier Container Terminal (DP World) in HCMC, Vietnam from 2008 to 2010. In 2003, he became the Chief Operating Officer/General Manager Finance of ATL Logistics Centre Hong Kong Limited and the Financial Controller of Sea-Land in Hong Kong in 1996. He is a Fellow Member of Chartered Association of Certified Accountants and an Associate Member of Hong Kong Institute of Certified Public Accountants. Mr. Law is a holder of Bachelor Degree in Business Administration from National Chung Hsing University in Taiwan and holds a Master's Degree in Business Administration from the Chinese University of Hong Kong. He joined the Board on February 18, 2010 and resigned last February 21, 2018.

**Mr. Mohammad Ali Mohammad Ahmad, 49**, UAE national, is the current Senior Vice President for Global Operations and Engineering for DP World and a member of the Board for DPWorld UAE Region, DPWorld Dakar (Senegal), DPWorld Jeddah, Antwerp Gateway (Belgium), Nhava Sheva Gateway (India) and Port Qasim (Pakistan). He was the former Chief Operating officer for DPWorld, UAE Region. Mr. Ahmad holds a Bachelor's degree from Central Michigan University and a Master's degree in Business Administration from Southern New Hampshire University (former New Hampshire College) in USA. He joined the Board last July 19, 2017 and resigned last January 19, 2018.

All the directors serve for a term equivalent to one (1) year from election or for the unexpired portion of the term of his predecessor.

#### ***Family Relationships***

There are no family relationships among the directors and officers listed up to the fourth civil degree of consanguinity or affinity.

All employees are expected to make reasonable contribution to the success of the business of the Company.

The Company has no knowledge of events occurring during the past five years that are material to an evaluation of the ability and integrity of the above-named directors and officers.

#### **Pending Legal Proceedings**

The Company has no knowledge that the current members of its Board of Directors, or its executive officers have been involved during the last five years up to the present in any legal case affecting/involving themselves and/or their properties before any court of law or administrative body in the Philippines or elsewhere, which are material to an evaluation of the ability or integrity of any of the said directors or executive officers. Also, during the last five years, the said persons have not been: a) involved in any bankruptcy petition, b) convicted by final judgment of any offense punishable by the laws of the Philippines or of the laws of any other country, c) subjected to any order, judgment or decree, and d) violated any securities or commodities law.

Item 10. Executive Compensation

- 1) The total annual compensation of the Company's President and the most highly compensated officers amounted to P76 million in 2017 and P75 million in 2016. The projected annual compensation in 2018 is P80 million.

The total annual compensation of all other officers and directors in 2017 amounted to P105 million and in 2016 amounted to P119 million. The projected annual compensation in 2018 is P134 million.

Name and Principal Position	Year	(in millions of pesos)			Total
		Salary	Bonus	Other Annual Compensation	
Eusebio H. Tanco President/CEO					
Andrew R. Hoad Executive Vice President					
Chi Wai Chan Vice President for Group Operations					
Rodolfo G. Corvite, Jr. Vice President for Business Support Services					
Christopher Joe Styles Vice President for Engineering					
CEO and 4 most highly compensated officers	2018 (Projected)	65	15	0	80
All other officers* and directors as a group unnamed	2018 (Projected)	108	26	0	134

\*Managers and above

Name and Principal Position	Year	(in millions of pesos)			Total
		Salary	Bonus	Other Annual Compensation	
Eusebio H. Tanco President/CEO					
Andrew R. Hoad Executive Vice President					
Sean James L. Perez SVP Commercial & Marketing					
Rodolfo G. Corvite, Jr. Vice President for Business Support Services					
Christopher Joe Styles Vice President for Engineering					
CEO and most highly compensated officers	2017 (Actual)	59	17	0	76
All other officers* and directors as a group unnamed	2017 (Actual)	80	25	0	105

\*Managers and above

Name and Principal Position	Year	(in millions of pesos)			Total
		Salary	Bonus	Other Annual Compensation	
Eusebio H. Tanco President/CEO					
Andrew R. Hoad Executive Vice President					
Rodolfo G. Corvite, Jr. Vice President for Business Support Services					
Christopher Joe Styles Vice President for Engineering					
Bastiaan W. Hokke Vice President for Group Operations					
CEO and most highly compensated officers	2016 (Actual)	59	16	0	75
All other officers* and directors as a group unnamed	2016 (Actual)	91	28	0	119

\*Managers and above

- 2) The Directors do not receive compensation for services provided as a director other than reasonable per diems<sup>14</sup> for attendance at meetings of the Board and the Board Committees. This is in accordance with Article IV, Section 14 of the Company's By-Laws which states that "Except for reasonable per diems, directors, as such shall be entitled to receive only such compensation as may be granted to them by the vote of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock at a regular or a special meeting of the stockholders. In no case the total yearly compensation of the directors, as such, exceed ten percent (10%) of the net income before income tax of the Corporation during the preceding year.

The Board of Directors specified the duties and responsibilities of the elected Company officers. Other officers, whose duties and responsibilities are set by the Management, are considered regular employees of the Company.

- 3) There is no bonus, profit sharing, stock options, warrants, rights or other compensation plans or arrangements with directors and officers that will result from their resignation, retirement, termination of employment, or change in the control of the Company.

#### Item 11. Security Ownership of Certain Beneficial Owners and Management

##### 1. Security Ownership of Certain Record and Beneficial Owners

As of December 31, 2017, the Company knows of no one who owns in excess of 5% of its common stock except as set forth in the following table:

<sup>14</sup> Directors' per diem amounted to Php 2,400,000.00 (for 2017) and Php2,570,000.00 (for 2016) . The Chairman receives Php60,000.00 per diem, for every board meeting attended, while members of the Board receive Php50,000.00.

**ASIAN TERMINALS, INC.**
**Securities and Exchange Commission Form 17-A**

Title of Class	Name and Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	Amount of Record Ownership	% of Class
Common	DP World Australia (POAL) Pty. Limited Level 21 400 George St., Sydney NSW 2000, GPO Box 4084, Sydney NSW 2001 Australia (Stockholder)	DP World Australia (POAL) Pty. Limited	Australian	346,466,600	17.32%
Common	ATI Holdings, Inc. 3 <sup>rd</sup> Floor SSHG Law Centre, 105 Paseo de Roxas Makati City (Stockholder)	ATI Holdings, Inc.	Australian	291,371,231	14.57%
Common	PCD Nominee Corp. (Filipino.) G/F MKSE Bldg. 6767 Ayala Ave., Makati City	(Beneficial Owners unknown to Issuer)  <i>(AsiaSec Equities, Inc. 8/F Chatham House 116 Valero cor. V. A. Rufino Sts. Salcedo Village, Makati City)</i>	Filipino	234,241,039  (116,991,033)	11.71%  (5.85%)
Common	Pecard Group Holdings, Inc. 3 <sup>rd</sup> Floor SSHG Law Centre, 105 Paseo de Roxas Makati City (Stockholder)	Pecard Group Holdings, Inc.	Filipino	198,203,968	9.91%
Common	Philippine Seaport, Inc. 3 <sup>rd</sup> Floor SSHG Law Centre, 105 Paseo de Roxas Makati City (Stockholder)	Philippine Seaport, Inc.	Filipino	196,911,524	9.85%
Common	Daven Holdings 7 <sup>th</sup> Floor, Philfirst Building, 6764 Ayala Avenue, Makati City (Stockholder)	Daven Holdings	Filipino	155,906,071	7.80%
Common	PCD Nominee Corp. (Non-Fil.) G/F MKSE Bldg. 6767 Ayala Ave., Makati City	(Beneficial Owners unknown to Issuer)  <i>(The Hongkong and Shanghai Banking Corp., Ltd. HSBC Securities Services, 12<sup>th</sup> Flr, The Enterprise Center, Tower 1 6766 Ayala Ave. cor. Paseo de Roxas, Makati City)</i>	Non-Filipino	139,457,079  (124,446,200)	6.97%  (6.22%)



Title of Class	Name and Address of Record Owner and Relationship with Issuer	Name of Beneficial Owner and Relationship with Record Owner	Citizenship	Amount of Record Ownership	% of Class
Common	SG Holdings Inc. 7 <sup>th</sup> Floor, Philfirst Building, 6764 Ayala Avenue, Makati City (Stockholder)	SG Holdings, Inc	Filipino	130,000,000	6.50%
Common	Murray Holdings, Inc. 7 <sup>th</sup> Floor, Philfirst Building, 6764 Ayala Avenue, Makati City (Stockholder)	Murray Holdings, Inc.	Filipino	100,000,000	5.00%

## 2. Security Ownership of Management

Owners of record of ATI shares among Management as of December 31, 2017, are as follows:

Title of Class	Name of Beneficial/Record Owner	Amount and Nature of Beneficial Ownership	Citizenship	% of Class
Common	Felino A. Palafox, Jr.	15,300/direct	Filipino	.00%
-do-	Monico V. Jacob	1/direct	Filipino	.00%
-do-	Kwok Leung Law*	1/direct	Chinese	.00%
-do-	Rashed Ali Hassan Abdulla*	1/direct	UAE	.00%
-do-	Eusebio H. Tanco	15,257,663/ direct 37,511,984/indirect	Filipino	2.64%
-do-	Mohammad Ali Mohammad Ahmad*	1/direct	UAE	.00%
-do-	Artemio V. Panganiban (independent director)	1/direct	Filipino	.00%
-do-	Teodoro L. Locsin, Jr. (independent director)	1/direct	Filipino	.00%
-do-	Rodolfo G. Corvite, Jr.	222,398/direct	Filipino	.01%
	TOTAL	53,007,351		2.65%

\*Mr. Kwok Leung Law resigned last February 21, 2018 and was replaced as director by Mr. Andrew R. Hoad. Effective April 1, 2018, Mr. Rashed Ali Hassan Abdulla was replaced by Mr. Ahmad Yousef Ahmad Alhassan Al Simreen as director and Mr. Andrew R. Hoad as Chairman. Mr. Mohammad Ali Mohammad Ahmad resigned as director last January 19, 2018 and was replaced by Mr. Matthew Wells Leech last January 29, 2018. Messrs. Hoad, Alhassan and Leech hold 1 qualifying share each.

There was no change in control of the registrant during the year. There is no voting trust or similar agreement with respect to any portion of the outstanding shares, nor any agreement which may result in a change of control of the Company.

The Board of Directors generally has the power to vote on behalf of their respective corporate stockholders. A proxy is usually designated to cast the vote for the stockholder.

## Item 12. Certain Relationships and Related Transactions

The Company, through the Board, renewed the management agreement with P & O Management Services, Phils. Inc. (POMS) for a period of five years from September 1, 2015 until August 31, 2020. Forty percent (40%) of the outstanding capital stock of POMS is owned by DPWorld Australia (POAL) Pty. Ltd. As of February 28, 2018, DPWorld Australia (POAL) Pty. Ltd. owns 17.32% of the total outstanding capital stock of ATI. In addition, ATI Holdings, Inc. (majority-owned by DPWorld Australia (POAL) Pty. Ltd.) owns 14.57% (as of February 28,

2018) of the outstanding capital stock of ATI. (Please refer to Note 1 of the Audited Consolidated Financial Statements).

The Company avails of leases Mar-Bay Homes, Inc. and Eujo Philippines, Inc. where Mr. E.H. Tanco is the President. Insurance services were also availed from Philippines First Insurance Co. (PhilPlans) where Mr. Tanco is the Chairman. Also health care services with PhilCare where Atty. Monico Jacob is the Chairman and Mr. Eusebio H. Tanco is a director.

Since February 2010, ATI has engaged Grow Vite Staffing Services, Inc. or Grow Vite (then named Global Resource for Outsourced Workers, Inc. or GROW), to provide manpower services for the Company. In November 2012, ATI Batangas has also engaged Grow Vite (then GROW) for manpower services. Atty. Monico V. Jacob is the Chairman of Grow Vite and Mr. Eusebio Tanco is its President.

Transactions with related parties are on an arm's length basis.

**Item 13. Corporate Governance**

The Company has substantially complied with the provisions of its Manual on Corporate Governance which was adopted in August 30, 2002 amended for various years. On April 27, 2017, the Board in its regular meeting amended the Manual on Corporate Governance in substantial compliance to the provisions of the Memorandum Circular No. 19 series of 2016 or the Code of Corporate Governance for Publicly Listed Companies.

The Company commits to the principles and best practices of good corporate governance to attain its goals and objectives. Its principal officers and directors have attended Corporate Governance seminars and orientations in compliance with the provisions of its Manual of Corporate Governance and provisions of the SEC Memorandum Circular No. 19 series of 2016. The seminars were given by accredited providers such as the Center for Global Best Practices (CGBP), Risks, Opportunities, Assessment and Management (ROAM) and SGV.

The Company has not deviated from its Manual. An evaluation system is being formulated to determine level of compliance of the Board and top level management.

Continuous monitoring and compliance with the Corporate Governance Manual and other corporate standards are ensured through the Board and the board committees, Compliance Officer, President, Chief Financial Officer and the Internal and External Auditors.

Pursuant to SEC Memorandum Circular No. 15 series of 2017, companies shall no longer be required to file a Consolidated Changes in the ACGR within 10 days from the end of the year. The Integrated Annual Corporate Governance Report (I-ACGR) shall be submitted on or before May 30, 2018.

**Item 14. Exhibits and Reports on SEC Form 17-C**

**(A) Exhibits**

Exhibit 1*	Quarterly Report (SEC Form 17-Q) As of September 30, 2017
Exhibit 2	Financial Statements and Schedules

\*Please refer to the September 30, 2017 Quarterly Report (SEC Form 17-Q) submitted to the Securities and Exchange Commission

## (B) Reports on SEC Form 17-C

<u>Date Reported</u>	<u>Item(s) Reported</u>
February 21, 2017	Setting the date, venue, agenda and record date of the 2017 Annual Stockholders' Meeting, closing of stock and transfer book, Board approval of the 2016 Audited Financial Statements and Appointment of R. G. Manabat and Co. as external auditors for 2017, Notice of Guidelines for Nominations for Election to the Board of Directors
April 4, 2017	Certification of Independent Director (Teodoro L. Locsin, Jr.)
May 2, 2017	Declaration of cash dividends, record and payment dates, Results of the 2017 Annual Stockholders' meeting and Organizational meeting.
July 3, 2017	Resignation of Director (Mr. Paul Darren Scurrah)
July 25, 2017	Election of Director (Mr. Mohammad Ali Mohammad Ahmad)
August 11, 2017	Audit Committee Self-Assessment for 2016
August 29, 2017	Board Approval of the Amendments to the Audit Committee Charter
November 2, 2017	Appointment of Mr. Chi Wai Chan as VP for Group Operations replacing Mr. Bastiaan Hokke
December 4, 2017	Promotion of Mr. Sean James L. Perez as SVP for Commercial and Outports

SIGNATURES


Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this amended report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Manila on the 12<sup>th</sup> day of April 2018.

By:

  
WILLIAM WASSAF KHOURY ABREU  
Executive Vice President

  
JOSE TRISTAN P. CARPIO  
Vice President and Chief Financial Officer/  
Corporate Treasurer


  
RODOLFO G. CORVITE, JR.  
Vice President for Business Support  
Services /Corporate Secretary

  
MARISSA R. PINCA  
Senior Manager for Accounting  
and Financial Planning

SUBSCRIBED AND SWORN to before me this APR 12 2018 day of April 2018 affiants exhibiting to me their respective government issued IDs.:

<u>Name</u>	<u>ID, Date and Place of Issue</u>
William Wassaf Khoury Abreu	Passport No. RD4569280, June 19, 2017/ Dominican Republic
Jose Tristan P. Carpio	Passport No. EC2215520, September 26, 2014/ Manila
Rodolfo G. Corvite, Jr.	Passport No. P0014227A, August 22, 2016/ Manila
Marissa R. Pinca	UMID No. CRN-0033-2033767-0

Notary Public

  
ATTY. GILBERTO B. PASIMANERO  
Notary Public Until Dec. 31, 2019  
Notarial Commission 2018-015 Mla.  
IBP# 012434 Pasig 7-27-17 until 2019  
PTR# Mla 6993997 - 1-4-2018  
Roll# 15473, TIN# 103-098-346  
MCLE Compl. No. V-0006269 until 4-14-19

Doc. No. 421  
Page No. 85  
Book No. 9  
Series of 2018.

**STATEMENT OF MANAGEMENT'S RESPONSIBILITY  
FOR FINANCIAL STATEMENTS**

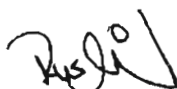
The management of ASIAN TERMINALS, INC. AND A SUBSIDIARY (the "Group") is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, as at December 31, 2017 and 2016 and for each of the three years in the period ended December 31, 2017, in accordance with the prescribed financial reporting framework indicated therein, 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 consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is responsible for overseeing the Group's financial reporting process.

The Board of Directors reviews and approves the consolidated financial statements including the schedules attached therein, and submits the same to the stockholders.

R.G. Manabat & Co., the independent auditors appointed by the stockholders, has audited the consolidated financial statements of the Group in accordance with Philippine Standards on Auditing, and in its report to the stockholders, has expressed its opinion on the fairness of presentation upon completion of such audit.



**RASHED ALI HASSAN ABDULLA**  
Chairman of the Board



**EUSEBIO H. TANCO**  
President




**JOSE TRISTAN P. CARPIO**  
Chief Financial Officer

Signed this 22 of February, 2018

SUBSCRIBED AND SWORN TO before me this MAR. 02, 2018 day of February, 2018, the signatories exhibiting to me their respective Passports/Driver's License Nos., as follows:

Name	Passport Nos.	Date/Place Issued
1. Rashed Ali Hassan Abdulla	LY6118219	2/15/15; Doha
2. Eusebio H. Tanco	EC2037045	9/4/14; Manila
3. Jose Tristan P. Carpio	EC2215520	9/26/14; Manila

Doc No 189  
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Notary Public  
  
**ATTY. GILBERTO B. PASIMADERO**  
Notary Public Until Dec. 31, 2019  
Notarial Commission 2018-015 Mla.  
IBP# 012434 Pasig 7-27-17 until 2019  
PTR# Mla 6993997 - 1-4-2018  
Roll# 25473, TIN# 103-098-346  
MCE Compl. No. V-0006269 until 4-14-19



**ASIAN TERMINALS, INC. AND A SUBSIDIARY**

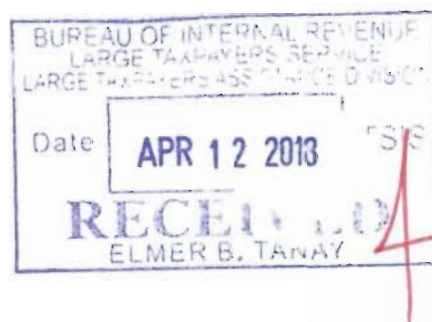
**CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2017, 2016 and 2015**



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## REPORT OF INDEPENDENT AUDITORS

The Board of Directors and Stockholders  
Asian Terminals, Inc.  
B. Bonifacio Drive  
Port Area, Manila



### *Opinion*

We have audited the consolidated financial statements of Asian Terminals, Inc. and a Subsidiary (the "Group"), which comprise the consolidated statements of financial position as at December 31, 2017 and 2016, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years in the period ended December 31, 2017, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2017 and 2016, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2017, 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 *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group 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 audits of the consolidated financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.





### Key Audit Matters

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

#### *Revenue Recognition (P10,603,172 - amount in thousands)*

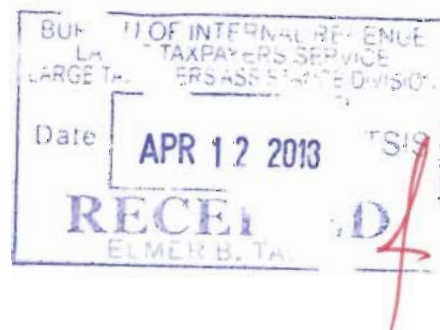
Refer to Note 2 to the consolidated financial statements.

##### *The risk*

The Group's revenues are mainly generated from arrastre, stevedoring and storage services. These revenues are recognized when the services are rendered and are recorded in the books using an information technology (IT) system which tracks the movements of cargoes from ships and port yards. Market expectations and profit-based targets may put pressure on management to recognize revenues before all the revenue recognition criteria have been met. Risk of material misstatement may arise in order to improve business results and achieve capital and revenue growths in line with the objectives of the Group. Further, due to the materiality of revenues in the consolidated financial statements as a whole, it is ascertained as one of our key audit matters.

##### *Our response*

Our audit procedures included assessment of the Group's accounting policies in respect of revenue recognition to ensure that they appropriately reflected the requirements of PFRSs. Evaluation of relevant IT systems and the design and operating effectiveness of controls over the recording of revenue transactions was also conducted. In doing so, we have involved our IT specialists to assist in the audit of automated controls across different IT applications. Our substantive procedures included testing of revenues earned close to year-end, testing of subsequent invoices relating to the accrued revenues recorded and testing of credit and debit memos issued close to year-end to confirm that all services had been performed at the point at which revenue is recognized. Furthermore, we performed examination of selected individual transactions' supporting documentation to test the existence and accuracy of revenue transactions and to verify whether the revenue recognition practices adopted complied with the stated accounting policies. A detailed movement analysis of revenues earned for each of the Group's revenue streams was also performed to determine any significant fluctuation on the account. We also evaluated the adequacy of the disclosures in respect of revenue recognition in the consolidated financial statements.





*Port Concession Rights - net (P15,711,097 - amount in thousands)  
Refer to Note 11 to the consolidated financial statements*

*The risk*

The Group's port concession rights as at December 31, 2017 amounted to P15.71 billion which comprise 61% of the Group's total assets. Port concession rights pertain to the amount of cost of port infrastructures, upfront fees payments and fixed government share. As part of its ordinary activities, the Group invests in port infrastructures of significant values. During the year, the Group has made significant additional investments relating to port concession rights amounting to P2.10 billion. These additional capital expenditures expose the Group to the risk that a material amount of the resulting additional port concession rights are not appropriately recognized in accordance with the relevant accounting standards. Further, the assignment of useful lives may not be suitable based on the nature and extent of the assets' usage. Due to the materiality of the transactions and the account to the Group's consolidated financial statements as well as its significance on the overall audit strategy, the "port concession rights" account is considered to be a key audit matter.

*Our response*

Our audit procedures included examination of supporting documents of the selected additions to port infrastructures to ascertain the existence and accuracy of the amounts recorded during the year. We also evaluated management's assessment as to whether those capitalized assets met the recognition criteria set forth in the standards. Furthermore, we verified the appropriateness of the useful life assigned to each type of assets to assist us in recalculating the amount of amortization expense. We also evaluated the adequacy of the disclosures in respect of port concession rights in the consolidated financial statements.

*Hedging of Highly Probable Forecast Transactions using a Non-derivative Instrument (Hedging reserve – P207,620 - amount in thousands)  
Refer to Note 16 to the consolidated financial statements.*

*The risk*

Hedge accounting is applied by the Group as part of its foreign currency risk strategy. Under the cash flow hedge model, it hedges the spot exchange risk on the highly probable forecast United States (US) dollar revenue transactions as hedged items using its non-derivative financial instrument, port concession rights payable which is denominated in US dollar as a hedging instrument. Such financial liability creates a foreign currency exposure which offsets the foreign currency exposure on the highly probable US dollar revenue stream. In 2017, there was cessation of hedged items and subsequently the Group re-designated the monthly US dollar forecasted revenue transactions for the next forty two months as hedged items. Due to the degree of judgement and estimation on the highly probable forecast US dollar revenue transactions, there is a risk that the assumptions made on the prospective effectiveness of the hedge transactions are inappropriate, which would lead to the presentation of the relevant amounts in other comprehensive income being incorrect.





*Our response*

Our audit procedures included the assessment of the adequacy of hedge documentation and an assessment of the internally performed hedge effectiveness testing. In doing so, we have involved our financial instrument specialist to assist in the assessment of the hedge effectiveness and the accuracy of the amounts recorded. Our substantive procedures included review of the historical accuracy of forecasted US dollar revenue transactions to assess the reliability of the Group's forecasting. We also evaluated whether the effective and ineffective portions of the hedge have been charged to the proper account in line with the requirements of PFRSs. Furthermore, we examined the dollar denominated revenue transactions of the Group to test the completeness and accuracy of the underlying data. Verification of the accuracy of exchange rates used by the Group was also performed in order to determine if such rates used are in line with published rates. We also evaluated the adequacy of the disclosures in respect of the Group's cash flow hedge in the consolidated financial statements.

*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, 2017, but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2017 are expected to be made available to us after the date of this auditors' report.

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

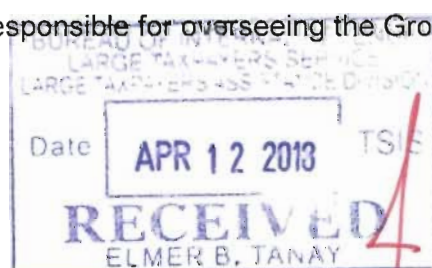
In connection with our audits of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our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

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

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

In preparing the consolidated financial statements, management is responsible for assessing the Group'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 Group or to cease operations, or has no realistic alternative but to do so.

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



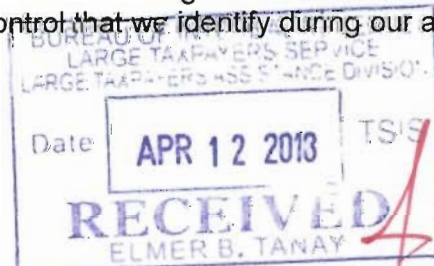


## *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements*

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group'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 Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group 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 audits and significant audit findings, including any significant deficiencies in internal control that we identify during our audits.





We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and 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 consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' 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.

The engagement partner on the audit resulting in this independent auditors' report is Enrico E. Baluyut.

**R.G. MANABAT & CO.**

ENRICO E. BALUYUT

Partner

CPA License No. 065537

SEC Accreditation No. 1177-AR-1, Group A, valid until April 30, 2018

Tax Identification No. 131-029-752

BIR Accreditation No. 08-001987-26-2017

Issued September 4, 2017; valid until September 3, 2020

PTR No. 6615127MD

Issued January 3, 2018 at Makati City

February 22, 2018  
Makati City, Metro Manila





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**REPORT OF INDEPENDENT AUDITORS  
TO ACCOMPANY THE CONSOLIDATED FINANCIAL STATEMENTS FOR FILING  
WITH THE SECURITIES AND EXCHANGE COMMISSION**

The Stockholders and Board of Directors  
Asian Terminals, Inc.  
A. Bonifacio Drive  
Port Area, Manila

We have audited the accompanying consolidated financial statements of Asian Terminals, Inc. (the "Company") and a Subsidiary (collectively known as the "Group") as at and for the year ended December 31, 2017, on which we have rendered our report dated February 22, 2018.

In compliance with Securities Regulation Code Rule 68, As Amended, we are stating that the said Company has a total number of eight hundred eight (808) stockholders owning one hundred (100) or more shares each.

**R.G. MANABAT & CO.**

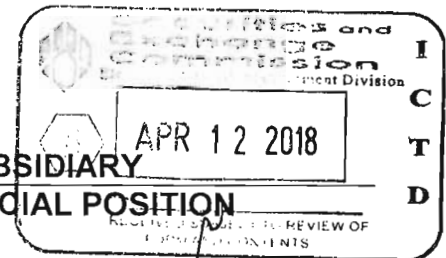
*W. E. Baluyut*

ENRICO E. BALUYUT  
Partner  
CPA License No. 065537  
SEC Accreditation No. 1177-AR-1, Group A, valid until April 30, 2018  
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Issued September 4, 2017; valid until September 3, 2020  
PTR No. 6615127MD  
Issued January 3, 2018 at Makati City



February 22, 2018  
Makati City, Metro Manila

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



December 31

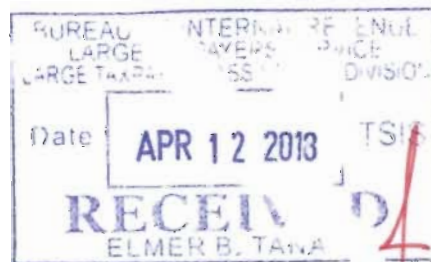
	Note	2017	2016
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	6, 25	P6,945,189	P5,881,207
Trade and other receivables - net	7, 25	490,466	426,466
Spare parts and supplies	18	403,701	314,595
Prepaid expenses	8	629,872	467,939
<b>Total Current Assets</b>		<b>8,469,228</b>	<b>7,090,207</b>
<b>Noncurrent Assets</b>			
Investment in an associate	9	87,027	54,654
Property and equipment - net	10	565,618	483,172
Intangible assets - net	11	15,753,157	14,716,498
Deferred tax assets - net	13	831,026	733,450
Other noncurrent assets	12	59,181	60,997
<b>Total Noncurrent Assets</b>		<b>17,296,009</b>	<b>16,048,771</b>
		<b>P25,765,237</b>	<b>P23,138,978</b>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Trade and other payables	14, 25	P2,690,212	P2,000,359
Provisions for claims	15	204,544	50,944
Port concession rights payable - current portion	25	258,060	237,479
Income and other taxes payable		315,287	197,887
<b>Total Current Liabilities</b>		<b>3,468,103</b>	<b>2,486,669</b>
<b>Noncurrent Liabilities</b>			
Port concession rights payable - net of current portion	25	8,548,520	8,748,390
Pension liability	21	113,073	143,857
<b>Total Noncurrent Liabilities</b>		<b>8,661,593</b>	<b>8,892,247</b>
		<b>12,129,696</b>	<b>11,378,916</b>

Forward



		December 31	
	Note	2017	2016
<b>Equity</b>			
<b>Equity Attributable to Equity Holders of the Parent Company</b>			
	16		
Capital stock		P2,000,000	P2,000,000
Additional paid-in capital		264,300	264,300
Retained earnings		11,575,652	9,910,095
Hedging reserve		(207,620)	(415,403)
Fair value reserve		(5,820)	(5,820)
		<b>13,626,512</b>	11,753,172
<b>Non-controlling Interest</b>		<b>9,029</b>	6,890
<b>Total Equity</b>		<b>13,635,541</b>	11,760,062
		<b>P25,765,237</b>	P23,138,978

See Notes to the Consolidated Financial Statements.

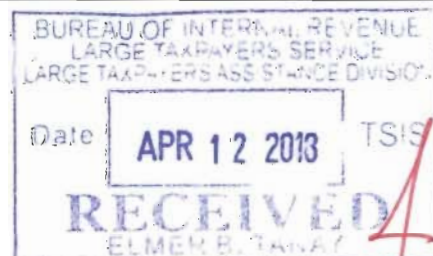




**ASIAN TERMINALS, INC. AND A SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF INCOME**  
(Amounts in Thousands, Except Per Share Data)

		Years Ended December 31		
	Note	2017	2016	2015
<b>REVENUES FROM OPERATIONS</b>	2	P10,603,172	P9,249,162	P8,146,497
<b>GOVERNMENT SHARE IN REVENUES</b>	17	(1,914,439)	(1,711,551)	(1,409,195)
		<b>8,688,733</b>	<b>7,537,611</b>	<b>6,737,302</b>
<b>COSTS AND EXPENSES EXCLUDING GOVERNMENT SHARE IN REVENUES</b>	18, 20, 21	(4,436,203)	(4,300,952)	(3,736,118)
<b>OTHER INCOME AND EXPENSES</b>				
Finance income	19	85,604	61,994	51,489
Finance cost	19	(567,733)	(581,216)	(548,784)
Others - net	19	(335,885)	(112,936)	(71,947)
		<b>(818,014)</b>	<b>(632,158)</b>	<b>(569,242)</b>
<b>CONSTRUCTION REVENUES</b>	11	<b>2,102,478</b>	832,918	664,250
<b>CONSTRUCTION COSTS</b>	11	<b>(2,102,478)</b>	(832,918)	(664,250)
		-	-	-
<b>INCOME BEFORE INCOME TAX</b>		<b>3,434,516</b>	2,604,501	2,431,942
<b>INCOME TAX EXPENSE</b>	13			
Current		1,148,001	835,875	760,851
Deferred		(203,167)	(136,367)	(96,105)
		<b>944,834</b>	<b>699,508</b>	<b>664,746</b>
<b>NET INCOME</b>		<b>P2,489,682</b>	P1,904,993	P1,767,196
<b>Income Attributable to Equity holders of the Parent</b>				
Company		<b>P2,486,993</b>	P1,902,391	P1,764,167
Non-controlling interest		<b>2,689</b>	2,602	3,029
		<b>P2,489,682</b>	P1,904,993	P1,767,196
<b>Basic/Diluted Earnings per Share Attributable to Equity Holders of the Parent</b>				
Company	22	<b>P1.24</b>	P0.95	P0.88

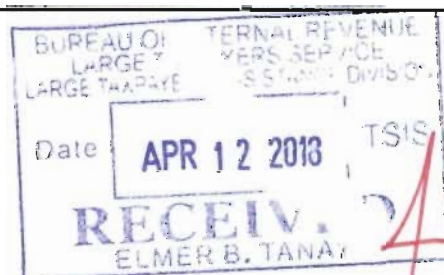
See Notes to the Consolidated Financial Statements.



**ASIAN TERMINALS, INC. AND A SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(Amounts in Thousands)

		Years Ended December 31		
	Note	2017	2016	2015
<b>NET INCOME FOR THE YEAR</b>		<b>P2,489,682</b>	P1,904,993	P1,767,196
<b>OTHER COMPREHENSIVE INCOME</b>				
<b>Item that will never be reclassified to profit or loss</b>				
Actuarial gains (losses) on pension liability	21	55,135	81,525	(21,037)
Tax on item taken directly to equity	13	(16,541)	(24,458)	6,311
		<b>38,594</b>	57,067	(14,726)
<b>Items that are or may be reclassified to profit or loss</b>				
Cash flow hedge - effective portion		(31,479)	(384,327)	(346,584)
Cash flow hedge - reclassified to profit or loss		328,312	200,292	89,811
Tax on items taken directly to equity	13	(89,050)	55,210	77,032
	16	<b>207,783</b>	(128,825)	(179,741)
<b>OTHER COMPREHENSIVE INCOME FOR THE YEAR - Net of tax</b>		<b>246,377</b>	(71,758)	(194,467)
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>P2,736,059</b>	P1,833,235	P1,572,729
<b>Total Comprehensive Income Attributable to</b>				
Equity holders of the Parent Company		<b>P2,733,340</b>	P1,830,571	P1,569,692
Non-controlling interest		<b>2,719</b>	2,664	3,037
		<b>P2,736,059</b>	P1,833,235	P1,572,729

See Notes to the Consolidated Financial Statements.



**ASIAN TERMINALS, INC. AND A SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
Years Ended December 31, 2017, 2016 and 2015  
(Amounts in Thousands, Except Per Share Data)

	Note	Attributable to Equity Holders of the Parent Company							Non-controlling Interest	Total Equity
		Capital Stock	Additional Paid-in Capital	Retained Earnings		Hedging Reserve	Fair Value Reserve	Total		
				Appropriated for Port Development	Unappropriated					
Balance at January 1, 2017		P2,000,000	P264,300	P7,900,000	P2,010,095	(P415,403)	(P5,820)	P11,753,172	P6,890	P11,760,062
Cash dividends - P0.43 a share	16	-	-	-	(860,000)	-	-	(860,000)	(580)	(860,580)
Reversal of appropriation of retained earnings	16	-	-	(1,100,000)	1,100,000	-	-	-	-	-
Appropriations during the year	16	-	-	2,900,000	(2,900,000)	-	-	-	-	-
Net income for the year		-	-	-	2,486,993	-	-	2,486,993	2,689	2,489,682
Other comprehensive income:										
Actuarial gain - net of tax		-	-	-	38,564	-	-	38,564	30	38,594
Cash flow hedge - effective portion - net of tax	16	-	-	-	-	(22,035)	-	(22,035)	-	(22,035)
Cash flow hedge - reclassified to profit or loss - net of tax	16	-	-	-	-	229,818	-	229,818	-	229,818
<b>Balance at December 31, 2017</b>		<b>P2,000,000</b>	<b>P264,300</b>	<b>P9,700,000</b>	<b>P1,875,652</b>	<b>(P207,620)</b>	<b>(P5,820)</b>	<b>P13,626,512</b>	<b>P9,029</b>	<b>P13,635,541</b>
Balance at January 1, 2016		P2,000,000	P264,300	P6,100,000	P2,670,700	(P286,578)	(P5,820)	P10,742,602	P5,024	P10,747,626
Cash dividends - P0.41 a share	16	-	-	-	(820,000)	-	-	(820,000)	(580)	(820,580)
Purchase of shares of subsidiary	3	-	-	-	-	-	-	-	(219)	(219)
Reversal of appropriation of retained earnings	16	-	-	(800,000)	800,000	-	-	-	-	-
Appropriations during the year	16	-	-	2,600,000	(2,600,000)	-	-	-	-	-
Net income for the year		-	-	-	1,902,391	-	-	1,902,391	2,602	1,904,993
Other comprehensive income:										
Actuarial gain - net of tax		-	-	-	57,004	-	-	57,004	63	57,067
Cash flow hedge - effective portion - net of tax	16	-	-	-	-	(269,029)	-	(269,029)	-	(269,029)
Cash flow hedge - reclassified to profit or loss - net of tax	16	-	-	-	-	140,204	-	140,204	-	140,204
<b>Balance at December 31, 2016</b>		<b>P2,000,000</b>	<b>P264,300</b>	<b>P7,900,000</b>	<b>P2,010,095</b>	<b>(P415,403)</b>	<b>(P5,820)</b>	<b>P11,753,172</b>	<b>P6,890</b>	<b>P11,760,062</b>

Forward

	Note	Attributable to Equity Holders of the Parent Company								Non-controlling Interest	Total Equity
		Capital Stock	Retained Earnings				Hedging Reserve	Fair Value Reserve	Total		
			Additional Paid-in Capital	Appropriated for Port Development	Unappropriated						
Balance at January 1, 2015		P2,000,000	P264,300	P4,700,000	P3,141,267	(P106,838)	(P5,820)	P9,992,909	P4,551	P9,997,460	
Cash dividends - P0.41 a share	16	-	-	-	(820,000)	-	-	(820,000)	(830)	(820,830)	
Purchase of shares of subsidiary	3	-	-	-	-	-	-	-	(1,734)	(1,734)	
Reversal of appropriation of retained earnings	16	-	-	(2,600,000)	2,600,000	-	-	-	-	-	
Appropriations during the year	16	-	-	4,000,000	(4,000,000)	-	-	-	-	-	
Net income for the year		-	-	-	1,764,167	-	-	1,764,167	3,029	1,767,196	
Other comprehensive income:											
Actuarial loss - net of tax		-	-	-	(14,734)	-	-	(14,734)	8	(14,726)	
Cash flow hedge - effective portion - net of tax	16	-	-	-	-	(242,608)	-	(242,608)	-	(242,608)	
Cash flow hedge - reclassified to profit or loss - net of tax	16	-	-	-	-	62,868	-	62,868	-	62,868	
Balance at December 31, 2015		P2,000,000	P264,300	P6,100,000	P2,670,700	(P286,578)	(P5,820)	P10,742,602	P5,024	P10,747,626	

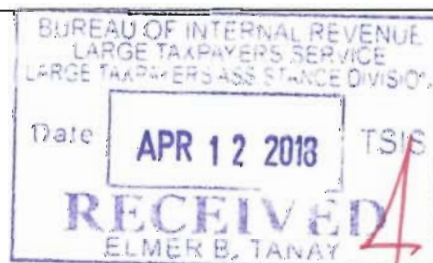
See Notes to the Consolidated Financial Statements.



**ASIAN TERMINALS, INC. AND A SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(Amounts in Thousands)

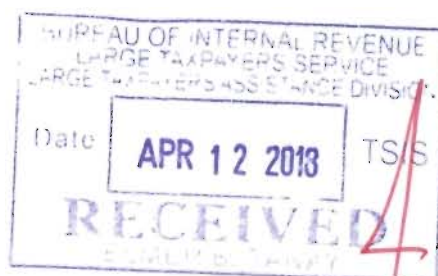
		Years Ended December 31		
	Note	2017	2016	2015
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Income before income tax		P3,434,516	P2,604,501	P2,431,942
Adjustments for:				
Depreciation and amortization	10, 11	1,180,724	1,136,532	944,926
Finance cost	19	567,733	581,216	548,784
Net unrealized foreign exchange losses		325,848	210,264	98,833
Finance income	19	(85,604)	(61,994)	(51,489)
Contributions to retirement funds	21	(21,941)	(18,388)	-
Equity in net earnings of an associate	9	(46,701)	(47,170)	(38,741)
Loss (gain) on disposals of:				
Property and equipment		(255)	(220)	(718)
Intangible assets		-	(3,557)	1,031
Loss on retirement of:				
Property and equipment		197	69	448
Intangible assets		-	144	-
Amortization of noncurrent prepaid rental		984	984	984
Provisions for allowance for doubtful accounts		-	8,301	-
Reversal of allowance for doubtful accounts	7	-	(13,301)	-
Operating income before working capital changes		5,355,501	4,397,381	3,936,000
Decrease (increase) in:				
Trade and other receivables		(65,542)	(69,982)	128,799
Spare parts and supplies		(89,106)	(51,822)	(68,509)
Prepaid expenses		(161,933)	35,737	(60,426)
Increase (decrease) in:				
Trade and other payables		733,010	631,320	(416,741)
Provisions for claims		153,600	(2,595)	2,789
Income and other taxes payable		3,059	(4,506)	10,452
Cash generated from operations		5,928,589	4,935,533	3,532,364
Finance income received		85,330	61,341	47,767
Finance cost paid		(365)	(9,993)	(154)
Income tax paid		(1,033,660)	(828,511)	(785,841)
Net cash provided by operating activities		4,979,894	4,158,370	2,794,136

Forward



		Years Ended December 31		
	Note	2017	2016	2015
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Acquisitions of:				
Property and equipment	10	(P197,628)	(P81,711)	(P141,534)
Intangible assets	11	(2,102,478)	(832,918)	(664,250)
Decrease (increase) in other noncurrent assets		(281)	(765)	10,062
Proceeds from disposals of:				
Property and equipment		335	1,175	718
Intangible assets		-	6,172	2,507
Decrease (increase) in deposits		2,929	(516)	1,320
Dividends received	9	14,328	45,853	44,778
Net cash used in investing activities		(2,282,795)	(862,710)	(746,399)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Payments of:				
Cash dividends	16	(860,000)	(820,000)	(820,000)
Cash dividends to non-controlling interest		(580)	(580)	(830)
Purchase of shares of subsidiary		-	(219)	(1,734)
Port concession rights payable	23	(776,075)	(714,008)	(714,008)
Net cash used in financing activities		(1,636,655)	(1,534,807)	(1,536,572)
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>		<b>1,060,444</b>	<b>1,760,853</b>	<b>511,165</b>
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>		<b>3,538</b>	<b>1,593</b>	<b>670</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	6	<b>5,881,207</b>	<b>4,118,761</b>	<b>3,606,926</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	6	<b>P6,945,189</b>	<b>P5,881,207</b>	<b>P4,118,761</b>

See Notes to the Consolidated Financial Statements.



**ASIAN TERMINALS, INC. AND A SUBSIDIARY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
(Amounts in Thousands, Except Per Share Data)

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**1. Reporting Entity**

Asian Terminals, Inc. (ATI or the "Parent Company") was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on July 9, 1986. The consolidated financial statements comprise the financial statements of the Parent Company and its Subsidiary, ATI Batangas, Inc. (ATIB), (collectively referred to as the "Group"). The Parent Company is a public company under Section 17.2 of the Securities Regulation Code and its shares are listed on the Philippine Stock Exchange, Inc. (PSE). The Group operates and manages the South Harbor Port of Manila and the Port of Batangas in Batangas City. The registered office address of the Parent Company is A. Bonifacio Drive, Port Area, Manila.

P & O Management Services Phils., Inc. (POMS) manages ATI by virtue of a management agreement (see Note 20). Forty percent of the outstanding capital stock of POMS is owned by DP World Australia (POAL) Limited. POAL directly owns 17.32% of the total outstanding capital stock of ATI.

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**2. Operating Contracts**

Following are the Group's operating contracts:

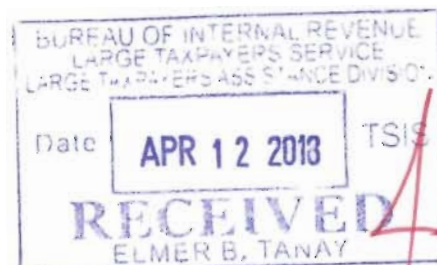
a. South Harbor, Port of Manila

ATI's exclusive right to manage, operate and develop South Harbor was renewed for a period of 25 years from May 19, 2013 to May 18, 2038 pursuant to the Third Supplement to the Contract for Cargo Handling and Related Services with the Philippine Ports Authority (PPA) dated October 19, 2007.

b. Port of Batangas

On October 2, 2015, ATI and ATIB signed a Contract for the Management, Operation, Maintenance and Development of Phase I, Port of Batangas with a term from October 1, 2015 until September 30, 2025.

On January 18, 2010, the PPA issued to ATI the Notice to Award the Contract for the Management, Operation, Maintenance, Development and Promotion of the Container Terminal "A-1," Phase II of the Port of Batangas for a period of 25 years. The Contract was signed on March 25, 2010. The Notice to Proceed dated June 16, 2010 allowed ATI to start and commence operations at the Terminal on July 1, 2010.



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### 3. Basis of Preparation

#### Statement of Compliance

The consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs). PFRSs are based on International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB). PFRSs which are issued by the Philippine Financial Reporting Standards Council (FRSC), consist of PFRSs, Philippine Accounting Standards (PASs), and Philippine Interpretations.

The accompanying consolidated financial statements were authorized for issue by the Board of Directors (BOD) on February 22, 2018.

#### Basis of Measurement

The consolidated financial statements of the Group have been prepared on a historical cost basis except for the following items, which are measured on an alternative basis on each reporting date:

<u>Items</u>	<u>Measurement Bases</u>
Available-for-sale (AFS) financial assets	Fair value
Pension liability	Fair value of plan assets less the present value of the defined benefit obligation

#### Functional and Presentation Currency

The consolidated financial statements are presented in Philippine peso, which is the Group's Company's functional currency. All amounts have been rounded off to the nearest thousand pesos (P000), except when otherwise indicated.

#### Basis of Consolidation

The consolidated financial statements comprise the financial statements of ATI and ATIB. ATIB is a 99.17% owned subsidiary as at December 31, 2017 and 2016. On August 4, 2015, ATI purchased 714 shares of ATIB, increasing its ownership to ATIB to 99.17% as at December 31, 2015. The financial statements of ATIB are prepared for the same financial reporting year as ATI, using uniform accounting policies for like transactions and other events in similar circumstances.

All intra-group balances, transactions, income and expenses resulting from intra-group transactions are eliminated in full.

ATIB is fully consolidated from the date of acquisition, being the date when ATI obtained control, and continues to be consolidated until the date that such control ceases.

Non-controlling interest represents the portion of profit and loss and net assets in ATIB not held by ATI and are presented separately in the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity, and within equity in the consolidated statements of financial position.



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#### 4. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all years presented in these consolidated financial statements.

The Group has adopted amendments to standards and interpretations, including any consequential amendments to other standards, with date of initial application of January 1, 2017.

##### Adoption of New or Revised Standards, Amendments to Standards and Interpretations

The Group has adopted the following amendments to standards starting January 1, 2017 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption of these amendments to standards did not have any significant impact on the Group's consolidated financial statements.

- *Disclosure initiative (Amendments to PAS 7 Statement of Cash Flows)*. The amendments address financial statements users' requests for improved disclosures about an entity's net debt relevant to understanding an entity's cash flows. The amendments require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes - e.g. by providing a reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities.
- *Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to PAS 12 Income Taxes)*. The amendments clarify that:
  - the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset;
  - the calculation of future taxable profit in evaluating whether sufficient taxable profit will be available in future periods excludes tax deductions resulting from the reversal of the deductible temporary differences;
  - the estimate of probable future taxable profit may include the recovery of some of an entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this; and
  - an entity assesses a deductible temporary difference related to unrealized losses in combination with all of its other deductible temporary differences, unless a tax law restricts the utilization of losses to deduction against income of a specific type.
- Annual Improvements to PFRSs 2014 – 2016 Cycle. This cycle of improvements contains amendments to three standards. The following are the improvements or amendments to PFRSs effective for annual periods beginning on or after January 1, 2017:
  - *Clarification of the scope of the standard (Amendments to PFRS 12 Disclosure of Interests in Other Entities)*. The amendments clarify that the disclosure requirements for interests in other entities also apply to interests that are classified as held for sale or distribution. The amendments are applied retrospectively, with early application permitted.

#### Standards Issued But Not Yet Adopted

A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2017. However, the Group has not applied the following new or amended standards in preparing these consolidated financial statements. Unless otherwise stated, none of these are expected to have a significant impact on the Group's consolidated financial statements.

#### *Effective January 1, 2018*

- PFRS 9 *Financial Instruments* (2014). PFRS 9 (2014) replaces PAS 39 *Financial Instruments: Recognition and Measurement* and supersedes the previously published versions of PFRS 9 that introduced new classifications and measurement requirements (in 2009 and 2010) and a new hedge accounting model (in 2013). PFRS 9 includes revised guidance on the classification and measurement of financial assets, including a new expected credit loss model for calculating impairment, guidance on own credit risk on financial liabilities measured at fair value and supplements the new general hedge accounting requirements published in 2013. PFRS 9 incorporates new hedge accounting requirements that represent a major overhaul of hedge accounting and introduces significant improvements by aligning the accounting more closely with risk management.

The new standard is to be applied retrospectively for annual periods beginning on or after January 1, 2018, with early adoption permitted.

Based on the management's initial assessment, the new standards will not have a significant impact on the measurement of its financial instruments.

- PFRS 15 *Revenue from Contracts with Customers* replaces PAS 11 *Construction Contracts*, PAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 18 *Transfer of Assets from Customers* and SIC-31 *Revenue - Barter Transactions Involving Advertising Services*. The new standard introduces a new revenue recognition model for contracts with customers which specifies that revenue should be recognized when (or as) a company transfers control of goods or services to a customer at the amount to which the company expects to be entitled. Depending on whether certain criteria are met, revenue is recognized over time, in a manner that best reflects the company's performance, or at a point in time, when control of the goods or services is transferred to the customer. The standard does not apply to insurance contracts, financial instruments or lease contracts, which fall in the scope of other PFRSs. It also does not apply if two companies in the same line of business exchange non-monetary assets to facilitate sales to other parties. Furthermore, if a contract with a customer is partly in the scope of another PFRS, then the guidance on separation and measurement contained in the other PFRS takes precedence.

The new standard is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

Based on the Group's assessment, the new standard will not have a material impact on the financial statements.

- *Applying PFRS 9 Financial Instruments with PFRS 4 Insurance Contracts (Amendments to PFRS 4).* The amendments provide a temporary exemption from PFRS 9, where an entity is permitted to defer application of PFRS 9 in 2018 and continue to apply PAS 39 *Financial Instruments: Recognition and Measurement* if it has not applied PFRS 9 before and its activities are predominantly connected with insurance. A qualified entity is permitted to apply the temporary exemption for annual reporting periods beginning before January 1, 2021. The amendments also provide an overlay approach to presentation when applying PFRS 9 where an entity is permitted to reclassify between profit or loss and other comprehensive income the difference between the amounts recognized in profit or loss under PFRS 9 and those that would have been reported under PAS 39, for designated financial assets. A financial asset is eligible for designation if it is not held for an activity that is unconnected with contracts in the scope of PFRS 4, and if it is measured at fair value through profit or loss under PFRS 9, but would not have been under PAS 39. An entity is generally permitted to start applying the overlay approach only when it first applies PFRS 9, including after previously applying the temporary exemption.

The amendments permitting the temporary exemption are for annual periods beginning on or after January 1, 2018 and the amendments allowing the overlay approach are applicable when an entity first applies PFRS 9.

- *Philippine Interpretation IFRIC - 22 Foreign Currency Transactions and Advance Consideration.* The interpretation clarifies that the transaction date to be used for translation for foreign currency transactions involving an advance payment or receipt is the date on which the entity initially recognizes the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date. The interpretation applies when an entity pays or receives consideration in a foreign currency and recognizes a non-monetary asset or liability before recognizing the related item.

The interpretation is effective for annual periods beginning on or after January 1, 2018, with early adoption permitted.

- *Annual Improvements to PFRSs 2014 - 2016 Cycle.* This cycle of improvements contains amendments to three standards. The following are the said improvements or amendments to PFRSs effective for annual periods beginning on or after January 1, 2018:
  - *Deletion of short-term exemptions for first-time adopters (Amendments to PFRS 1 First-time Adoption of Philippine Financial Reporting Standards).* The amendments remove the outdated exemptions for first-time adopters of PFRS, the relief of which had been available to entities only for reporting periods that had passed.
  - *Measuring an associate or joint venture at fair value (Amendments to PAS 28 Investments in Associates and Joint Ventures).* The amendments provide that a venture capital organization, or other qualifying entity, may elect to measure its investments in an associate or joint venture at fair value through profit or loss. This election can be made on an investment-by-investment basis. The amendments also provide that a non-investment entity investor may elect to retain the fair value accounting applied by an investment entity associate or investment entity joint venture to its subsidiaries. This election can be made separately for each investment entity associate or joint venture. The amendments are applied retrospectively, with early application permitted.

Effective January 1, 2019

- PFRS 16 *Leases* supersedes PAS 17 *Leases* and the related Philippine Interpretations. The new standard introduces a single lease accounting model for lessees under which all major leases are recognized on-balance sheet, removing the lease classification test. Lease accounting for lessors essentially remains unchanged except for a number of details including the application of the new lease definition, new sale-and-leaseback guidance, new sub-lease guidance and new disclosure requirements. Practical expedients and targeted reliefs were introduced including an optional lessee exemption for short-term leases (leases with a term of 12 months or less) and low-value items, as well as the permission of portfolio-level accounting instead of applying the requirements to individual leases. New estimates and judgmental thresholds that affect the identification, classification and measurement of lease transactions, as well as requirements to reassess certain key estimates and judgments at each reporting date were introduced.

PFRS 16 is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted for entities that apply PFRS 15 *Revenue from Contracts with Customers* at or before the date of initial application of PFRS 16.

The Group is still in the process of assessing the potential impact on its consolidated financial statements.

- Philippine Interpretation IFRIC-23 *Uncertainty over Income Tax Treatments* clarifies how to apply the recognition and measurement requirements in PAS 12 *Income Taxes* when there is uncertainty over income tax treatments. Under the interpretation, whether the amounts recorded in the financial statements will differ to that in the tax return, and whether the uncertainty is disclosed or reflected in the measurement, depends on whether it is probable that the tax authority will accept the Company's chosen tax treatment. If it is not probable that the tax authority will accept the Company's chosen tax treatment, the uncertainty is reflected using the measure that provides the better prediction of the resolution of the uncertainty – either the most likely amount or the expected value. The interpretation also requires the reassessment of judgements and estimates applied if facts and circumstances change - e.g., as a result of examination or action by tax authorities, following changes in tax rules or when a tax authority's right to challenge a treatment expires.

The interpretation is effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted.

- *Prepayment Features with Negative Compensation (Amendments to PFRS 9)*. The amendments cover the following areas:
  - Prepayment features with negative compensation. The amendment clarifies that a financial asset with a prepayment feature could be eligible for measurement at amortized cost or fair value through other comprehensive income irrespective of the event or circumstance that causes the early termination of the contract, which may be within or beyond the control of the parties, and a party may either pay or receive reasonable compensation for that early termination.

The amendment is effective for annual periods beginning on or after January 1, 2019 with early adoption permitted. Retrospective application is required, subject to relevant transitional reliefs.

- Modification of financial liabilities. The amendment to the Basis for Conclusions on PFRS 9 clarifies that the standard provide an adequate basis for an entity to account for modifications and exchanges of financial liabilities that do not result in derecognition and the treatment is consistent with the requirements for adjusting the gross carrying amount of a financial asset when a modification does not result in the derecognition of the financial asset - i.e., the amortized cost of the modified financial liability is recalculated by discounting the modified contractual cash flows using the original effective interest rate and any adjustment is recognized in profit or loss.

If the initial application of PFRS 9 results in a change in accounting policy for these modifications or exchanges, then retrospective application is required, subject to relevant transition reliefs.

- *Long-term Interests in Associates and Joint Ventures (Amendments to PAS 28)*. The amendment requires the application of PFRS 9 to other financial instruments in an associate or joint venture to which the equity method is not applied. These include long-term interests (LTIs) that, in substance, form part of the entity's net investment in an associate or joint venture. The amendment explains the annual sequence in which PFRS 9 and PAS 28 are to be applied. In effect, PFRS 9 is first applied ignoring any prior years' PAS 28 loss absorption. If necessary, prior years' PAS 28 loss allocation is trued-up in the current year which may involve recognizing more prior years' losses, reversing these losses or re-allocating them between different LTI instruments. Any current year PAS 28 losses are allocated to the extent that the remaining LTI balance allows and any current year PAS 28 profits reverse any unrecognized prior years' losses and then allocations against LTI.

*Deferral of the local implementation of Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

- *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to PFRS 10 and PAS 28)*. The amendments address an inconsistency between the requirements in PFRS 10 and in PAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The amendments require that a full gain or loss is recognized when a transaction involves a business (whether it is housed in a subsidiary or not). A partial gain or loss is recognized when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary.

Originally, the amendments apply prospectively for annual periods beginning on or after January 1, 2016 with early adoption permitted. However, on January 13, 2016, the FRSC decided to postpone the effective date of these amendments until the IASB has completed 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.

### Financial Assets and Financial Liabilities

*Date of Recognition.* The Group recognizes a financial asset or a financial liability in the consolidated statements of financial position when it becomes a party to the contractual provisions of the instrument. In the case of a regular way purchase or sale of financial assets, recognition is done using settlement date accounting.

*Initial Recognition of Financial Instruments.* Financial instruments are recognized initially at fair value of the consideration given (in case of an asset) or received (in case of a liability). The initial measurement of financial instruments, except for those classified as financial assets at fair value through profit or loss (FVPL), includes transaction costs.

Financial assets are classified into the following categories: financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments, and AFS financial assets. Financial liabilities are classified as either financial liabilities at FVPL or other financial liabilities. The Group determines the classification of financial instruments at initial recognition and, where allowed and appropriate, re-evaluates this designation at every reporting date.

The Group does not have HTM investments and financial assets and liabilities at FVPL.

*Loans and Receivables.* Loans and receivables are non-derivative financial assets with fixed or determinable payments and maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not designated as AFS financial assets or financial assets at FVPL.

Subsequent to initial measurement, loans and receivables are carried at amortized cost using the effective interest method, less any impairment in value. Any interest earned on loans and receivables shall be recognized as part of "Finance income" in the consolidated statements of income on an accrual basis. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees that are integral part of the effective interest rate. The periodic amortization is also included as part of "Finance income" in the consolidated statements of income. Gains or losses are recognized in profit or loss when loans and receivables are derecognized or impaired.

Cash includes cash on hand and in banks which are stated at face value. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

The Group's cash and cash equivalents, trade and other receivables and deposits are included in this category (see Notes 6, 7, 12 and 25).

The combined carrying amounts of financial assets under this category amounted to P7.5 billion and P6.3 billion as at December 31, 2017 and 2016, respectively (see Note 25).

*AFS Financial Assets.* AFS financial assets are non-derivative financial assets that are either designated in this category or not classified in any of the other financial asset categories. Subsequent to initial recognition, AFS financial assets are measured at fair value and changes therein, other than impairment losses and foreign currency differences on AFS debt instruments, are recognized in other comprehensive income and presented in the “Fair value reserve” in equity. Dividends earned on holding AFS equity securities are recognized as dividend income when the right to receive payment has been established. When individual AFS financial assets are either derecognized or impaired, the related accumulated unrealized gains or losses previously reported in equity are transferred to and recognized in profit or loss.

AFS financial assets also include unquoted equity instruments with fair values which cannot be reliably determined. These instruments are carried at cost less impairment in value, if any.

The Group’s investments in quoted and unquoted shares are included under “Other noncurrent assets” account and classified under this category (see Note 12).

The carrying amount of financial assets under this category amounted to P2.7 million as at December 31, 2017 and 2016 (see Note 25).

#### Financial Liabilities

*Other Financial Liabilities.* This category pertains to financial liabilities that are not designated or classified as at FVPL. After initial measurement, other financial liabilities are carried at amortized cost using the effective interest method. Amortized cost is calculated by taking into account any premium or discount and any directly attributable transaction costs that are considered an integral part of the effective interest rate of the liability.

Included in this category are the Group’s trade and other payables and port concession rights payable (see Notes 14 and 25).

The combined carrying amounts of financial liabilities under this category amounted to P10.9 billion and P10.5 billion as at December 31, 2017 and 2016, respectively (see Note 25).

*Measurement of Fair Values.* A number of the Group’s accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The fair value of financial instruments not listed in an active market is determined by using appropriate valuation techniques. Valuation techniques include net present value techniques, comparison to similar instruments for which market observable prices exist, options pricing models and other relevant valuation methods.

When measuring fair value of an asset or a liability, the Group uses market observable data as far as possible. Fair values are categorized into different levels in a fair value hierarchy, described as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at reporting date;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and

- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

If the inputs used to measure the fair value of an asset or liability might be categorized in different levels of the fair value hierarchy, then the fair value measurement is categorized in its entirety in the same level of the fair value hierarchy as the lowest input that is significant to the entire measurement.

Fair values of financial instruments are discussed in Note 25 to the consolidated financial statements.

*'Day 1' Profit.* Where the transaction price in a non-active market is different from the fair value of other observable current market transactions of the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a 'Day 1' profit) in profit or loss. In cases where no observable data are used, the difference between the transaction price and model value is only recognized in profit or loss when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'Day 1' profit amount.

#### Derecognition of Financial Assets and Liabilities

*Financial Assets.* A financial asset (or, where applicable a part of a financial asset or part of a group of financial assets) is derecognized when:

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

When the Group has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

*Financial Liabilities.* A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expired. Where 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 a 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 Group assesses at each reporting date whether a financial asset or group of financial assets is impaired.



A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred loss event) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

*Assets Carried at Amortized Cost.* For assets carried at amortized cost such as loans and receivables, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If no objective evidence of impairment has been identified for a particular financial asset that was individually assessed, the Group includes the asset as part of a group of financial assets pooled according to their credit risk characteristics and collectively assesses the group for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in the collective impairment assessment.

Evidence of impairment for specific impairment purposes may include indications that the borrower or a group of borrowers is experiencing financial difficulty, default or delinquency in principal or interest payments, or may enter into bankruptcy or other form of financial reorganization intended to alleviate the financial condition of the borrower.

For collective impairment purposes, evidence of impairment may include observable data on existing economic conditions or industry-wide developments indicating that there is a measurable decrease in the estimated future cash flows of the related assets.

If there is objective evidence of impairment, the amount of loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). Time value is generally not considered when the effect of discounting the cash flows is not material. If a loan or receivable has a variable rate, the discount rate for measuring any impairment loss is the current effective interest rate, adjusted for the original credit risk premium. For collective impairment purposes, impairment loss is computed based on their respective default and historical loss experience.

The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The impairment loss for the period shall be recognized in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed. Any subsequent reversal of an impairment loss is recognized in profit or loss to the extent that the carrying amount of the asset does not exceed its amortized cost at the reversal date.

*Assets Carried at Cost.* If there is objective evidence that an impairment loss on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

*AFS Financial Assets.* If an AFS financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair values, less any impairment loss on that financial asset previously recognized in profit or loss is transferred from equity to profit or loss. Reversals in respect of equity instruments classified as AFS financial assets are not recognized in profit or loss. Reversals of impairment losses on debt instruments are recognized in profit or loss, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in profit or loss.

#### Offsetting Financial Instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements 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. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statements of financial position.

#### Spare Parts and Supplies

Spare parts and supplies are stated at the lower of cost and net realizable value (selling price less cost to complete and sell). Cost is determined using the weighted average method and includes all expenditures incurred in acquiring and bringing them to their existing location and condition.

#### Investment in a Subsidiary

A subsidiary is an entity controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of the subsidiary are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

#### *Non-controlling Interest*

Non-controlling interest (NCI) is measured at its proportionate share of the acquiree's identifiable net assets at the acquisition date. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

#### *Loss of Control*

When the Group loses control over a subsidiary, it derecognizes the assets and liabilities of the subsidiary, and any related NCI and other components of equity. Any resulting gain or loss is recognized in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

#### Investment in an Associate

The Group's 35.71% investment in its associate, South Cotabato Integrated Port Services, Inc. (SCIPSI), is accounted for under the equity method of accounting. An associate is an entity in which the Group has significant influence but not control or joint control, over the financial and operating policies.

Under the equity method, the investment in the associate is initially recognized at cost and the carrying amount is increased or decreased to recognize the Group's share of the profit or loss and other comprehensive income of the associate after the date of acquisition. The Group's share in the profit or loss and other comprehensive income of the associate is recognized in the Group's consolidated statements of income. Dividends received from the associate reduce the carrying amount of the investment. Adjustment to the carrying amount, may also be necessary for changes in the Group's proportionate interest in the associate arising from changes in the associate's other comprehensive income.

Goodwill relating to an associate is included in the carrying amount of the investment and is not amortized.

The financial statements of the associate are prepared for the same reporting period as the Group. The accounting policies of the associate conform to those used by the Group for like transactions and events in similar circumstances.

#### Property and Equipment

Property and equipment are stated at cost less accumulated depreciation and amortization and any accumulated impairment. Such cost includes the cost of replacing part of such property and equipment at the time that cost is incurred, if the recognition criteria are met, and excludes the costs of day-to-day servicing.

The initial cost of property and equipment comprises its construction cost or purchase price, including import duties, taxes and any directly attributable costs in bringing the asset to its working condition and location for its intended use. Cost also includes interest incurred during the construction period on funds borrowed to finance the construction of the projects. Expenditures incurred after the asset has been put into operation, such as repairs, maintenance and overhaul costs, are normally recognized as expense in the period the costs are incurred. Major repairs are capitalized as part of property and equipment only when it is probable that future economic benefits associated with the items will flow to the Group and the cost of the items can be measured reliably.

Port facilities and equipment include spare parts that the Group expects to use for more than one year. These are not depreciated until ready for its intended use. However, these are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the spare parts may not be recoverable.

Construction in progress represents structures under construction and is stated at cost. This includes the costs of construction and other direct costs. Borrowing costs that are directly attributable to the construction of property and equipment are capitalized during the construction period. Construction in progress is not depreciated until such time that the relevant assets are substantially completed and ready for its intended use.

Depreciation and amortization are computed using the straight-line method over the following estimated useful lives of the assets:

	Number of Years
Port facilities and equipment	2 - 25 years or life of the operating contract, whichever is shorter
Leasehold improvements	2 - 40 years or term of the lease, whichever is shorter
Furniture, fixtures and equipment	2 - 5 years
Transportation and other equipment	2 - 5 years

The remaining useful lives, residual values, depreciation and amortization method are reviewed and adjusted periodically, if appropriate, to ensure that such periods and method of depreciation and amortization are consistent with the expected pattern of economic benefits from the items of property and equipment.

The carrying amounts of property and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amounts may not be recoverable.

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

An item of property and equipment is derecognized when either it has been disposed of or when it is permanently withdrawn from use and no future economic benefits are expected from its use or disposal. Any gain or loss arising on the retirement and disposal of an item of property and equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period of retirement or disposal.

#### Intangible Assets

Intangible assets acquired separately are measured on initial recognition at cost. Subsequent to initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses.

The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized using the straight-line method over the period covered by the contract or useful life, whichever is shorter. The amortization period and the amortization method are reviewed annually. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are treated as changes in accounting estimates. The amortization expense is recognized in profit or loss in the expense category consistent with the function of the intangible asset. Gains or losses arising from derecognition of an intangible asset are recognized in profit or loss and measured as the difference between the net disposal proceeds and the carrying amount of the asset.

#### *Port Concession Rights*

The Group recognizes port concession rights as intangible assets arising from a service concession arrangement in which the grantor controls or regulates the services provided and the prices charged, and also controls any significant residual interests in the infrastructure at the end of the term of the arrangement, such as property and equipment, if the infrastructure is existing infrastructure of the grantor or the infrastructure is constructed or purchased by the Group as part of the service concession arrangement.

Port concession rights consist of:

- a. Upfront fees payments on the concession contracts;
- b. The cost of port infrastructure constructed and port equipment purchased, which are not recognized as property and equipment of the Group but as intangible asset received as consideration for such cost; and
- c. Future fixed government share considerations in exchange for license or right. Fixed government share 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 and foreign exchange differences arising from translations are recognized in profit or loss.

Port concession rights are determined as intangible assets with finite useful lives and are amortized using the straight-line method over the concession period or useful life, whichever is shorter. The amortization period and the amortization method are reviewed annually. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are treated as changes in accounting estimates. The amortization expense is recognized in profit or loss in the expense category consistent with the function of the intangible asset. Gains or losses arising from derecognition of an intangible asset are recognized in profit or loss and measured as the difference between the net disposal proceeds and the carrying amount of the asset.

Port concession rights are amortized using the straight-line method over the term of service concession arrangement or useful life ranging from 2 to 25 years.

#### *Goodwill*

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired.

Impairment is determined by assessing the recoverable amount of the investment to which the goodwill relates. Where the recoverable amount is less than the carrying amount of the investment, an impairment loss is recognized. An impairment loss in respect of goodwill is not reversed. Where part of the operation within the investment is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

### Impairment of Non-financial Assets

The carrying amounts of investment in an associate, property and equipment and intangible assets other than goodwill are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists, and if the carrying amount exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of fair value less costs to sell or value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's-length transaction less costs to sell. 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 assessment of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses of continuing operations are recognized in profit or loss 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 and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. After such reversal, the depreciation and amortization charge is 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 Group has: (a) a present obligation (legal or constructive) as a result of past event; (b) it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and those 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. Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognized when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognized for the reimbursement shall not exceed the amount of the provision. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

### Share Capital

#### *Capital Stock*

Capital stock is classified as equity. Incremental costs directly attributable to the issue of common shares are recognized as a deduction from equity, net of any tax effects.

#### *Additional Paid-in Capital*

The amount of contribution in excess of par value is accounted for as "Additional paid-in capital." Additional paid-in capital also arises from additional capital contributions from the shareholders.

#### Retained Earnings and Dividend Distribution

Retained earnings include current and prior years' results, net of transactions with shareholders and dividends declared, if any.

Dividend distribution to the Group's shareholders is recognized as a liability, and deducted from equity in the Group's consolidated statements of financial position in the period in which the dividends are approved and declared by the Group's BOD.

Retained earnings may also include prior year adjustments and the effect of changes in accounting policies as may be required by the standards' transitional provisions.

#### Revenue, Cost and Expense Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, net of discounts, rebates and applicable taxes. The following are specific recognition policies of the Group:

- Revenues from cargo handling operations are recognized when services are rendered.
- Passenger terminal fees are recognized upon sale of terminal tickets.
- Finance income is recognized on a time proportion basis that reflects the effective yield on the investment.
- Other income is recognized when earned.

#### *Construction Revenues and Costs*

The Group recognizes revenue related to construction and upgrade of services under service concession arrangement based on the stage of completion of work performed in accordance with PAS 11, *Construction Contracts*. When the construction or upgrade services are provided or delivered under concession arrangement accounted within the scope of IFRIC 12, the consideration is measured at the fair value of the construction services provided. No margin has been recognized since the fair value of the construction services provided approximates the construction cost.

#### *Cost and Expense Recognition*

Costs and expenses are recognized upon receipt of goods, utilization of services or at the date they are incurred.

#### Borrowing Costs

Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. Borrowing costs are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset. The capitalization of borrowing costs: (a) commences when the activities to prepare the assets are in progress and expenditures and borrowing costs are being incurred; (b) is suspended during extended periods in which active development, improvement and construction of the assets are interrupted; and (c) ceases when substantially all the activities necessary to prepare the assets are complete. These costs are amortized using the straight-line method over the estimated useful life of the related property, plant and equipment to which it is capitalized.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognized in profit or loss in the period in which these are incurred using the effective interest method.

#### Leases

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset. A reassessment is made after the inception of the lease only if one of the following applies:

- (a) there is a change in contractual terms, other than a renewal or extension of the arrangement;
- (b) a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
- (c) there is a change in the determination of whether fulfillment is dependent on a specific asset; and
- (d) there is a substantial change to the asset.

Where a reassessment is made, lease accounting shall commence or cease from the date when the change in circumstances gives rise to the reassessment for scenarios (a), (c) or (d) above, and at the date of renewal or extension period for scenario (b).

#### *Operating Lease*

*Group as Lessee.* Leases which do not transfer to the Group substantially all the risks and benefits of ownership of the asset are classified as operating leases. Operating lease payments are recognized as an expense in profit or loss on a straight-line basis over the lease term. Associated costs such as maintenance and insurance are expensed as incurred.

#### Employee Benefits

##### *a. Short-term Employee Benefits*

Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the Group has a present, legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

##### *b. Pensions*

ATI and ATIB have funded, defined benefit pension plans, administered by a common pension trustee, covering their permanent employees. The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit method.

The defined benefit asset or liability comprises the present value of the defined benefit obligation less the fair value of plan assets out of which the obligation is to be settled directly. The value of any plan asset recognized is restricted to the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.



Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognized immediately in other comprehensive income. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability (asset), taking into account any changes in the net defined liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognized in profit or loss.

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

#### Foreign Currency Transactions

The consolidated financial statements are presented in Philippine peso, which is the Group's functional currency. Transactions in foreign currencies are translated to the functional currency at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. All differences are taken to the profit or loss. Foreign currency gains and losses are reported on a net basis.

#### Cash Flow Hedge of a Forecast Transaction Using a Non-derivative Instrument

The port concession rights payable i.e. hedging instrument is a non-derivative monetary item. A non-derivative financial instrument is permitted to be used as a hedging instrument only for hedges of foreign currency risk. The effective portion of the foreign exchange gains and losses on the hedging instrument is recognized in other comprehensive income. Any ineffective portion is recognized in profit or loss.

The spot movement of the port concession rights payable that is recognized in other comprehensive income is reclassified to profit or loss when the hedged item i.e. the highly probable forecast revenue transaction affects profit or loss. Since the impact of the hedged risk on profit or loss arising from the highly probable forecast transaction is expected to impact profit or loss over future periods, the amount recognized in the hedging reserve will remain in other comprehensive income until the hedged item affects profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires, terminated or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the amount accumulated in equity is reclassified to profit or loss.

#### Taxes

Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

*Current Tax.* Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates (tax laws) enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous years.

*Deferred Tax.* Deferred tax is recognized in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax liabilities are recognized for all taxable temporary differences.

Deferred tax assets are recognized for all deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized.

Deferred tax liabilities are not provided on non-taxable temporary differences associated with investments in a domestic subsidiary and an associate.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilized. Unrecognized deferred tax assets are reassessed at each reporting date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates (tax laws) that have been enacted or substantively enacted by the end of the reporting period.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretation of tax laws and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

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

*Value Added Tax (VAT).* Revenue, expenses and assets are recognized net of the amount of VAT, except:

- where the VAT incurred on a purchase of assets or services is not recoverable from the tax authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with amount of VAT included.

The net amount of VAT recoverable from, or payable to, the tax authority is included as part of receivables or payables in the consolidated statements of financial position.

#### Earnings Per Share (EPS)

Basic EPS is calculated by dividing the net income for the year by the weighted average number of common shares outstanding during the year after giving retroactive effect to any stock dividends declared during the year.

The Group does not have potential common shares or other instruments that may entitle the holder to common shares. Hence, diluted EPS is the same as basic EPS.

#### Operating Segments

The Group's operating businesses are organized and managed separately according to the lines of business: port and non-port, with each segment representing a strategic business unit that serves different markets. Management reviews segment reports on a regular basis.

The Group has a single reportable operating segment, as its business has been mainly on port operations since 2010.

The Group operates only in the Philippines which is treated as a single geographical segment.

Segment capital expenditure is the total cost incurred during the year to acquire property and equipment and intangible assets other than goodwill.

#### Contingencies

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

#### Events After the Reporting Date

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

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## **5. Significant Accounting Judgments, Estimates and Assumptions**

The preparation of the Group's consolidated financial statements in accordance with PFRSs requires management to make judgments, estimates and assumptions that affect the application of accounting policies and amounts of assets, liabilities, income and expenses reported in the consolidated financial statements at the reporting date. However, uncertainty about these judgments, estimates and assumptions could result in an outcome that could require a material adjustment to the carrying amount of the affected asset or liability in the future.

Judgments and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Revisions are recognized in the period in which the judgments and estimates are revised and in any future periods affected.

### Judgments

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

*Functional Currency.* Based on the economic substance of the underlying circumstances relevant to the Group, the functional currency of the Parent Company and its subsidiary has been determined to be the Philippine peso. It is the currency that mainly influences the price and cost of providing services.

*Operating Lease.* The Group has entered into various lease agreements as a lessee. The Group had determined that significant risks and rewards for properties leased from third parties are retained by the lessors.

Rent expense charged to consolidated statements of income amounted to P139.9 million, P152.5 million and P150.3 million in 2017, 2016 and 2015, respectively (see Note 18).

### Estimates and Assumptions

The key estimates and assumptions used in the consolidated financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the consolidated financial statements. Actual results could differ from such estimates.

*Hedging of Highly Probable Forecast Transaction using a Non-derivative Instrument.* Estimates and assumptions are required on the determination of the Group's highly probable dollar denominated stevedoring revenue to determine the Group's exposure on spot rate changes that will be hedged using a non-derivative financial instrument which is the Group port concession rights payable which is denominated in US Dollars. On the inception of the hedge, the management is required to develop a highly probable revenue forecast using the Group's budgeted stevedoring revenues which are adjusted based on the actual to budget historical deviation rate. The Group believes that, while the assumptions used are reasonable and appropriate, these estimates and assumptions can materially affect the consolidated financial statements.

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## 6. Cash and Cash Equivalents

	2017	2016
Cash on hand and in banks	<b>P355,108</b>	P211,948
Short-term investments	<b>6,590,081</b>	5,669,259
	<b>P6,945,189</b>	P5,881,207

Cash in banks earns interest at floating rates based on daily bank deposit rates. Short-term investments are made for varying periods of between one (1) and sixty (60) days depending on the cash requirements of the Group, and earn interest at the prevailing short-term deposit rates amounting to P83.8 million and P60.4 million in 2017 and 2016, respectively (see Note 19).

## 7. Trade and Other Receivables

	Note	2017	2016
Trade receivables		P427,867	P390,093
Advances to officers and employees		23,294	20,977
Due from related parties	20	19,015	11,121
Receivable from escrow fund		13,635	13,174
Interest receivable		2,898	4,440
Receivable from insurance		-	149
Other receivables		22,359	5,114
		<b>509,068</b>	445,068
Allowance for impairment losses		<b>(18,602)</b>	(18,602)
		<b>P490,466</b>	P426,466

Trade and other receivables are noninterest-bearing and generally have credit term of thirty (30) days.

Movements in the allowance for impairment losses on trade and other receivables are as follows:

	Individually Impaired	Collectively Impaired	Total
Balance at January 1, 2016	P17,461	P6,141	P23,602
Provisions during the year	-	8,301	8,301
Reversals during the year	(13,301)	-	(13,301)
Balance at December 31, 2016	4,160	14,442	18,602
Provisions during the year	-	864	864
Reversals during the year	(864)	-	(864)
<b>Balance at December 31, 2017</b>	<b>P3,296</b>	<b>P15,306</b>	<b>P18,602</b>

As at December 31, 2017 and 2016, the aging analysis of trade and other receivables is as follows:

### 2017

	Total	Neither Past Due nor Impaired	Past Due but not Impaired				Past Due and Impaired
			< 30 Days	30 - 60 Days	61 - 90 Days	Over 90 Days	
Trade receivables	P427,867	P415,739	P2,500	P -	P -	P -	P9,628
Other receivables	81,201	24,675	5,571	13,333	4,205	24,443	8,974
	<b>P509,068</b>	<b>P440,414</b>	<b>P8,071</b>	<b>P13,333</b>	<b>P4,205</b>	<b>P24,443</b>	<b>P18,602</b>

### 2016

	Total	Neither Past Due nor Impaired	Past Due but not Impaired				Past Due and Impaired
			< 30 Days	30 - 60 Days	61 - 90 Days	Over 90 Days	
Trade receivables	P390,093	P379,295	P1,170	P -	P -	P -	P9,628
Other receivables	54,975	12,025	8,632	362	1,726	23,256	8,974
	<b>P445,068</b>	<b>P391,320</b>	<b>P9,802</b>	<b>P362</b>	<b>P1,726</b>	<b>P23,256</b>	<b>P18,602</b>

## 8. Prepaid Expenses

	<i>Note</i>	2017	2016
Taxes		<b>P545,647</b>	P393,342
Insurance		<b>45,937</b>	41,099
Advances to contractors		<b>9,352</b>	13,951
Rental	12, 23	<b>5,926</b>	13,276
Advances to government agencies		<b>101</b>	101
Others		<b>22,909</b>	6,170
		<b>P629,872</b>	P467,939

Taxes pertain to the Group's input VAT credits.

## 9. Investment in an Associate

ATI has a 35.71% interest in SCIPSI, which is engaged in arrastre, stevedoring and other related cargo handling services, except portorage, in Makar Wharf, General Santos City, Philippines. SCIPSI is not listed in any public exchange. The carrying amounts of investment in an associate as at December 31 are as follows:

	<i>Note</i>	2017	2016
Acquisition cost		<b>P11,222</b>	P11,222
Accumulated equity in net earnings:			
Balance at beginning of year		<b>43,432</b>	42,115
Equity in net earnings for the year	19	<b>46,701</b>	47,170
Dividends received during the year		<b>(14,328)</b>	(45,853)
		<b>75,805</b>	43,432
		<b>P87,027</b>	P54,654

The following table shows the summarized financial information of SCIPSI:

	2017	2016
Current assets	<b>P187,757</b>	P116,503
Noncurrent assets	<b>79,988</b>	53,669
Total assets	<b>P267,745</b>	P170,172
Current liabilities	<b>P153,719</b>	P35,187
Noncurrent liabilities	<b>2,318</b>	3,891
Total liabilities	<b>P156,037</b>	P39,078
Revenues	<b>P330,018</b>	P314,666
Expenses	<b>(199,455)</b>	(182,583)
Net income	<b>P130,563</b>	P132,083

*Based on unaudited financial statements*

Dividend income of P14.3 million and P45.9 million was received in 2017 and 2016, respectively.

## 10. Property and Equipment

The movements in this account are as follows:

### 2017

	Port Facilities and Equipment	Leasehold Improvements	Furniture, Fixtures and Equipment	Transportation and Other Equipment	Construction in-progress	Total
<b>Cost</b>						
Balance at beginning of year	P143,972	P553,924	P424,413	P170,310	P18,687	P1,311,306
Additions	7,701	5,605	77,211	26,071	81,040	197,628
Disposals	-	-	(767)	(5,548)	-	(6,315)
Reclassifications	411	966	12,970	883	(15,230)	-
Retirements	-	-	(166)	(753)	-	(919)
Balance at end of year	152,084	560,495	513,661	190,963	84,497	1,501,700
<b>Accumulated Depreciation</b>						
Balance at beginning of year	116,034	356,260	247,575	108,265	-	828,134
Depreciation	8,541	16,229	69,952	20,183	-	114,905
Disposals	-	-	(687)	(5,548)	-	(6,235)
Retirements	-	-	(146)	(576)	-	(722)
Balance at end of year	124,575	372,489	316,694	122,324	-	936,082
<b>Carrying Amount</b>	<b>P27,509</b>	<b>P188,006</b>	<b>P196,967</b>	<b>P68,639</b>	<b>P84,497</b>	<b>P565,618</b>

### 2016

	Port Facilities and Equipment	Leasehold Improvements	Furniture, Fixtures and Equipment	Transportation and Other Equipment	Construction in-progress	Total
<b>Cost</b>						
Balance at beginning of year	P74,031	P554,776	P382,029	P158,411	P35,145	P1,204,392
Additions	3,592	-	42,084	20,501	15,534	81,711
Disposals	-	-	(15,455)	(8,266)	-	(23,741)
Reclassifications	66,544	-	22,462	-	(31,992)	57,014
Retirements	(195)	(852)	(6,707)	(316)	-	(8,070)
Balance at end of year	143,972	553,924	424,413	170,310	18,687	1,311,306
<b>Accumulated Depreciation</b>						
Balance at beginning of year	52,968	340,836	223,135	96,423	-	713,362
Depreciation	6,797	16,276	46,533	19,489	-	89,095
Disposals	-	-	(15,455)	(7,331)	-	(22,786)
Reclassifications	56,464	-	-	-	-	56,464
Retirements	(195)	(852)	(6,638)	(316)	-	(8,001)
Balance at end of year	116,034	356,260	247,575	108,265	-	828,134
<b>Carrying Amount</b>	<b>P27,938</b>	<b>P197,664</b>	<b>P176,838</b>	<b>P62,045</b>	<b>P18,687</b>	<b>P483,172</b>

The Group modified classification of some items of property and equipment that were identified as part of the concession arrangements with the Grantor. Accordingly, these items with a cost of nil and P57.0 million were reclassified to intangible assets in 2017 and 2016, respectively (see Note 11).

## 11. Intangible Assets

The movements in this account are as follows:

### 2017

	Port Concession Rights				Goodwill	Total
	Upfront Fees	Fixed Government Share	Port Infrastructure	Subtotal		
<b>Cost</b>						
Balance at beginning of year	P282,000	P9,279,694	P12,982,273	P22,543,967	P42,060	P22,586,027
Additions	-	-	2,102,478	2,102,478	-	2,102,478
Disposals	-	-	(141)	(141)	-	(141)
Balance at end of year	282,000	9,279,694	15,084,610	24,646,304	42,060	24,688,364
<b>Accumulated Amortization</b>						
Balance at beginning of year	40,814	2,399,582	5,429,133	7,869,529	-	7,869,529
Amortization	11,280	386,596	667,943	1,065,819	-	1,065,819
Disposals	-	-	(141)	(141)	-	(141)
Balance at end of year	52,094	2,786,178	6,096,935	8,935,207	-	8,935,207
<b>Carrying Amount</b>	<b>P229,906</b>	<b>P6,493,516</b>	<b>P8,987,675</b>	<b>P15,711,097</b>	<b>P42,060</b>	<b>P15,753,157</b>

### 2016

	Port Concession Rights				Goodwill	Total
	Upfront Fees	Fixed Government Share	Port Infrastructure	Subtotal		
<b>Cost</b>						
Balance at beginning of year	P282,000	P9,279,694	P12,396,335	P21,958,029	P42,060	P22,000,089
Additions	-	-	832,918	832,918	-	832,918
Disposals	-	-	(186,722)	(186,722)	-	(186,722)
Reclassifications	-	-	(57,014)	(57,014)	-	(57,014)
Retirements	-	-	(3,244)	(3,244)	-	(3,244)
Balance at end of year	282,000	9,279,694	12,982,273	22,543,967	42,060	22,586,027
<b>Accumulated Amortization</b>						
Balance at beginning of year	29,534	2,012,986	5,023,243	7,065,763	-	7,065,763
Amortization	11,280	386,596	649,561	1,047,437	-	1,047,437
Disposals	-	-	(184,107)	(184,107)	-	(184,107)
Reclassifications	-	-	(56,464)	(56,464)	-	(56,464)
Retirements	-	-	(3,100)	(3,100)	-	(3,100)
Balance at end of year	40,814	2,399,582	5,429,133	7,869,529	-	7,869,529
<b>Carrying Amount</b>	<b>P241,186</b>	<b>P6,880,112</b>	<b>P7,553,140</b>	<b>P14,674,438</b>	<b>P42,060</b>	<b>P14,716,498</b>

No borrowing costs were capitalized in 2017 and 2016. The unamortized capitalized borrowing costs as at December 31, 2017 and 2016 amounted to P78.3 million and P83.3 million, respectively.

### Goodwill

#### *Key Assumptions*

In testing impairment of goodwill, the recoverable amount of ATIB is the value in use, which has been determined by calculating the present value of cash flow projections from the operations of ATIB. The average revenue growth rate assumption used was 8%. The discount rate applied to cash flow projections is 5.8% in 2017 and 5.55% in 2016 based on the industry's weighted average cost of capital (WACC).



### *Sensitivity to Changes in Assumptions*

The estimated recoverable amount of ATIB exceeds its carrying amount by approximately P2.2 billion and P3.5 billion in 2017 and 2016, respectively. Management has identified that earnings before interest and tax and discount rates are the key assumptions for which there could be a reasonably possible change that could cause the carrying amount to exceed the recoverable amount.

## **12. Other Noncurrent Assets**

	<i>Note</i>	<b>2017</b>	<b>2016</b>
Deposits	25	<b>P33,845</b>	P34,958
Taxes		<b>20,387</b>	20,106
Rental		<b>2,297</b>	3,281
AFS financial assets	25	<b>2,652</b>	2,652
		<b>P59,181</b>	P60,997

Deposits mainly represent payments related to property leases and utilities. This account includes noninterest-bearing rental deposits on a lease agreement that was carried at fair value as of initial recognition determined based on the present value of future cash flows discounted using effective interest rate of 3.70%. The carrying amounts of these deposits at amortized cost amounted to P12.6 million and P10.8 million as at December 31, 2017 and 2016, respectively. The difference between the original amount of noninterest-bearing rental deposits and their present values at "Day 1" qualified for recognition as prepaid rental. The prepaid rental (included in current and noncurrent prepayment) amounted to P3.3 million and P4.3 million as at December 31, 2017 and 2016, respectively.

The current portion of such prepaid rental, presented under "Prepaid expenses - rental" account amounted to P5.9 million and P13.3 million as at December 31, 2017 and 2016, respectively (see Note 8).

Taxes pertain to noncurrent portion of the value-added input tax on capital goods exceeding P1 million.

AFS financial assets consist of investments in quoted and unquoted shares.

## **13. Income Tax**

A reconciliation between the statutory tax rate and the effective tax rate on income before income tax follows:

	<b>2017</b>	<b>2016</b>	<b>2015</b>
Statutory income tax rate	<b>30.00%</b>	30.00%	30.00%
Changes in income tax rate resulting from:			
Income subjected to final tax	<b>(0.84)</b>	(0.89)	(1.09)
Others	<b>(1.65)</b>	(2.25)	(1.58)
Effective income tax rate	<b>27.51%</b>	26.86%	27.33%

The movements in deferred tax balances are as follows:

2017	Note	Net Balance at January 1	Recognized in Profit or Loss	Recognized in OCI	December 31		Net
					Deferred Tax Assets	Deferred Tax Liabilities	
Port concession rights payable related to fixed government share		P340,742	P51,090	P -	P391,832	P -	P391,832
Cash flow hedge		178,029	-	(89,050)	88,979	-	88,979
Unrealized foreign exchange loss - net		159,525	98,232	-	257,757	-	257,757
Pension liability	21	43,006	6,927	(16,541)	33,392	-	33,392
Provisions for claims		15,284	46,080	-	61,364	-	61,364
Excess of cost over net realizable value of spare parts and supplies		11,469	-	-	11,469	-	11,469
Impairment losses on receivables	7	5,298	-	-	5,298	-	5,298
Accrued operating lease		4,971	(628)	-	4,343	-	4,343
Rental deposit		1,835	(248)	-	1,587	-	1,587
Unamortized capitalized borrowing costs and custom duties		(26,709)	1,714	-	-	(24,995)	(24,995)
<b>Net tax assets (liabilities)</b>		<b>P733,450</b>	<b>P203,167</b>	<b>(P105,591)</b>	<b>P856,021</b>	<b>(P24,995)</b>	<b>P831,026</b>

2016	Note	Net Balance at January 1	Recognized in Profit or Loss	Recognized in OCI	December 31		Net
					Deferred Tax Assets	Deferred Tax Liabilities	
Port concession rights payable related to fixed government share		P275,486	P65,256	P -	P340,742	P -	P340,742
Cash flow hedge		122,819	-	55,210	178,029	-	178,029
Unrealized foreign exchange loss - net		96,245	63,280	-	159,525	-	159,525
Pension liability	21	58,295	9,169	(24,458)	43,006	-	43,006
Provisions for claims		16,062	(778)	-	15,284	-	15,284
Excess of cost over net realizable value of spare parts and supplies		11,469	-	-	11,469	-	11,469
Impairment losses on receivables	7	6,798	(1,500)	-	5,298	-	5,298
Accrued operating lease		5,617	(646)	-	4,971	-	4,971
Rental deposit		2,006	(171)	-	1,835	-	1,835
Unamortized capitalized borrowing costs and custom duties		(28,466)	1,757	-	-	(26,709)	(26,709)
<b>Net tax assets (liabilities)</b>		<b>P566,331</b>	<b>P136,367</b>	<b>P30,752</b>	<b>P760,159</b>	<b>(P26,709)</b>	<b>P733,450</b>

Net deferred tax assets have been recognized because management believes that the Group will earn sufficient future taxable profits against which it can utilize the benefits therefrom.

#### 14. Trade and Other Payables

	Note	2017	2016
Trade		<b>P379,642</b>	P129,655
Accrued expenses:			
Marketing, commercial and promotion		<b>446,945</b>	261,910
Personnel costs		<b>165,279</b>	161,570
Professional fees		<b>153,683</b>	156,105
Finance costs		<b>152,744</b>	157,198
Repairs and maintenance		<b>92,788</b>	97,743
Rental	23	<b>70,693</b>	31,145
Security expenses		<b>44,037</b>	12,417
Trucking expense		<b>28,774</b>	28,083
Corporate social responsibility		<b>14,712</b>	38,830
Utilities		<b>12,104</b>	10,495
Safety and environment		<b>4,314</b>	1,897
Miscellaneous accrued expenses		<b>69,518</b>	98,753
Due to government agencies	23	<b>610,006</b>	532,515
Equipment acquisitions		<b>214,012</b>	110,381
Shippers' and brokers' deposits		<b>84,433</b>	76,233
Due to related parties	20	<b>7,881</b>	9,115
Other payables		<b>138,647</b>	86,314
		<b>P2,690,212</b>	P2,000,359

Following are the terms and conditions of the above liabilities:

- Trade payables are non-interest bearing and are normally settled on 30 to 60-day terms.
- Accrued finance costs are normally settled quarterly and semi-annually throughout the financial year.
- Other payables are non-interest bearing and are normally settled within twelve months from inception date.

#### 15. Provisions for Claims

	2017	2016
Balance at beginning of year	<b>P50,944</b>	P53,539
Provisions during the year	<b>154,090</b>	5,814
Payments during the year	<b>(490)</b>	(8,409)
Balance at end of year	<b>P204,544</b>	P50,944

Provisions relate to property, equipment and cargo damage and other claims. It is expected that most of these provisions will be settled within the next financial year or on demand.

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## 16. Equity

Pursuant to the registration statement rendered effective by the SEC and permit to sell issued by the SEC both dated April 7, 1995, 1 billion common shares of the Parent Company were registered and may be offered for sale at an offer price of P5.10 per common share. On March 26, 1999, another registration statement was rendered effective by the SEC and permit to sell issued by the SEC for 1 billion common shares of the Parent Company and may be offered for sale at an offer price of P1.00 per common share. As at December 31, 2017, the Parent Company has a total of 2 billion issued and outstanding common shares and 835 stockholders.

### Capital Stock - P1 Par Value

The Parent Company has 2.0 billion issued and fully paid capital stock, from its 4.0 billion authorized common shares, as at December 31, 2017 and 2016.

### Retained Earnings

The balance of the Group's retained earnings includes a subsidiary and an associate's undistributed net earnings of P91.1 million and P93.7 million as at December 31, 2017 and 2016, respectively, which are available for distribution only upon declaration of dividends by such subsidiary and associate to the Parent Company. Cash dividends are distributed yearly since 2000.

On April 27, 2017, the BOD approved the declaration of cash dividends amounting to P860.0 million or P0.43 per share payable on June 15, 2017 to common shareholders of record as at May 19, 2017.

On April 28, 2016, the BOD approved the declaration of cash dividends amounting to P820.0 million or P0.41 per share payable on June 15, 2016 to common shareholders of record as at May 20, 2016.

On December 19, 2017, the Group's BOD approved the reversal to the unappropriated retained earnings of the amount of P1.1 billion out of the already approved appropriation of P7.9 billion, for capital expenditures for 2015 and 2016. Furthermore, the Group's BOD approved an appropriation of the retained earnings amounting to P2.9 billion for capital expenditures for the next 2 years. The Group's BOD also approved on the same date a budget amounting to P8.8 billion for capital expenditures which include yard and berth development as well as construction of new facilities and equipment acquisition for 2018. The capital expenditures will strengthen the Group's operations and capability to handle growth.

On December 19, 2016, the Group's BOD approved the reversal to the unappropriated retained earnings of the amount of P800 million out of the already approved appropriation of P6.1 billion, for capital expenditures for 2014 and 2015. Furthermore, the Group's BOD approved an appropriation of the retained earnings amounting to P2.60 billion for capital expenditures for the next 2 years. The Group's BOD also approved on the same date a budget amounting to P4.6 billion for capital expenditures which include yard and berth development as well as construction of new facilities and equipment acquisition for 2017. The capital expenditures will strengthen the Group's operations and capability to handle growth and will be sourced from internal funds.

On December 18, 2015, the Group's BOD approved the reversal to the unappropriated retained earnings of the amount of P2.6 billion out of the already approved appropriation of P4.7 billion, for capital expenditure for 2014 and 2015. Furthermore, the Group's BOD approved an appropriation of the retained earnings amounting to P4.0 billion for capital expenditures which include yard and berth development as well as equipment acquisition over the next 2 years. The Group's BOD also approved on the same date a budget amounting to P9.4 billion for capital expenditures which include yard and berth development as well as construction of new facilities and equipment acquisition over the next 3 years. The capital expenditure will strengthen the Group's operations and capability to handle growth and will be sourced from internal funds.

#### Fair Value Reserve

Fair value reserve amounting to P5.8 million as at December 31, 2017 and 2016 represents unrealized loss on AFS financial assets.

#### Hedging Reserve

The hedging reserve includes the effective portion of the cumulative net change in the fair value of the port concession payable used as cash flow hedge against foreign currency risk.

For the years ended December 31, 2017, 2016 and 2015, the effective fair value changes of the Group's cash flow hedge that was recognized in the comprehensive income amounted to P22.0 million, P269.0 million and P242.6 million, respectively, net of tax.

For the years ended December 31, 2017, 2016 and 2015, the Group's cash flow hedge that was reclassified to profit or loss in the comprehensive income amounted to P229.8 million, P140.2 million and P62.9 million, respectively, net of tax.

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## **17. Government Share in Revenues**

This account consists of port authorities' share in revenues of the Group as stipulated in the agreements with port authorities where the Group operates (Note 2). Port authorities' share in gross revenues includes variable government share amounting to P1.9 billion, P1.7 billion and P1.4 billion in 2017, 2016 and 2015, respectively (see Note 23).

## 18. Costs and Expenses Excluding Government Share in Revenues

	<i>Note</i>	<b>2017</b>	2016	2015
Labor costs		<b>P1,282,910</b>	P1,192,514	P1,091,422
Depreciation and amortization	10, 11	<b>1,180,724</b>	1,136,532	944,926
Equipment running		<b>595,449</b>	485,263	482,841
Taxes and licenses		<b>256,132</b>	254,873	279,253
Security, health, environment and safety		<b>181,801</b>	161,277	160,190
Provision for claims	15	<b>154,090</b>	5,814	7,402
Facilities-related expenses		<b>151,910</b>	183,602	161,622
Management fees	20	<b>149,706</b>	112,965	105,230
Rental	23	<b>139,905</b>	152,469	150,295
Insurance		<b>66,295</b>	66,942	64,393
Marketing, commercial and promotion		<b>45,740</b>	136,226	36,705
General transport		<b>41,133</b>	14,894	21,532
Professional fees		<b>24,460</b>	174,313	47,746
Entertainment, amusement and recreation		<b>5,170</b>	5,921	4,730
Others		<b>160,778</b>	217,347	177,831
		<b>P4,436,203</b>	P4,300,952	P3,736,118

Labor costs include salaries, benefits and pension expense.

Spare parts and supplies used and included under equipment running amounted to P227.3 million, P165.7 million and P141.9 million in 2017, 2016 and 2015, respectively.

## 19. Other Income and Expenses

Finance cost is broken down as follows:

	<i>Note</i>	<b>2017</b>	2016	2015
Interest on port concession rights payable		<b>P559,779</b>	P573,110	P543,141
Interest component of pension expense	21	<b>7,589</b>	7,953	5,490
Interest on bank loans/credit facilities		<b>365</b>	153	153
		<b>P567,733</b>	P581,216	P548,784

Interest on port concession rights payable pertains to the interest on the unwinding of discount of said liability (see related policy on port concession rights in Note 4).

Finance income is broken down as follows:

	<b>Note</b>	<b>2017</b>	2016	2015
Interest on cash in banks and short-term investments	6	<b>P83,787</b>	P60,438	P50,140
Accretion of rental deposits	23	<b>1,817</b>	1,556	1,349
		<b>P85,604</b>	P61,994	P51,489

Others consist of the following:

	<b>Note</b>	<b>2017</b>	2016	2015
Equity in net earnings of an associate	9	<b>P46,701</b>	P47,170	P38,741
Lease and other income - net		<b>34,656</b>	28,585	9,718
Foreign exchange gains - others		<b>10,243</b>	91	6,872
Management income	20	<b>8,806</b>	9,184	7,260
Income from insurance claims		<b>264</b>	74,167	354
Foreign exchange losses - port concession rights payable		<b>(107,169)</b>	(60,277)	(35,391)
Foreign exchange losses - cash flow hedge		<b>(329,386)</b>	(211,856)	(99,501)
		<b>(P335,885)</b>	(P112,936)	(P71,947)

Foreign exchange losses - port concession rights payable resulted from revaluation of foreign currency denominated port concession rights payable.

## 20. Related Party Transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control. Related parties may be individuals or corporate entities.

The Group, in the normal course of business, has the following transactions with its related parties:

- A. Amount owed by SCIPSI pertains to management fees equivalent of 6% of gross revenue.
- B. The Parent Company and its subsidiary have separate, noncontributory, defined benefit retirement plans covering all its regular employees, in the form of a trust being maintained by a trustee bank. The benefits are based on the employee's years of service and final plan salary. Contributions were made in 2017 and 2016 amounted to P21.9 million and P18.4 million, respectively (see Note 21).

- C. The Parent Company's management agreement with POMS was renewed on September 1, 2010 for another five years until August 31, 2015. The terms of the agreement provide for the payment of a monthly management fee equivalent to 5% of ATI's consolidated income before income tax of the immediately preceding month. On August 20, 2015, the Parent Company's management decided to renew its contract with POMS for another five years until August 31, 2020.
- D. Amount owed by DP World Asia Holdings Limited-Regional Operating Headquarters pertains to reimbursements for expenses paid by the Group.

Category/ Transaction	Ref	Year	Amount of the Transaction	Outstanding Balance		Terms	Conditions
				Due from Related Parties	Due to Related Parties		
<b>Associate</b>							
▪ Management income	A	2017	P8,806	P1,032	P -	Payable on demand	Unsecured; no impairment
		2016	9,184	1,642	-	Payable on demand	Unsecured; no impairment
<b>Post Employment Benefit Plan</b>							
▪ Retirement fund	B	2017	39,354	17,721	-	Payable on demand	Unsecured; no impairment
		2016	47,504	8,970	-	Payable on demand	Unsecured; no impairment
<b>Others</b>							
▪ Management fees	C	2017	149,706	-	7,881	Payable within ten (10 days) of the following month	Unsecured
		2016	112,965	-	9,115	Payable within ten (10) days of the following month	Unsecured
▪ Advances	D	2017	2,622	262	-	Payable on demand	Unsecured; no impairment
		2016	2,792	509	-	Payable on demand	Unsecured; no impairment
<b>TOTAL</b>		<b>2017</b>		<b>P19,015</b>	<b>P7,881</b>		
<b>TOTAL</b>		<b>2016</b>		<b>P11,121</b>	<b>P9,115</b>		

The compensation and benefits of key management personnel are as follows:

	2017	2016
Short-term employee benefits	<b>P164,256</b>	P170,903
Post-employment benefits	<b>10,884</b>	12,160
	<b>P175,140</b>	P183,063

## 21. Pensions

The Group's latest actuarial valuation reports are dated December 31, 2017. Valuations are obtained on a periodic basis. The following tables summarize the components of pension expense recognized in the consolidated statements of income and the funded status and amounts recognized in the consolidated statements of financial position for the plans of ATI and ATIB:

### Pension Expense

	ATI			ATIB		
	2017	2016	2015	2017	2016	2015
Current service cost	P36,651	P41,983	P39,501	P2,052	P3,241	P2,736
Interest cost on defined benefit obligation	28,144	28,808	26,022	1,685	2,012	1,765
Interest income on plan assets	(20,587)	(21,288)	(20,909)	(1,653)	(1,579)	(1,388)
Net pension expense	<b>P44,208</b>	<b>P49,503</b>	<b>P44,614</b>	<b>P2,084</b>	<b>P3,674</b>	<b>P3,113</b>

Current service cost is included in "Costs and expenses excluding government share in revenues" in the consolidated statements of income. Interest cost on defined benefit obligation and interest income on plan assets are included in "Finance cost" account in the consolidated statements of income (see Note 19).



Pension Liability as at December 31

	ATI		ATIB	
	2017	2016	2017	2016
Present value of pension obligations	<b>(P527,936)</b>	(P553,235)	<b>(P29,298)</b>	(P31,330)
Fair value of plan assets	<b>413,305</b>	411,724	<b>30,856</b>	28,984
Pension asset (liability)	<b>(P114,631)</b>	(P141,511)	<b>P1,558</b>	(P2,346)

Changes in the Present Value of Pension Obligations

	ATI		ATIB	
	2017	2016	2017	2016
Present value of pension obligations at beginning of year	<b>P553,235</b>	P603,253	<b>P31,330</b>	P40,609
Current service cost	<b>36,651</b>	41,983	<b>2,052</b>	3,241
Interest cost	<b>28,144</b>	28,808	<b>1,685</b>	2,012
Benefits paid	<b>(30,093)</b>	(39,148)	<b>(498)</b>	(858)
Actuarial gain	<b>(60,001)</b>	(81,661)	<b>(5,271)</b>	(13,674)
Present value of pension obligations at end of year	<b>P527,936</b>	P553,235	<b>P29,298</b>	P31,330

Changes in the Fair Value of Plan Assets

	ATI		ATIB	
	2017	2016	2017	2016
Fair value of plan assets at beginning of year	<b>P411,724</b>	P423,663	<b>P28,984</b>	P29,606
Actual return on plan assets:				
Interest income	<b>20,587</b>	21,288	<b>1,653</b>	1,579
Actual contributions	<b>21,050</b>	17,106	<b>891</b>	1,282
Remeasurement loss on plan assets	<b>(9,963)</b>	(11,185)	<b>(174)</b>	(2,625)
Benefits paid	<b>(30,093)</b>	(39,148)	<b>(498)</b>	(858)
Fair value of plan assets at end of year	<b>P413,305</b>	P411,724	<b>P30,856</b>	P28,984

The components of retirement benefits recognized in other comprehensive income are as follows:

	ATI			ATIB		
	2017	2016	2015	2017	2016	2015
Actuarial gain (loss) due to:						
Changes in financial assumptions	<b>P16,666</b>	P63,446	P24,692	<b>P938</b>	P5,360	P2,067
Changes in demographic assumptions	<b>(1,068)</b>	24,308	-	<b>3,919</b>	4,513	-
Experience adjustment	<b>44,403</b>	(6,093)	(19,465)	<b>414</b>	3,801	1,016
Remeasurement loss on plan assets	<b>(9,963)</b>	(11,185)	(27,579)	<b>(174)</b>	(2,625)	(1,768)
	<b>P50,038</b>	P70,476	(P22,352)	<b>P5,097</b>	P11,049	P1,315

The cumulative amount of actuarial gains recognized in the consolidated statements of changes in equity is P70.2 million and P15.1 million as at December 31, 2017 and 2016, respectively.

### Plan Assets

The plan entitles a retired regular or full-time employee to receive a lump sum amount equivalent to one (1) month salary for every year of credited service. Period of service shall be reckoned from date hired to date of retirement, death, permanent disability, or severance.

This defined benefit plan exposes the Group to actuarial risks, such as interest rate risk and market (investment) risk.

Contributions will be made at the start of each year based on the funding requirements and recommendations indicated in the latest actuarial valuation reports.

The Group's plan assets consist of the following:

	ATI		ATIB	
	2017	2016	2017	2016
Cash and cash equivalents	<b>P28,745</b>	P79,628	<b>P1,514</b>	P3,722
Investment in UITF	<b>56,590</b>	4,968	<b>2,400</b>	360
Equity instruments	<b>65,691</b>	61,345	<b>4,924</b>	4,145
Investment in government securities	<b>238,536</b>	254,312	<b>20,148</b>	19,770
Debt instruments	<b>7,634</b>	7,728	<b>701</b>	713
Other receivables	<b>16,109</b>	3,743	<b>1,169</b>	274
	<b>P413,305</b>	P411,724	<b>P30,856</b>	P28,984

All equity instruments and government securities have quoted prices in active markets.

All government securities are issued by the Philippine government and are rated Baa3 by Moody's or BBB by Standard & Poor's.

The principal assumptions used in determining pension benefit obligations for the Group's plans are shown below:

	ATI		ATIB	
	2017	2016	2017	2016
Discount rate at end of year	<b>5.7%</b>	5.3%	<b>5.8%</b>	5.4%
Salary increase rate	<b>3.0%-5.0%</b>	3.0%-5.0%	<b>5.0%</b>	5.0%

Assumptions for mortality rate are based on the 2017 Philippine Intercompany Mortality Table.

The weighted average duration of defined benefit obligation is as follows:

	ATI		ATIB	
	2017	2016	2017	2016
Average expected future service years	<b>14</b>	13	<b>11</b>	13

Maturity analysis of the benefit payments:

	2017	
	Expected Benefit Payments	
	ATI	ATIB
Within 1 Year	P48,568	P1,192
Within 1 - 5 Years	194,834	8,810
More than 5 Years	2,102,931	124,234

	2016	
	Expected Benefit Payments	
	ATI	ATIB
Within 1 Year	P52,379	P577
Within 1 - 5 Years	199,240	9,972
More than 5 Years	2,041,800	159,957

#### Sensitivity Analysis

As at December 31, 2017, the reasonably possible changes to the relevant actuarial assumptions holding other assumptions constant, would have affected the defined benefit obligation by the amounts below:

	ATI		ATIB	
	1% Increase	1% Decrease	1% Increase	1% Decrease
Discount rate	P488,322	P573,644	P26,746	P32,258
Salary increase rate	576,301	485,335	32,396	26,585

The Group expects to pay P60.5 million in contributions to defined benefit plans in 2018.

## 22. Earnings Per Share (EPS) Attributable to Equity Holders of the Parent Company

Basic EPS is computed as follows:

	2017	2016	2015
(a) Net income attributable to Equity Holders of the Parent Company (in thousands)	P2,486,993	P1,902,391	P1,764,167
(b) Weighted average number of common shares outstanding (in thousands)	2,000,000	2,000,000	2,000,000
Basic/diluted EPS attributable to Equity Holders of the Parent Company (a/b)	P1.24	P0.95	P0.88

The Parent Company does not have potential common shares or other instruments that may entitle the holder to common shares. Hence, diluted EPS is the same as basic EPS.

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## 23. Commitments and Contingencies

### Agreements within the Scope of Philippine Interpretation IFRIC 12, Service Concession Arrangements

- a. The Parent Company is authorized by the PPA to render cargo handling services at the South Harbor until May 2013. On October 19, 2007, the cargo handling services contract was extended until May 2038 under the terms mutually agreed upon with the PPA.
  - i. In accordance with the Investment Plan which was revised in December 2014 pursuant to the Third Supplement to the Cargo Handling Contract, the Parent Company has committed to invest US\$385.7 million from 2010 to 2028, for the rehabilitation, development and expansion of the South Harbor facilities. The commitment is dependent on container volume. The Investment Plan is subject to joint review every two (2) years, or as often as necessary as mutually agreed, to ensure that the same conforms to actual growth levels, taking into account introduction of new technologies and allowing the Parent Company the opportunity of a fair return on investment.
  - ii. Government Share
    - For storage operations, the Parent Company shall pay an annual fixed government share of P55 million payable quarterly and a government share of 30% of its annual gross storage revenue in excess of P273 million.
    - For international containerized cargo operations, the Parent Company shall pay a quarterly fixed government share of US\$1.15 million plus variable government share amounting to 8% of its total gross revenues, or 20% of its total quarterly gross revenues, whichever is higher, until May 2013. After May 2013, the Parent Company shall pay quarterly fixed government share of US\$2.25 million plus a variable government share amounting to 20% of its total gross revenues.
    - For general cargo operations, the Parent Company shall remit government share amounting to 20% of its total gross revenues collected from arrastre services and 14% of its total gross revenues collected from stevedoring services for general cargoes.
    - For domestic terminal operations, the Parent Company shall remit government share amounting to 10% of its total gross revenues derived from its domestic cargo handling and passenger terminal operations.
- b. The Parent Company is authorized by the PPA to render cargo handling services at the Container Terminal "A-1," Phase 2 at the Port of Batangas for 25 years starting July 1, 2010. For arrastre operations, the Parent Company shall pay an annual fixed government share of US\$2.26 million for the first 2 years, US\$4.68 million for the 3<sup>rd</sup> year, US\$5.08 million for the 4<sup>th</sup>-7<sup>th</sup> year, and US\$5.33 million for the 8<sup>th</sup>-25<sup>th</sup> year. The Parent Company shall also remit annual variable government share based on committed yearly percentage share multiplied by whichever is higher of the projected gross income in the bid proposal or actual gross income.

- c. ATI and ATIB are authorized by the PPA to render cargo handling and passenger services, supply base operations, portorage services, berth management, parking services, passenger terminal retail outlets, weighbridge or weighing operations, water supply services, vehicle booking system, security services, and leasing/sub-leasing of areas and facilities in the Port of Batangas Phase 1 from October 1, 2015 until September 30, 2025. For these operations, ATI and ATIB shall pay a fixed government share amount of P112.7 million for the first 3 years, which shall escalate by 5% and 4% on the 4<sup>th</sup> and 5<sup>th</sup> years and 3% for the remaining 5 years. In addition, ATI and ATIB shall remit annual volume-triggered government share of 10% and 20% for domestic cargoes and passenger terminal fees and for foreign cargoes, respectively, once defined threshold volumes are met.

Agreements outside the Scope of Philippine Interpretation IFRIC 12, Service Concession Arrangements

- a. The Parent Company has a 5-year lease agreement with PPA effective April 3, 2012 covering a land adjacent to the CFS area of the Container Terminal "A-1" with a monthly lease rental of P0.4 million, subject to a yearly escalation of 5%.

The Parent Company and PPA agreed to extend the use of this land to another 5 years ending March 2022, with a monthly lease of P0.5 million subject to the same yearly escalation clause of 5%. As of December 31, 2017, the contract is still in the process of finalization but the Parent Company is already paying the monthly lease of P0.5 million.

As at December 31, the Parent Company has outstanding commitments for future minimum lease payments under the above operating lease, which fall due as follows:

	2017	2016
Within one year	<b>P6,357</b>	P1,459
After one year but not more than five years	<b>22,904</b>	-
	<b>P29,261</b>	P1,459

- b. The Parent Company has a 25-year lease agreement until April 2021 covering the land in Calamba, Laguna to be used exclusively as an Inland Container Depot for which the Parent Company pays an annual rental of P0.1 million, subject to an escalation of 7% once every two years.

The contract was revised in 2004, changing the monthly rate to P0.5 million in January 1, 2002 to December 31, 2003 and P0.7 million in January 1, 2004 to December 31, 2005, subject to an escalation of 8% every 2 years starting January 1, 2006.

The future minimum rentals payable under operating leases as at December 31 are as follows:

	2017	2016
Within one year	<b>P14,396</b>	P13,330
After one year but not more than five years	<b>45,492</b>	59,888
After more than five years	-	-
	<b>P59,888</b>	P73,218

- c. The Parent Company has a 5-year lease contract commencing on February 1, 2017 over two parcels of land located in Sta. Mesa, City of Manila with a monthly lease rental of P0.6 million, subject to an escalation of 7% once every two years. This land is being exclusively used as an off-dock container depot.

The future minimum rentals payable under operating lease as at December 31 are as follows:

	2017	2016
Within one year	P6,732	P -
After one year but not more than five years	23,073	-
	<b>P29,805</b>	P -

- d. The Parent Company has a 2.5-year lease agreement until February 28, 2017, covering the land in Lawa, Calamba, to be used exclusively for warehousing and logistics purposes with a monthly lease rental of P2.8 million.

As at December 31, the Parent Company has outstanding commitments for future minimum lease payments under the above operating lease, which fall due as follows:

	2017	2016
Within one year	P -	P5,500
After one year but not more than five years	-	-
	<b>P -</b>	P5,500

- e. The Group has contingent liabilities for lawsuits and various other matters occurring in the ordinary course of business. On the basis of information furnished by its legal counsel, management believes that none of these contingencies will materially affect the Group's financial position and financial performance.

## 24. Financial Risk and Capital Management Objectives and Policies

The Group has various financial assets and liabilities such as cash and cash equivalents, trade and other receivables, deposits, trade and other payables, and port concession rights payable which arise directly from its operations. The main purpose of these financial instruments is to raise financing for the Group's capital expenditures and operations. Other financial instruments include AFS financial assets.

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

### Interest Rate Risk

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

As at December 31, 2017 and 2016, the interest rate profile of the Group's interest bearing financial instrument is as follows:

	2017	2016
<b>Fixed Rate Instruments</b>		
Cash and cash equivalents	<b>P6,944,580</b>	P5,880,613

*Excluding cash on hand amounting to P0.6 million as at December 31, 2017 and 2016.*

#### *Fair Value Sensitivity Analysis for Fixed Rate Instruments*

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, therefore, a change in interest rates at the reporting date would not affect profit or loss.

#### Liquidity Risk

The Group monitors its risk of shortage of funds using a liquidity planning tool. This tool considers the maturity of both the Group's financial investments and financial assets and projected cash flows from operations, among others. The Group'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 Group's financial liabilities based on contractual undiscounted payments:

As at December 31, 2017	Carrying Amount	Contractual Cash Flows					Total
		On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	> 5 Years	
Trade and other payables*	P2,080,206	P269,094	P764,116	P1,046,996	P -	P -	P2,080,206
Port concession rights payable	8,806,580	-	195,800	587,400	3,983,707	9,181,705	13,948,612
<b>Total</b>	<b>P10,886,786</b>	<b>P269,094</b>	<b>P959,916</b>	<b>P1,634,396</b>	<b>P3,983,707</b>	<b>P9,181,705</b>	<b>P16,028,818</b>

*\*excluding due to government agencies amounting to P610.0 million*

As at December 31, 2016	Carrying Amount	Contractual Cash Flows					Total
		On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	> 5 Years	
Trade and other payables**	P1,467,844	P228,707	P425,565	P813,572	P -	P -	P1,467,844
Port concession rights payable	8,985,869	-	194,019	582,056	3,962,327	9,986,285	14,724,687
<b>Total</b>	<b>P10,453,713</b>	<b>P228,707</b>	<b>P619,584</b>	<b>P1,395,628</b>	<b>P3,962,327</b>	<b>P9,986,285</b>	<b>P16,192,531</b>

*\*\*excluding due to government agencies amounting to P532.5 million*

#### Credit Risk

The Group trades only with recognized and creditworthy third parties. It is the Group'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 Group's exposure to bad debts is not significant. A regular/annual 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 Group, which comprise cash in bank and cash equivalents, trade receivables, deposits and AFS financial assets, the Group'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 Group trades only with recognized third parties, there is no requirement for collateral.

Financial information on the Group's maximum exposure to credit risk as at December 31, 2017 and 2016, without considering the effects of collaterals and other risk mitigation techniques, is presented below.

	<i>Note</i>	<b>2017</b>	2016
Cash and cash equivalents*	6	<b>P6,944,580</b>	P5,880,613
Trade and other receivables - net	7	<b>490,466</b>	426,466
Deposits	12	<b>33,845</b>	34,958
AFS financial assets	12	<b>2,652</b>	2,652
		<b>P7,471,543</b>	P6,344,689

*\*excluding cash on hand amounting to P0.6 million as at December 31, 2017 and 2016.*

There are no significant concentrations of credit risk within the Group. Of the total trade and other receivables which are neither past due nor impaired, 100% are of high grade quality instruments because there was no history of default on the agreed terms of the contract.

#### Foreign Currency Risk

The Group has foreign currency financial assets and liabilities arising from US dollar denominated revenues, lease payments, government share, and other foreign currency-denominated purchases by operating units.

The Group'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.

As part of its foreign currency risk strategy, commencing July 1, 2014, the Group hedges the spot exchange risk on the highly probable forecast US dollar revenue transactions using a non-derivative financial instrument, port concession rights payable, which is denominated in US dollar. The financial liability creates an exposure to the functional currency which offsets the foreign currency exposure on the highly probable US dollar revenue stream. This type of hedging relationship is designated as cash flow hedge.

The Group has assessed that 80% of the US dollar denominated stevedoring revenue for the designated period is highly probable. However, the Group has designated 67% of the monthly US dollar revenue as the hedged items for the next thirty six months from the date of designation i.e., July 1, 2014.

In 2017, the designated hedged item reached its 3rd year and ceased accordingly. The Group re-designated 50% of the monthly US dollar revenue as the hedged item for the next forty two months.

The Group uses the port concession rights payable as a hedging instrument to hedge the spot exchange risk in the highly probable forecast transactions.



The Group's foreign currency-denominated accounts as at December 31 are as follows:

	2017	2016
<b>Assets</b>		
Cash and cash equivalents	<b>US\$386</b>	US\$307
Trade and other receivables	<b>190</b>	122
	<b>576</b>	429
<b>Liabilities</b>		
Trade and other payables	<b>2,860</b>	1,235
Port concession rights payable	<b>146,156</b>	149,341
	<b>149,016</b>	150,576
Net foreign currency-denominated liabilities	<b>(US\$148,440)</b>	(US\$150,147)
Peso equivalent	<b>(P7,411,609)</b>	(P7,465,309)

The exchange rates applicable for US dollar as at December 31, 2017 and 2016 are P49.93 and P49.72, respectively.

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 Group's income before income tax and equity.

Increase (Decrease) in U.S. dollar Exchange Rate		Effect on Income Before Income Tax	Effect on Equity
<b>2017</b>	<b>+5%</b>	<b>(P370,580)</b>	<b>(P259,406)</b>
	<b>-5%</b>	<b>370,580</b>	<b>259,406</b>
2016	+5%	(P373,265)	(P261,286)
	-5%	373,265	261,286

#### Capital Management

The primary objective of the Group'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 Group considers capital to include capital stock, additional paid-in capital, retained earnings, fair value reserve and hedging reserve. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust its capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes from prior year.

The Group is not subject to externally imposed capital requirements.

The table below shows the capital structure of the Group as at December 31:

	Note	2017	2016
Capital stock		<b>P2,000,000</b>	P2,000,000
Additional paid-in capital		<b>264,300</b>	264,300
Retained earnings		<b>11,575,652</b>	9,910,095
Hedging reserve		<b>(207,620)</b>	(415,403)
Fair value reserve		<b>(5,820)</b>	(5,820)
Total	16	<b>P13,626,512</b>	P11,753,172

## 25. Financial Instruments

The table below presents a comparison by category of carrying amounts and estimated fair values of all the Group's financial instruments as at December 31, 2017 and 2016.

	Note	2017		2016	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>Financial Assets</b>					
Loans and receivables:					
Cash and cash equivalents	6	P6,945,189	P6,945,189	P5,881,207	P5,881,207
Trade and other receivables - net	7	490,466	490,466	426,466	426,466
Deposits	12	33,845	39,589	34,958	41,426
		<b>7,469,500</b>	<b>7,475,244</b>	6,342,631	6,349,099
AFS financial assets	12	2,652	2,652	2,652	2,652
		<b>P7,472,152</b>	<b>P7,477,896</b>	P6,345,283	P6,351,751
<b>Financial Liabilities</b>					
Other financial liabilities:					
Trade and other payables*	14	P2,080,206	P2,080,206	P1,467,844	P1,467,844
Port concession rights payable		8,806,580	9,895,597	8,985,869	10,416,292
		<b>P10,886,786</b>	<b>P11,975,803</b>	P10,453,713	P11,884,136

\* excluding due to government agencies amounting to P610.0 million and P532.5 million in 2017 and 2016, respectively.

### Fair Value of 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 their relatively short-term nature.

### *Nonderivative Financial Instruments*

Quoted market prices have been used to determine the fair values of listed AFS financial assets. The fair values of unquoted AFS financial assets are not reliably determinable.

For noninterest-bearing deposits, the fair value is estimated as the present value of all future cash flows discounted using the prevailing market rate on interest for a similar instrument. The discount rates used are 4.3% in 2017 and 4.7% in 2016.

The fair value of port concession rights payable was estimated at the present value of all future cash flows discounted using the applicable rates for similar types of loans ranging from 5.42% to 5.78% in 2017 and 4.80% to 5.52% in 2016.

### Fair Value Hierarchy

The table below presents the fair value hierarchy of the Group's financial instruments:

<b>As at December 31, 2017</b>	<b>Note</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
AFS financial assets	12	P933	P -	P1,719
Port concession rights payable		-	9,895,597	-
		<b>P933</b>	<b>P9,895,597</b>	<b>P1,719</b>

<b>As at December 31, 2016</b>	<b>Note</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
AFS financial assets	12	P933	P -	P1,719
Port concession rights payable		-	10,416,292	-
		<b>P933</b>	<b>P10,416,292</b>	<b>P1,719</b>

There have been no transfers from one level to another in 2017 and 2016.



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## REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY INFORMATION

The Stockholders and Board of Directors  
Asian Terminals, Inc. and a Subsidiary  
A. Bonifacio Drive  
Port Area, Manila


We have audited in accordance with Philippine Standards on Auditing, the accompanying consolidated financial statements of Asian Terminals Inc. (the "Company") and a Subsidiary (collectively known as the "Group") as at December 31, 2017 and 2016 and for each of the three years in the period ended December 31, 2017, included in this Form 17-A, and have issued our report thereon dated February 22, 2018.

Our audits were made for the purpose of forming an opinion on the consolidated financial statements of the Group taken as a whole. The supplementary information included in the following accompanying additional components is the responsibility of the Group's management.

- Map of the Conglomerate
- Schedule of Philippine Financial Reporting Standards
- Supplementary Schedules of Annex 68-E

This supplementary information is presented for purposes of complying with the Securities Regulation Code Rule 68, As Amended, and is not a required part of the consolidated financial statements. Such information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

### R.G. MANABAT & CO.

  
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CPA License No. 065537  
SEC Accreditation No. 1177-AR-1, Group A, valid until April 30, 2018  
Tax Identification No. 131-029-752  
BIR Accreditation No. 08-001987-26-2017  
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PTR No. 6615127MD  
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February 22, 2018  
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A. Bonifacio Drive  
Port Area, Manila

We have audited in accordance with Philippine Standards on Auditing, the separate financial statements of Asian Terminals Inc. (the "Company") as at December 31, 2017 and 2016 and for the years then ended, and have issued our report thereon dated February 22, 2018.

Our audits were made for the purpose of forming an opinion on the separate financial statements of the Company taken as a whole. The supplementary information in the Reconciliation of Retained Earnings Available for Dividend Declaration is the responsibility of the Company's management.

This supplementary information is presented for purposes of complying with the Securities Regulation Code Rule 68, As Amended, and is not a required part of the separate financial statements. Such information has been subjected to the auditing procedures applied in the audit of the separate financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the separate financial statements taken as a whole.

### R.G. MANABAT & CO.

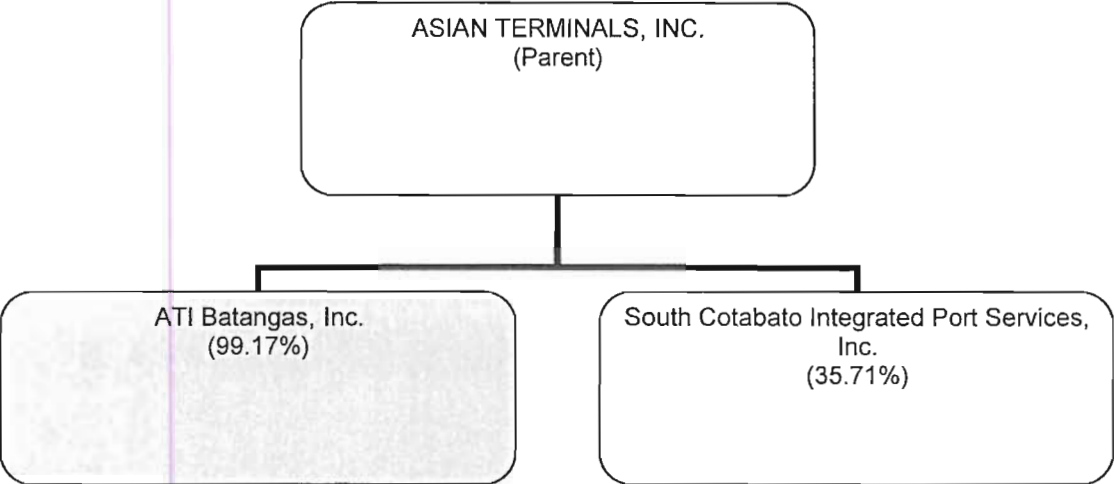
ENRICO E. BALUYUT  
Partner  
CPA License No. 065537  
SEC Accreditation No. 1177-AR-1, Group A, valid until April 30, 2018  
Tax Identification No. 131-029-752  
BIR Accreditation No. 08-001987-26-2017  
Issued September 4, 2017; valid until September 3, 2020  
PTR No. 6615127MD  
Issued January 3, 2018 at Makati City

February 22, 2018  
Makati City, Metro Manila

**ASIAN TERMINALS, INC.**  
**SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS AVAILABLE**  
**FOR DIVIDEND DECLARATION**  
**As of December 31, 2017**  
(Amount in Thousands)

<b>Unappropriated Retained Earnings, beginning</b>	<b>P908,640</b>
<b>Adjustments:</b>	
Deferred tax benefit in previous year	(117,346)
Unrealized actuarial gain in previous year	(105)
Unrealized foreign exchange loss - cash flow hedge in previous year	211,856
Unappropriated Retained Earnings, as adjusted to available for dividend distribution, beginning	1,003,045
<b>Add: Net income actually earned/realized during the period</b>	
Net income during the period closed to Retained Earnings	P2,171,930
Less: Non-actual/unrealized income net of tax	
Equity in net loss (income) of associate/joint venture	-
Unrealized foreign exchange gain - net (except those attributable to Cash and Cash Equivalents)	-
Unrealized actuarial gain	-
Fair value adjustments (M2M gains)	-
Fair value adjustment of Investment Property resulting to gain	-
Adjustment due to deviation from PFRS/GAAP-gain	-
Deferred tax benefit	194,139
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	-
Sub-total	1,977,791
Add: Non-actual losses	
Depreciation on revaluation increment (after tax)	-
Unrealized foreign exchange loss - net (except those attributable to Cash and Cash Equivalents)	329,386
Adjustment due to deviation from PFRSs/GAAP - loss	-
Loss on fair value adjustment of investment property (after tax)	-
<b>Net income actually earned during the period</b>	<b>2,307,177</b>
Add (Less):	
Dividend declarations paid during the period	(860,000)
Appropriations of Retained Earnings during the period	(2,900,000)
Reversals of appropriations	1,100,000
Effects of prior period adjustments	-
Treasury shares	-
<b>Total Retained Earnings, end available for dividend declaration</b>	<b>P650,222</b>

Asian Terminals, Inc.  
Subsidiary and an Associate  
December 31, 2017



## ASIAN TERMINALS, INC. AND A SUBSIDIARY

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
<b>Framework for the Preparation and Presentation of Financial Statements</b> Conceptual Framework Phase A: Objectives and qualitative characteristics		✓		
<b>PFRSs Practice Statement Management Commentary</b>				✓
<b>Philippine Financial Reporting Standards</b>				
<b>PFRS 1 (Revised)</b>	First-time Adoption of Philippine Financial Reporting Standards			✓
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	✓		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✓
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters			✓
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✓
	Amendments to PFRS 1: Government Loans			✓
	Annual Improvements to PFRSs 2009 - 2011 Cycle: First-time Adoption of Philippine Financial Reporting Standards - Repeated Application of PFRS 1			✓
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Borrowing Cost Exemption			✓
	Annual Improvements to PFRSs 2011 - 2013 Cycle: PFRS version that a first-time adopter can apply			✓
	Annual Improvements to PFRSs 2014 - 2016 Cycle: Deletion of short-term exemptions for first-time adopters		✓	
	<b>PFRS 2</b>	Share-based Payment		
Amendments to PFRS 2: Vesting Conditions and Cancellations				✓
Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions				✓
Annual Improvements to PFRSs 2010 - 2012 Cycle: Meaning of 'vesting condition'				✓
Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions			✓	
<b>PFRS 3 (Revised)</b>	Business Combinations			✓
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Classification and measurement of contingent consideration			✓
	Annual Improvements to PFRSs 2011 - 2013 Cycle: Scope exclusion for the formation of joint arrangements			✓
<b>PFRS 4</b>	Insurance Contracts			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PFRS 4: Applying PFRS 9, Financial Instruments with PFRS 4, Insurance Contracts		✓	



<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> Effective as of December 31, 2017		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
<b>PFRS 5</b>	Non-current Assets Held for Sale and Discontinued Operations			✓
	Annual Improvements to PFRSs 2012 - 2014 Cycle: Changes in method for disposal			✓
<b>PFRS 6</b>	Exploration for and Evaluation of Mineral Resources			✓
<b>PFRS 7</b>	Financial Instruments: Disclosures	✓		
	Amendments to PFRS 7: Transition	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✓		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✓		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✓		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✓		
	Annual Improvements to PFRSs 2012 - 2014 Cycle: 'Continuing involvement' for servicing contracts			✓
	Annual Improvements to PFRSs 2012 - 2014 Cycle: Offsetting disclosures in condensed interim financial statements			✓
<b>PFRS 8</b>	Operating Segments	✓		
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Disclosures on the aggregation of operating segments	✓		
<b>PFRS 9</b>	Financial Instruments		✓	
	Hedge Accounting and amendments to PFRS 9, PFRS 7 and PAS 39		✓	
<b>PFRS 9</b>	Financial Instruments (2014)		✓	
	Amendments to PFRS 9: Prepayment Features with Negative Compensation		✓	
<b>PFRS 10</b>	Consolidated Financial Statements	✓		
	Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance			✓
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities			✓
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture		✓	
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			✓

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> Effective as of December 31, 2017		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
<b>PFRS 11</b>	Joint Arrangements			✓
	Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance			✓
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✓
<b>PFRS 12</b>	Disclosure of Interests in Other Entities	✓		
	Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	✓		
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities			✓
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			✓
	Annual Improvements to PFRSs 2014 - 2016 Cycle: Clarification of the scope of the standard	✓		
<b>PFRS 13</b>	Fair Value Measurement	✓		
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Measurement of short-term receivables and payables	✓		
	Annual Improvements to PFRSs 2011 - 2013 Cycle: Scope of portfolio exception			✓
<b>PFRS 14</b>	Regulatory Deferral Accounts			✓
<b>PFRS 15</b>	Revenue from Contracts with Customers		✓	
<b>PFRS 16</b>	Leases		✓	
<b>Philippine Accounting Standards</b>				
<b>PAS 1 (Revised)</b>	Presentation of Financial Statements	✓		
	Amendment to PAS 1: Capital Disclosures	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✓		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Presentation of Financial Statements - Comparative Information beyond Minimum Requirements	✓		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Presentation of the Opening Statement of Financial Position and Related Notes	✓		
	Amendments to PAS 1: Disclosure Initiative	✓		
<b>PAS 2</b>	Inventories	✓		
<b>PAS 7</b>	Statement of Cash Flows	✓		
	Amendments to PAS 7: Disclosure Initiative	✓		
<b>PAS 8</b>	Accounting Policies, Changes in Accounting Estimates and Errors	✓		
<b>PAS 10</b>	Events after the Reporting Period	✓		
<b>PAS 11</b>	Construction Contracts	✓		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
PAS 12	Income Taxes	✓		
	Amendment to PAS 12: Deferred Tax: Recovery of Underlying Assets			✓
	Amendments to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses	✓		
PAS 16	Property, Plant and Equipment	✓		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Property, Plant and Equipment - Classification of Servicing Equipment	✓		
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Restatement of accumulated depreciation (amortization) on revaluation (Amendments to PAS 16 and PAS 38)			✓
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
	Amendments to PAS 16 and PAS 41: Agriculture: Bearer Plants			✓
PAS 17	Leases	✓		
PAS 18	Revenue	✓		
PAS 19 (Amended)	Employee Benefits	✓		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions			✓
	Annual Improvements to PFRSs 2012 - 2014 Cycle: Discount rate in a regional market sharing the same currency - e.g. the Eurozone			✓
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✓
PAS 21	The Effects of Changes in Foreign Exchange Rates	✓		
	Amendment: Net Investment in a Foreign Operation			✓
PAS 23 (Revised)	Borrowing Costs	✓		
PAS 24 (Revised)	Related Party Disclosures	✓		
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Definition of 'related party'	✓		
PAS 26	Accounting and Reporting by Retirement Benefit Plans	✓		
PAS 27 (Amended)	Separate Financial Statements	✓		
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities			✓
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✓
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✓		
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture		✓	
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			✓
	Annual Improvements to PFRSs 2014 - 2016 Cycle: Measuring an associate or joint venture at fair value		✓	
	Amendments to PAS 28: Long-term Interests in Associates and Joint Ventures			✓

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> Effective as of December 31, 2017		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
<b>PAS 29</b>	Financial Reporting in Hyperinflationary Economies			✓
<b>PAS 32</b>	Financial Instruments: Disclosure and Presentation	✓		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✓
	Amendment to PAS 32: Classification of Rights Issues			✓
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✓		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Financial Instruments Presentation - Income Tax Consequences of Distributions			✓
<b>PAS 33</b>	Earnings per Share	✓		
<b>PAS 34</b>	Interim Financial Reporting	✓		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Interim Financial Reporting - Segment Assets and Liabilities	✓		
	Annual Improvements to PFRSs 2012 - 2014 Cycle: Disclosure of information "elsewhere in the interim financial report"	✓		
<b>PAS 36</b>	Impairment of Assets	✓		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✓		
<b>PAS 37</b>	Provisions, Contingent Liabilities and Contingent Assets	✓		
<b>PAS 38</b>	Intangible Assets	✓		
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Restatement of accumulated depreciation (amortization) on revaluation (Amendments to PAS 16 and PAS 38)			✓
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	✓		
<b>PAS 39</b>	Financial Instruments: Recognition and Measurement	✓		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✓		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✓
	Amendments to PAS 39: The Fair Value Option			✓
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✓
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✓		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✓		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
	Amendment to PAS 39: Eligible Hedged Items	✓		
Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✓	

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> Effective as of December 31, 2017		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
<b>PAS 40</b>	Investment Property			✓
	Annual Improvements to PFRSs 2011 - 2013 Cycle: Inter-relationship of PFRS 3 and PAS 40 (Amendment to PAS 40)			✓
	Amendments to PAS 40: Transfers of Investment Property		✓	
<b>PAS 41</b>	Agriculture			✓
	Amendments to PAS 16 and PAS 41: Agriculture: Bearer Plants			✓
<b>Philippine Interpretations</b>				
<b>IFRIC 1</b>	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✓
<b>IFRIC 2</b>	Members' Share in Co-operative Entities and Similar Instruments			✓
<b>IFRIC 4</b>	Determining Whether an Arrangement Contains a Lease	✓		
<b>IFRIC 5</b>	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✓
<b>IFRIC 6</b>	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✓
<b>IFRIC 7</b>	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✓
<b>IFRIC 9</b>	Reassessment of Embedded Derivatives			✓
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✓
<b>IFRIC 10</b>	Interim Financial Reporting and Impairment	✓		
<b>IFRIC 12</b>	Service Concession Arrangements	✓		
<b>IFRIC 13</b>	Customer Loyalty Programmes			✓
<b>IFRIC 14</b>	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✓
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✓
<b>IFRIC 16</b>	Hedges of a Net Investment in a Foreign Operation			✓
<b>IFRIC 17</b>	Distributions of Non-cash Assets to Owners			✓
<b>IFRIC 18</b>	Transfers of Assets from Customers			✓
<b>IFRIC 19</b>	Extinguishing Financial Liabilities with Equity Instruments			✓
<b>IFRIC 20</b>	Stripping Costs in the Production Phase of a Surface Mine			✓
<b>IFRIC 21</b>	Levies			✓
<b>IFRIC 22</b>	Foreign Currency Transactions and Advance Consideration		✓	
<b>IFRIC 23</b>	Uncertainty over Income Tax Treatments		✓	
<b>SIC-7</b>	Introduction of the Euro			✓
<b>SIC-10</b>	Government Assistance - No Specific Relation to Operating Activities			✓
<b>SIC-15</b>	Operating Leases - Incentives			✓
<b>SIC-25</b>	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✓
<b>SIC-27</b>	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✓		

<b>PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS</b> Effective as of December 31, 2017		<b>Adopted</b>	<b>Not Adopted</b>	<b>Not Applicable</b>
<b>SIC-29</b>	Service Concession Arrangements: Disclosures.	✓		
<b>SIC-31</b>	Revenue - Barter Transactions Involving Advertising Services			✓
<b>SIC-32</b>	Intangible Assets - Web Site Costs			✓
<b>Philippine Interpretations Committee Questions and Answers</b>				
<b>PIC Q&amp;A 2006-01</b>	PAS 18, Appendix, paragraph 9 - Revenue recognition for sales of property units under pre-completion contracts			✓
<b>PIC Q&amp;A 2006-02</b>	PAS 27.10(d) - Clarification of criteria for exemption from presenting consolidated financial statements			✓
<b>PIC Q&amp;A 2007-01- Revised</b>	PAS 1.103(a) - Basis of preparation of financial statements if an entity has not applied PFRSs in full			✓
<b>PIC Q&amp;A 2007-02</b>	PAS 20.24.37 and PAS 39.43 - Accounting for government loans with low interest rates [see PIC Q&A No. 2008-02]			✓
<b>PIC Q&amp;A 2007-03</b>	PAS 40.27 - Valuation of bank real and other properties acquired (ROPA)			✓
<b>PIC Q&amp;A 2007-04</b>	PAS 101.7 - Application of criteria for a qualifying NPAAE			✓
<b>PIC Q&amp;A 2008-01- Revised</b>	PAS 19.78 - Rate used in discounting post-employment benefit obligations	✓		
<b>PIC Q&amp;A 2008-02</b>	PAS 20.43 - Accounting for government loans with low interest rates under the amendments to PAS 20			✓
<b>PIC Q&amp;A 2009-01</b>	Framework.23 and PAS 1.23 - Financial statements prepared on a basis other than going concern	✓		
<b>PIC Q&amp;A 2009-02</b>	PAS 39.AG71-72 - Rate used in determining the fair value of government securities in the Philippines	✓		
<b>PIC Q&amp;A 2010-01</b>	PAS 39.AG71-72 - Rate used in determining the fair value of government securities in the Philippines	✓		
<b>PIC Q&amp;A 2010-02</b>	PAS 1R.16 - Basis of preparation of financial statements	✓		
<b>PIC Q&amp;A 2010-03</b>	PAS 1 Presentation of Financial Statements - Current/non-current classification of a callable term loan			✓
<b>PIC Q&amp;A 2011-01</b>	PAS 1.10(f) - Requirements for a Third Statement of Financial Position	✓		
<b>PIC Q&amp;A 2011-02</b>	PFRS 3.2 - Common Control Business Combinations			✓
<b>PIC Q&amp;A 2011-03</b>	Accounting for Inter-company Loans			✓
<b>PIC Q&amp;A 2011-04</b>	PAS 32.37-38 - Costs of Public Offering of Shares			✓
<b>PIC Q&amp;A 2011-05</b>	PFRS 1.D1-D8 - Fair Value or Revaluation as Deemed Cost			✓
<b>PIC Q&amp;A 2011-06</b>	PFRS 3, Business Combinations (2008), and PAS 40, Investment Property - Acquisition of Investment properties - asset acquisition or business combination?			✓
<b>PIC Q&amp;A 2012-01</b>	PFRS 3.2 - Application of the Pooling of Interests Method for Business Combinations of Entities Under Common Control in Consolidated Financial Statements			✓
<b>PIC Q&amp;A 2012-02</b>	Cost of a New Building Constructed on the Site of a Previous Building			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
PIC Q&A 2013-01	Applicability of SMEIG Final Q&As on the Application of IFRS for SMEs to Philippine SMEs			✓
PIC Q&A 2013-02	Conforming Changes to PIC Q&As - Cycle 2013			✓
PIC Q&A 2013-03 (Revised)	PAS 19 - Accounting for Employee Benefits under a Defined Contribution Plan subject to Requirements of Republic Act (RA) 7641, The Philippine Retirement Law			✓
PIC Q&A 2015-01	Conforming Changes to PIC Q&As - Cycle 2015			✓
PIC Q&A 2016-01	Conforming Changes to PIC Q&As - Cycle 2016			✓
PIC Q&A 2016-02	PAS 32 and PAS 38 - Accounting Treatment of Club Shares Held by an Entity			✓
PIC Q&A 2016-04	Application of PFRS 15 "Revenue from Contracts with Customers" on Sale of Residential Properties under Pre-Completion Contracts		✓	
PIC Q&A 2017-01	Conforming Changes to PIC Q&As - Cycle 2017			✓
PIC Q&A 2017-02	PAS 2 and PAS 16 - Capitalization of operating lease cost as part of construction costs of a building			✓
PIC Q&A 2017-03	PAS 28 - Elimination of profits and losses resulting from transactions between associates and/or joint ventures			✓
PIC Q&A 2017-04	PAS 24 - Related party relationships between parents, subsidiary, associate and non-controlling shareholder	✓		
PIC Q&A 2017-05	PFRS 7 - Frequently asked questions on the disclosure requirements of financial instruments under PFRS 7, Financial Instruments: Disclosures	✓		
PIC Q&A 2017-06	PAS 2, 16 and 40 - Accounting for Collector's Items			✓
PIC Q&A 2017-07	PFRS 10 - Accounting for reciprocal holdings in associates and joint ventures			✓
PIC Q&A 2017-08	PFRS 10 - Requirement to prepare consolidated financial statements where an entity disposes of its single investment in a subsidiary, associate or joint venture			✓
PIC Q&A 2017-09	PAS 17 and Philippine Interpretation SIC-15 - Accounting for payments between and among lessors and lessees			✓
PIC Q&A 2017-10	PAS 40 - Separation of property and classification as investment property			✓
PIC Q&A 2017-11	PFRS 10 and PAS 32 - Transaction costs incurred to acquire outstanding non-controlling interest or to sell non-controlling interest without a loss of control			✓
PIC Q&A 2017-12	Subsequent Treatment of Equity Component Arising from Intercompany Loans			✓
PIC Q&A 2018-01	Voluntary changes in accounting policy	✓		
PIC Q&A 2018-02	Non-controlling interests and goodwill impairment test	✓		
PIC Q&A 2018-03	Fair value of PPE and depreciated replacement cost			✓
PIC Q&A 2018-04	Inability to measure fair value reliably for biological assets within the scope of PAS 41			✓
PIC Q&A 2018-05	Maintenance requirement of an asset held under lease			✓

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2017		Adopted	Not Adopted	Not Applicable
PIC Q&A 2018-06	Cost of investment in subsidiaries in SFS when pooling is applied			✓
PIC Q&A 2018-07	Cost of an associate, joint venture, or subsidiary in separate financial statements	✓		
PIC Q&A 2018-08	Accounting for the acquisition of non-wholly owned subsidiary that is not a business			✓
PIC Q&A 2018-09	Classification of deposits and progress payments as monetary or non-monetary items			✓
PIC Q&A 2018-10	Scope of disclosure of inventory write-down			✓

**Legend:**

**Adopted** - means a particular standard or interpretation is relevant to the operations of the entity (even if it has no effect or no material effect on the financial statements), for which there may be a related particular accounting policy made in the financial statements and/or there are current transactions the amounts or balances of which are disclosed on the face or in the notes of the financial statements.

**Not Adopted** - means a particular standard or interpretation is effective but the entity did not adopt it due to either of these two reasons: 1) The entity has deviated or departed from the requirements of such standard or interpretation; or 2) The standard provides for an option to early adopt it but the entity decided otherwise.

**Not Applicable** - means the standard or interpretation is not relevant at all to the operations of the entity.



**ASIAN TERMINALS, INC. AND A SUBSIDIARY**  
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**FORM 17-A, Item 7**

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**Consolidated Financial Statements**

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Consolidated Statements of Income for the years ended December 31, 2017, 2016 and 2015	
Consolidated Statements of Comprehensive Income for the years December 31, 2017, 2016 and 2015	
Consolidated Statements of Changes in Equity as of December 31, 2017 and 2016	
Consolidated Statements of Cash Flows for the years December 31, 2017, 2016 and 2015	
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**Supplementary Schedules of Annex 68-E**

Report of Independent Public Accountants on Supplementary Schedules

A. Financial Assets	1
B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)	1
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**Reconciliation of Retained Earnings for Cash Dividend Declaration**

Report of Independent Public Accountants on Reconciliation of Retained Earnings for  
Cash Dividend Declaration

Reconciliation of Retained Earnings for Cash Dividend Declaration for Asian Terminals Inc.

**Tabular Schedule of Standards and Interpretations as of December 31, 2017**

**Conglomerate Map**

**Schedule of Financial Soundness Indicators**

**Schedule A. Financial Assets**  
**December 31, 2017**  
*(in thousands)*

Financial Assets	Name of Issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Valued based on market quotation at end of reporting period	Income received and accrued
Cash and cash equivalents	N/A	N/A	₱6,945,189	₱6,945,189	₱85,330
Trade and other receivables - net	N/A	N/A	490,466	490,466	-
Deposits	N/A	N/A	33,845	41,426	-
AFS Investments					
Quoted Equity Shares	N/A	N/A	933	933	-
Unquoted Equity Shares	N/A	N/A	1,719	1,719	-
			<b>₱7,472,152</b>	<b>₱7,479,733</b>	<b>₱85,330</b>

**Schedule B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)**  
**December 31, 2017**  
*(in thousands)*

Name and Designation of debtor	Balance at beginning of period	Additions	Amounts Collected	Amounts written-off	Current	Not Current	Balance at end of period
Officers	₱20,977	₱26,455	(₱24,138)	₱0	₱0	₱0	₱23,294
Related Parties	2,151	11,210	(12,067)	0	0	0	1,294
	<b>₱23,128</b>	<b>₱37,665</b>	<b>(₱36,205)</b>	<b>₱0</b>	<b>₱0</b>	<b>₱0</b>	<b>₱24,588</b>

**Schedule C. Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements**  
**December 31, 2017**  
*(in thousands)*

Name and Designation of creditor	Balance at beginning of period	Additions	Amounts Paid	Amounts written-off	Current	Not Current	Balance at end of period
ATI Batangas, Inc.	(₱15,565)	₱145,795	(₱73,757)	₱0	₱0	₱0	₱56,473
	<b>(₱15,565)</b>	<b>₱145,795</b>	<b>(₱73,757)</b>	<b>₱0</b>	<b>₱0</b>	<b>₱0</b>	<b>₱56,473</b>

**Schedule H. Capital Stock**  
**December 31, 2017**  
*(in thousands)*

Title of Issue	Number of Shares authorized	Number of shares issued and outstanding	Number of shares reserved for options, warrants, conversion and other rights	Number of shares held by		
				Related parties	Directors, officers, and employees	Others
Common shares	4,000,000	2,000,000	None	637,838	15,589	1,346,573

**Asian Terminals Inc.**  
**Schedule of Financial Soundness Indicators**  
**For the Years Ended December 31, 2017, 2016 and 2015**

Consolidated KPI	Manner of Calculation	2017	2016	2015	Discussion
Return on Capital Employed*	Percentage of income before interest and tax over capital employed	19.2%	16.2%	15.5%	Increase resulted from higher income before other income (expense) during the period.
Return on Equity attributable to equity holders of the parent	Percentage of net income over equity attributable to equity holders of the parent	19.6%	16.9%	17.0%	Improved due to higher increase in net income.
Current ratio	Ratio of current assets over current liabilities	2.44 : 1.00	2.85 : 1.00	2.82 : 1.00	Decrease due to higher current liabilities.
Asset to equity ratio	Ratio of total assets over equity attributable to equity holders of the parent	1.89 : 1.00	1.97 : 1.00	1.99 : 1.00	Decrease due to higher equity.
Debt to equity ratio	Ratio of total liabilities over equity attributable to equity holders of the parent	0.89 : 1.00	0.97 : 1.00	0.99 : 1.00	Decrease due to higher equity.
Days Sales in Receivables (DSR)**	Gross trade receivables over revenues multiplied by number of days	11 days	12 days	8 days	Due to improved collection efforts.
Net Income Margin	Net income over revenues less government share in revenues	28.7%	25.3%	26.2%	Increase due to higher revenues.
Reportable Injury Frequency Rate (RIFR) <sup>1</sup>	Number of reportable injuries within a given accounting period relative to the total number of hours worked in the same accounting period.	0.53	1.05	1.63	Improved as a result of extensive safety campaign and strict implementation of HSES policies.

\*Income before other income and expense is defined as income before net financing costs, net gains on derivative instruments and others.

\*\*Computations were based on formulas used in ATI's internal reporting.

<sup>1</sup> RIFR is the new KPI for injuries introduced in 2014 to replace LTIFR. RIFR is a more stringent KPI as it covers not only Lost Time Injuries (LTIs) but also Medical Treatment Injuries (MTIs) and Fatalities incidents.