COVER SHEET

1	3	3	6	5	3

S.E.C. Registration Number

A S I A N T E R M I N A L S I N C .

(Company's Full Name)

A T I H E A D O F F I C E A . B O N I F A C I O

D R I V E , P O R T A R E A , M A N I L A

(Business Address : No. Street Company / Town / Province)

Contact Person	Company Telephone Number
ATTY. RODOLFO G. CORVITE,JR.	85286000

0 6	2 9	**SEC FORM 17-A**	0 6	0 4
Month	*Day*	FORM TYPE	*Month*	*Day*

4th Thursday of April

Annual Meeting For 2020

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

8 2 2

Total No. of Stockholders
As of 05-31-2020

Domestic

Foreign

To be accomplished by SEC Personnel concerned

File Number

LCU

Document I.D.

Cashier

S T A M P S

Remarks = pls. use black ink for scanning purposes.

SEC Number: 133653
File Number:________

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

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

8528-6000
(Telephone Number)

December 31
Calendar Year Ending
(Month & Day)

SEC Form 17-A
Form Type

NA
Amendment Designation (if applicable)

December 31, 2019
Period Ended Date

__N/A
(Secondary License Type and File Number)

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, 2019
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) 8528-6000
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 [X] 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 [X] 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, 2019	1,346,576,627
Closing price per share as of June 23, 2020 (last trading day)	P16.90
Market value of stocks held by non-affiliates as of June 23, 2020	P22.76B

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 South Harbor concession for twenty-five (25) years or until May 2038.

The Container Terminal Division handles stevedoring, arrastre, warehousing, storage, cranage, container freight station (CFS) and other port-related services for international cargoes. ATI's 5-year lease contract commencing in 2011 over two parcels of land located in Sta. Mesa, City of Manila continued and is extended until January 2022. This land is being used exclusively as an off-dock container depot. ATI contracted for the use of a two-hectare area at Barangay 101, Radial Road 10, as an extension of the Manila South Harbor for long-staying cargoes, for one year extendible for another year.

Pier 15 is dedicated to General Stevedoring operations which provide arrastre, stevedoring and storage services to international shipping lines. In addition to this, cruise vessels are also docking at Pier 15.

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, DOTC valid until January 2025.

The ATI South Harbor facility has completed the follow-up audit for the Integrated Management Systems last October 2019 which covered ISO 14001:2015 (Environment), ISO 45001:2018 (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 and Empty Container Depot (Laguna)

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.

The facility is equipped with CCTV cameras for security monitoring.

In 2019, the Empty Container Depot (ECD) (located near ICD) was established. The ECD serves as depot for shipping lines. This provides greater operational efficiency and minimizes locators' costs. It is currently used for storing empties that will later be transferred to the Port of Batangas or recirculated as laden exports for Laguna based manufacturing companies that ship via the Port of Batangas.

The Inland Clearance Depot has completed the follow-up audit for the Integrated Management Systems last October 2019 which covered ISO 14001:2015 (Environment), ISO 45001:2018 (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 December 20, 2019, Asian Terminals, Inc., its subsidiary ATI Batangas, Inc., and the Philippine Ports Authority have signed the First Amendment to said contract extending the term for an additional 10 years from September 30, 2025 up to June 30, 2035.

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” has been extended until 2 April 2022. 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 2019 which covered ISO 14001:2015 (Environment), ISO 45001:2018 (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, but was renewed to be effective until 19 October 2015, extended until 2017, and then was renewed effective

1 December 2017 until 29 February 2024.The agreement for this facility was included in the 2015 and 2019 contract for the Phase 1 Port of Batangas.

ATI 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.

The Batangas Supply Base has completed the follow-up audit for the Integrated Management Systems last October 2019 which covered ISO 14001:2015 (Environment), ISO 45001:2018 (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 PEZA 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. On 1 September 2019, ATI agreed to enter the Main Lease Term (25 years) upon Completion of the Conditions Precedents, which took place on 15 December 2019. 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 14001:2015, OHSAS 18001:2007 and ISO 9001:2015 certified since 2004. It is Investors in People (IiP) certified beginning June 16, 2009. In September 2015, SCIPSI reached the IiP – Gold Accreditation. SCIPSI won the IiP Gold Employer of the Year (International) Award in June 2016, the IiP Excellence in Social Responsibility Award in November 2018, and the IiP Reward and Recognition Award in November 2019 in London, UK.

The International Ship and Port Facility Security Code compliance certificate for the Port of General Santos issued by the Office of Transport Security (OTS) is valid until October 8, 2022.

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, 2019:

	2019		2018		2017	
Service	**Amount**	**% to Total**	**Amount**	**% to Total**	**Amount**	**% to Total**
Stevedoring	6,027,019	45%	5,368,521	44%	4,833,068	46%
Arrastre	4,666,414	35%	4,572,477	37%	3,715,092	35%
Logistics	91,289	1%	72,726	1%	104,286	1%
Special/Other Services	2,544,719	19%	2,262,954	18%	1,950,726	18%
TOTAL	**13,329,441**	**100%**	**12,276,678**	**100%**	**10,603,172**	**100%**

	2019		2018		2017	
Source	**Amount**	**% to Total**	**Amount**	**% to Total**	**Amount**	**% to Total**
Domestic	501,432	4%	406,690	3%	327,524	3%
Foreign	12,828,009	96%	11,869,988	97%	10,275,648	97%
TOTAL	**13,329,441**	**100%**	**12,276,678**	**100%**	**10,603,172**	**100%**

Competition

ATI manages the South Harbor at the Port of Manila. Its major competitor on the container business is International Container Terminal Services, Inc., which operates the Manila International Container Terminal; 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.

Both the Inland Clearance Depot (ICD) and Empty Container Depot (ECD) compete 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 1,913 as of December 31, 2019. Of the total, 1,583 are in Operations, 201 are in Maintenance and 129 are in Management and Administration. The projected headcount for next 12 months is 2,078.

About 77% 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)	12/01/18	11/30/23
Stevedores	Katipunan ng mga Mangagawa sa Daungan	12/01/18	11/30/23
Field Supervisors	Associated Skilled and Technical Employees Union	08/16/16	08/15/21
Checkers	South Harbor Independent Port Checkers Union	09/07/16	09/06/21
Stevedores and dockworkers	Batangas Pier Stevedores and Labor Union	11/06/17	11/05/22

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

Costs and Effects of Compliance with Environmental Laws

In 2019 ATI incurred approximately Php 10.2 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 has transitioned to the newly published ISO 45001:2018 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. Regular monitoring and updating of system, assets and policies are ensured to maintain order and implement improvements in response to the growing market.

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

Item 2. Properties

PROPERTIES

The Company has outstanding leases and subleases covering land, buildings, and offshore area in Manila (Sta. Mesa and Tondo), Laguna (Calamba), Batangas (Sta. Clara) and Cavite (Tanza). Rental expenses on these properties in 2019 totaled P119.0 million. The current lease agreements have various expiration dates with the longest term expiring in August 2043. 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 TEUs prior to 2013 and has now been brought up to 1.4m TEUs through developments since 2013. South Harbor provides optimal service through modern equipment comprising of nine ship-to-shore cranes, 23 rubber-tired gantry cranes, container stackers, empty handlers, and internal transfer vehicles and forklifts. The Truck Holding Area can accommodate up to 100 trucks. South Harbor has a Container Freight Station (CFS) and a Designated Examination Area with two pass-through container x-ray portals and backup mobile x-ray machines operated by the Bureau of Customs. The South Harbor facility offers efficient gate access through six corridors connecting to main roadways. The Terminal Operating System (TOS) is powered by Zodiac, an innovative system developed inhouse by DP World in partnership with ATI, which has more advanced features to boost terminal efficiency and productivity.

The General Stevedoring 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 is equipped with annually certified lifting gears and multiple heavy forklifts rated up to 30 tons. A warehouse was converted to a passenger terminal which serves international cruise vessel berthing in ATI.

Inland Clearance Depot and Empty Container Depot (Laguna)

Inland Clearance Depot (ICD) is a 4.2 hectare container yard facility. It has a maximum capacity of 2,500 TEUs. It is equipped with two (2) toploaders, two (2) reachstackers 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.

The Empty Container Depot (ECD) is a 5.2 hectare yard located 10 minutes from the ICD facility. It is currently used for storing empties that will later be transferred to the Port of Batangas or recirculated as laden exports for Laguna based manufacturing companies that ship via the Port of Batangas. The ECD is strategically located between the port of Manila & Batangas and serves to ease high yard utilization at either facility during peak season. It is operated with 2 Side Loaders and a 16 ton forklift, 24 hours a day and 6 days a week.

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.

In 2018, ATI unveiled a modern Multilevel Car Storage Facility in ATIB, which has since increased the port's capacity to handle around 13,000 completely-built imported car units at any one time.

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

The Batangas Container Terminal ("A-1", Phase 2) is the preferred international gateway terminal for South Luzon and Calabarzon (Cavite, Laguna, Batangas, Rizal and Quezon).

ATI in 2019 has expanded BCT in response to growing market demand. BCT has a quay length spanning 670 meters for 2 berths, berth 1 with a draft of 13m and berth 2 with a draft of 14m. BCT's approximate area of 180,000 sqm include the container yard, working apron, maintenance and control buildings, gates and roadways. The terminal has a total ground slots for 2,870 twenty-foot equivalent container units. Efficient operations is complemented by four ship-to-shore cranes, 8 rubber-tired gantry cranes and other container handling equipment. The terminal is also equipped with 10 reefer platforms with 352 plugs, with back-up generator sets and covered by a network of CCTV cameras. The Terminal Operating System is powered by Zodiac OPS7.

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. The RTC declared Mafsicor as again in default for failure to appear during the pre-trial hearings on February 23, March 23 and April 12, 2018, and the case was set for presentation of ATI's witness. Mafsicor filed Motions for Reconsideration (re: declaration of default) and to Inhibit against the Presiding Judge. ATI filed comments to the said motion. A clarificatory hearing was set on 6 July 2018. The RTC Manila – Branch 31 Presiding Judge granted the inhibition and the case was raffled to RTC Manila – Branch 16, presided by Judge Janice Yulo-Antero. During the status conference on October 10, the parties were required to submit respective executive summaries by 9 November 2018. ATI timely submitted its executive summary. On 21 February 2019, ATI and Mafsicor filed a Joint Motion to Dismiss the main case with the trial court on the ground of settlement between the parties. Following the Regional Trial Court's approval of the settlement through a Decision Based on Joint Motion to Withdraw and/or Dismiss dated February 28, 2019, on 5 November 2019, the Court issued a Certificate of Finality of Judgment. With this issuance, the case is now considered closed and terminated.

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.

Item 4. Submission of Matters to a Vote of Security Holders

None.

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.

2018	High	Low
First Quarter (Jan. – Mar.)	13.10	11.00
Second Quarter (Apr. – June)	13.48	12.28
Third Quarter (July – Sept.)	16.94	13.02
Fourth Quarter (Oct. - Dec.)	13.88	13.00
2019	**High**	**Low**
First Quarter (Jan. – Mar.)	16.80	14.02
Second Quarter (Apr. – June)	21.50	14.36
Third Quarter (July – Sept.)	21.60	18.04
Fourth Quarter (Oct. - Dec.)	19.60	17.00

On December 27, 2019 (last day when ATI shares were traded for 2019), ATI shares were traded at its highest for the price of Php18.50, lowest for Php18.00 and closed at Php18.50.

The number of stockholders as of December 31, 2019 was 823. Of the 2,000,000,000 common shares outstanding as of December 31, 2019, a total 775,455, 752 or 38.77% are foreign-owned.

Top 20 stockholders as of December 31, 2019:

Name		No. of Shares	% to Total
1.	DP World Australia (Poal) Pty. Ltd	346,466,600.00	17.32
2.	ATI Holdings, Inc.	291,371,230.00	14.57
3.	PCD Nominee Corp - Filipino	239,116,734.00	11.96
4.	Pecard Group Holdings, Inc.	198,203,968.00	9.91
5.	Philippine Seaport Inc.	196,911,524.00	9.85
6.	Daven Holdings, Inc.	155,906,071.00	7.80
7.	PCD Nominee Corp - Non Filipino	136,721,778.00	6.84
8.	SG Holdings, Inc.	130,000,000.00	6.50
9.	Morray Holdings, Inc.	100,000,000.00	5.00
10.	Harbourside Holding Corp.	80,000,000.00	4.00
11.	Aberlour Holding Company, Inc.	71,517,463.00	3.58
12.	Rescom Developers, Inc.	26,627,884.00	1.33
13.	Tanco, Eusebio H.	15,257,663.00	0.76
14.	Granite Realty Corporation	1,000,000.00	0.05
15.	Luym, Douglas	800,000.00	0.04
16.	Tanco, Joseph Luym	795,000.00	0.04
17.	Oben, Reginaldo Oben &/Or Teresa	784,266.00	0.04
18.	Tangco, Joseph Agustin Eusebio L.	500,000.00	0.03
19.	Tanco, Martin Khu	355,416.00	0.02
20.	Tanco, Patrick	330,416.00	0.02
	TOTAL	1,992,666,013.00	99.63%

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 26, 2018	0.45	May 22, 2018
April 25, 2019	0.5625	May 24, 2019

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, 2019 of P13,329.4 million went up by 8.6% from P12,276.7 million in 2018. Revenues from South Harbor international containerized cargo and Batangas Container Terminal increased from last year by 5.1% and 37.8%, respectively, on account of higher container volumes, which grew by 10.7% and 25.6%, respectively.

Port authorities' share in revenues in 2019 of P2,329.1 million increased by 2.6% from P2,270.1 million in 2018 as a result of higher revenues subject to port authorities' share.

Cost and expenses in 2019 amounted to P5,606.4 million, 13.5% higher than P4,940.9 million in 2018. Labor costs in 2019 of P1,551.9 million were higher by 6.1% compared to P1,462.6 million in 2018 due to salary rate increases and additional headcount related to higher volumes. Depreciation and amortization in 2019 increased by 35.3% to P1,530.0 million from P1,130.9 million in 2018. Equipment running in 2019 went up by 1.8% to P812.3 million from P798.0 million in 2018 due to higher usage of equipment tyres, higher electricity and higher fuel costs resulting from higher prices and higher consumption. Taxes and licenses in 2019 increased by 43.4% to P390.2 million from P272.1 million in 2018 due to higher real property taxes and business taxes. Management fees in 2019 grew by 30.5% to P229.8 million from P176.1 million in 2018 following higher earnings before tax. Security, health, environment and safety in 2019 of P212.7 million were higher by 3.5% compared to P205.4 million in 2018 due to increase in safety initiatives. Facilities-related expenses in 2019 went up by 5.0% to P210.5 million from P200.5 million in 2018 due to higher repair and maintenance costs on buildings and lightings. Provision for claims of P109.5 million in 2019 increased by 325.6% compared to P25.7 million last year due to higher provision for claims. Insurance of P110.7 million in 2019 increased by 26.9% compared to P87.3 million last year due to higher insurance premiums. General transport of P96.4 million in 2019 were higher by 109.1% than P46.1 million in 2018 on account of higher trucking costs. Entertainment, amusement and recreation in 2019 of P8.9 million went up by 14.4% from P7.8 million last year. Other expenses in 2019 totaled P222.2 million, went up by 4.2% from P213.4 million in 2018 due to higher general operations and additional provision for inventory obsolescence.

On the other hand, rental expenses in 2019 of P38.9 million decreased by 73.8% from P148.1 million in 2018 due to reclassification of facility rent under PFRS 16. Professional fees in 2019 of P26.3 million went down by 67.4% from P80.5 million last year due to lower consultancy fees. Marketing, commercial, and promotion in 2019 decreased by 35.2% to P56.0 million from P86.5 million due to lower advertising costs.

Finance income amounted to P157.3 million in 2019, 39.0% up from P113.2 million in 2018 due to higher interest rates for money market placements. Finance costs in 2019 of P558.9 million were higher by 3.4% compared to P540.4 million in 2018. Others-net in 2019 was at P216.7 million in 2019 from negative P627.8 million in 2018 mainly due to last year's fair value losses in cash flow hedge.

Income before income tax in 2019 of P5,209.1 million was higher by 29.9% compared to P4,010.7 in 2018. Provision for income tax in 2019 increased by 32.5% to P1,493.5 million from P1,127.3 million in 2018.

Net income for the year ended December 31, 2019 improved by 28.9% to P3,715.6 million from P2,883.4 million last year. Earnings per share was up to P1.86 in 2019 from P1.44 in 2018.

Plans for 2020

Asian Terminals Inc. will continuously optimize its ports in Manila and Batangas for containerized cargo, non-containerized cargo and passenger handling to support the growth of customers and respond to future market demand.

At the core of this is ATI's programed capital investments worth Php 10.0 billion for 2020 in line with its investment commitment with the Philippine Ports Authority.

ATI will invest in the acquisition of more cargo handling equipment and develop related logistics infrastructure projects in Manila, Batangas, Laguna and Cavite, to further grow capacity, increase efficiency and enhance safety performance, in support of the growing Philippine economy. These investments are aligned with the company's drive to add greater value to customers by being present in every step of their logistics cycle and by bringing goods closer and faster to beneficial cargo owners.

As a forward-looking company, ATI keeps its eyes peeled for more business growth drivers, including developing additional cargo storage spaces within and outside the port zones, offering ancillary services leveraged on its core ports business and exploring new port operations locally or overseas, given the right opportunity.

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

Consolidated Financial Condition

Total assets as of December 31, 2019 increased by 7.3% to P31,254.1 million from P29,123.2 million as of December 31, 2018. Total current assets as of December 31, 2019 down by 7.2% to P8,422.3 million from P9,080.4 million as of December 31, 2018. Cash and cash equivalents as of December 31, 2019 were lower by 17.8% to P5,647.3 million from P6,868.5 million as of December 31, 2018. Trade and other receivables-net as of December 31, 2019 down by 15.0% to P630.6 million from P742.0 million as of December 31, 2018. Spare parts and supplies-net as of December 31, 2019 of P748.5 million were higher by 47.5% compared to P507.5 million as of December 31, 2018 in support of operational requirements and equipment maintenance program. Prepaid expenses of P1,395.9 million as of December 31, 2019 went up by 45.0% from P962.4 million as of December 31, 2018 on account of higher input taxes on PPA fees and various purchases.

Total non-current assets of P22,831.8 million as of December 31, 2019 were higher by 13.9% compared to P20,042.7 million as of December 31, 2018. Property and equipment-net increased by 5.7% to P934.1 million as of December 31, 2019 from P883.9 million as of December 31, 2018. Additions to property and equipment which were not subject of the service concession arrangement totaled P194.4 million in 2019. Intangible assets-net as of December 31, 2019 of P20,051.2 million were higher by 11.6% compared to P17,962.6 million as of December 31, 2018. Acquisitions of intangible assets which consisted of civil works and cargo handling equipment that were subject of the service concession arrangement amounted to P2,747.5 million in 2019. Right-of-use assets – net was at P676.1 million as of December 31, 2019, based on new accounting standard PFRS 16 effective January 1, 2019. Deferred tax assets-net as of December 31, 2019 of P1,013.2 million went up by 6.5% to P951.3 million as of December 31, 2018, pertaining to additional deferred tax on concession rights payable and unrealized foreign exchange losses. Other noncurrent assets as of December 31, 2019 decreased by 33.3% to P107.6 million from P161.3 million as of December 31, 2018.

Total liabilities went down by 2.6% to P12,924.1 million as of December 31, 2019 from P13,269.3 million as of December 31, 2018. Trade and other payables as of December 31, 2019 of P3,253.0 million were lower by 14.3% than P3,797.4 million as of December 31, 2018. Trade and other payables are covered by agreed payment schedules. Provision for claims went up to P259.8 million as of December 31, 2019 from P219.4 million as of December 31, 2018. Income and other taxes payable increased by 5.7% to P313.3 million as of December 31, 2018 from P296.2 million as of December 31, 2018. Port concession rights payable (current and noncurrent) as of December 31, 2019 totaled P8,303.0 million, 0.7% lower than P8,866.9 million as of December 31, 2018 due to payments of government share in 2019. Lease liabilities (current and noncurrent) was at P640.9 million as of December 31, 2019, based on new accounting standard PFRS 16 effective January 1, 2019. Pension liability as of December 31, 2019 of P184.1 million were higher by 236.3% compared to P54.8 million as of December 31, 2018.

Consolidated Cash Flows

Net cash provided by operating activities increased by 0.6% to P4,038.4 million in 2019 from P4,061.8 million in 2018 due to higher operating income and decrease in trade and other receivables reduced by decrease in trade and other payables and prepaid expenses.

Net cash used in investing activities in 2019 of P3,125.1 million were 25.3% higher than P2,494.2 million in 2018 due to higher acquisitions of intangible assets reduced by decrease in other noncurrent assets.

Cash used in financing activities in 2019 of P2,030.5 million were higher by 20.7% than the P1,682.4 million in 2018 due to higher payments of cash dividends and payments of lease liabilities. Cash dividends paid amounted to P1,125.0 million and P900.0 million in 2019 and 2018, respectively.

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

The Group has adopted the following new standard, amendments to standards and interpretations starting January 1, 2019 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption did not have any significant impact on the Group's consolidated financial statements.

- PFRS 16 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 also introduced.

  The Group has applied PFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under PAS 17 and Philippine Interpretation IFRIC 4, *Determining Whether an Arrangement Contains a Lease*. The details of the accounting policies under PAS 17 and Philippine Interpretation IFRIC 4 are disclosed separately if they are different from those under PFRS 16 and the impact of changes is disclosed below.

  On transition to PFRS 16, the Group recognized right-of-use assets, and lease liabilities, recognizing the difference in retained earnings. The impact on transition is summarized below.

	January 1, 2019
Right-of-use assets	**P587,088**
Lease liabilities	**555,635**
Prepaid expenses	**(53,379)**
Trade and other payables	**(10,310)**
Retained earnings	**(11,616)**

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted the remaining lease payments using its incremental borrowing rate at the date of initial application. The carrying amount of right-of-used assets was measured as if PFRS 16 has been applied since the commencement date, discounted using the Group's incremental borrowing rate at the date of initial application. The weighted average rate applied is 7.17%.

	January 1, 2019
Operating lease commitments at December 31, 2018 as disclosed under PAS 17	**P896,008**
Discounted using the incremental borrowing rate at January 1, 2019	**555,635**
Lease liabilities recognized at January 1, 2019	**555,635**

The Group used a number of practical expedients when applying PFRS 16 to leases previously classified as operating leases under PAS 17. In particular, the Group:

- did not recognize right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognize right-of-use assets and liabilities for leases of low value assets;
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term.

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 2020 is P10.0 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 2019:

- ATIB's total assets were only 10.1% of the consolidated total assets
- Income before other income and expense from ATIB was only 6.9% of consolidated income before other income and expense.[1]

Consolidated KPI	Manner of Calculation	2019	2018	Discussion
Return on Capital Employed	Percentage of income before interest and tax over capital employed	20.1%	20.7%	Decreased due to increase in intangible assets.
Return on Equity attributable to equity holders of the parent	Percentage of net income over equity attributable to equity holders of the parent	21.7%	19.6%	Improved due to increase in net income.
Current ratio	Ratio of current assets over current liabilities	1.98 : 1.00	1.96 : 1.00	Increase due to lower current assets.
Asset to equity ratio	Ratio of total assets over equity attributable to equity holders of the parent	1.71 : 1.00	1.84 : 1.00	Decreased due to increase in retained earnings.
Debt to equity ratio	Ratio of total liabilities over equity attributable to equity holders of the parent	0.71 : 1.00	0.84 : 1.00	Improved due to increase in retained earnings
Days Sales in Receivables (DSR)	Gross trade receivables over revenues multiplied by number of days	11 days	16 days	Decreased due to improved collection.
Net Income Margin	Net income over revenues less government share in revenues	33.8%	28.8%	Increased due to higher net income growth.
Reportable Injury Frequency Rate (RIFR)[2]	Number of reportable injuries within a given accounting period relative to the total number of hours worked in the same accounting period.	0.82	0.73	Increased due to higher number of injuries.

Summary of Selected Financial Data (in millions)

Description	*Year ended December 31, 2019*	*Year ended December 31, 2018*
Revenues	*P13,329.4*	*P12,276.7*
Net income	*3,715.6*	*2,883.4*
Total assets	*31,254.1*	*29,123.2*
Total liabilities	*12,924.1*	*13,269.3*

[1] Income before interest and tax excludes also net unrealized foreign exchange losses and others.

[2] 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 Fatalities incidents.

<u>Years ended December 31, 2018 and 2017</u>

Revenues for the year ended December 31, 2018 of P12,276.7 million went up by 15.8% from P10,603.2 million in 2017. Revenues from South Harbor international containerized cargo and Batangas Container Terminal increased from last year by 15.6% and 37.2%, respectively, on account of higher container volumes, which grew by 6.1% and 25.9%, respectively. Further, revenue growth at the South Harbor operations was augmented by the tariff increases on vessel-related and cargo-related charges pursuant to PPA Memorandum Circular No. 07-2018, under which, tariffs on vessel and cargo handling charges on international containerized and non-containerized cargoes at the South Harbor were increased by 7.0% effective on June 5, 2018. On the other hand, revenues from Port of Batangas were down from last year by 3.3% due to lower volumes.

Port authorities' share in revenues in 2018 of P2,270.1 million increased by 18.6% from P1,914.4 million in 2017 as a result of higher revenues subject to port authorities' share.

Cost and expenses in 2018 amounted to P4,940.9 million, 11.4% higher than P4,436.2 million in 2017. Labor costs in 2018 of P1,462.6 million were higher by 14.0% compared to P1,282.9 million in 2017 due to salary rate increases and additional headcount related to higher volumes. Equipment running in 2018 went up by 34.0% to P798.0 million from P595.4 million in 2017 due to higher usage of equipment spare parts and higher fuel costs resulting from higher prices and higher consumption. Taxes and licenses in 2018 increased by 6.2% to P272.1 million from P256.1 million in 2017 due to increase in realty taxes related to increase in assessed values. Security, health, environment and safety in 2018 of P205.4 million were higher by 13.0% compared to P181.8 million in 2017 due to higher security costs brought about by rate increase and additional security posts. Facilities-related expenses in 2018 went up by 32.0% to P200.5 million from P151.9 million in 2017 due to higher repair and maintenance costs on buildings, surface and pavement, wharves and IT costs. Professional fees in 2018 of P80.5 million went up by 229.0% from P24.5 million last year due to higher legal expenses and consultancy fees. Marketing, commercial, and promotion in 2018 increased by 89.0% to P86.5 million from P45.7 million due to higher advertising costs. Management fees in 2018 grew by 17.6% to P176.1 million from P149.7 million in 2017 following higher earnings before tax. Other expenses in 2018 totaled P213.4 million, went up by 32.7% from P160.8 million in 2017 due to higher general operations, community investments and provision for inventory obsolescence.

On the other hand, Depreciation and amortization in 2018 of P1,130.9 million decreased by 4.2% from P1,180.7 million in 2017 due to full amortization of QC6 and QC9 last June 2017. Provision for claims in 2018 of P25.7 million were lower by 83.3% compared to P154.1 million in 2017 due to lower provision for civil case.

Finance income amounted to P113.2 million in 2018, 32.2% up from P85.6 million in 2017 due to higher interest rates for money market placements. Finance costs in 2018 of P540.4 million were lower by 4.8% compared to P567.7 million in 2017 due to declining interest expense on port concession rights payable. Others-net in 2018 was negative P627.8 million, 86.9% higher than P335.9 million in 2017 mainly due to fair value losses on cash flow hedge and foreign exchange losses on port concession rights payable following the depreciation of the Philippine Peso against the US Dollar.

Income before income tax in 2018 of P4,010.7 million was higher by 16.8% compared to P3,434.5 million in 2017. Provision for income tax in 2018 increased by 19.3% to P1,127.3 million from P944.8 million in 2017.

Net income for the year ended December 31, 2018 improved by 15.8% to P2,883.4 million from P2,489.7 million last year. Earnings per share was up to P1.44 in 2018 from P1.24 in 2017. Without the foreign exchange impact – as per accounting rules brought in since 2013 – net income would have been P3,401.5 million, 21.7% higher than P2,795.3 million in 2017, on a like-for-like basis.

Consolidated Financial Condition

Total assets as of December 31, 2018 increased by 13.0% to P29,123.2 million from P25,765.2 million as of December 31, 2017. Total current assets as of December 31, 2018 grew by 7.2% to P9,080.4 million from P8,469.2 million as of December 31, 2017. Cash and cash equivalents as of December 31, 2018 were lower by 1.1% to P6,868.5 million from P6,945.2 million as of December 31, 2017. Trade and other receivables-net as of December 31, 2018 rose by 51.3% to P742.0 million from P490.5 million as of December 31, 2017. Spare parts and supplies-net as of December 31, 2018 of P507.5 million were higher by 25.7% compared to P403.7 million as of December 31, 2017 in support of operational requirements and equipment maintenance program. Prepaid expenses of P962.4 million as of December 31, 2018 went up by 52.8% from P629.9 million as of December 31, 2017.

Total non-current assets of P20,042.7 million as of December 31, 2018 were higher by 15.9% compared to P17,296.0 million as of December 31, 2017. Property and equipment-net increased by 56.3% to P883.9 million as of December 31, 2018 from P565.6 million as of December 31, 2017. Additions to property and equipment which were not subject of the service concession arrangement totaled P436.2 million in 2018. Intangible assets-net as of December 31, 2018 of P17,962.6 million were higher by 14.0% compared to P15,753.2 million as of December 31, 2017. Acquisitions of intangible assets which consisted of civil works and cargo handling equipment that were subject of the service concession arrangement amounted to P3,222.4 million in 2018. Deferred tax assets-net as of December 31, 2018 of P951.3 million went up by 14.5% to P831.0 million as of December 31, 2017, pertaining to additional deferred tax on concession rights payable and unrealized foreign exchange losses. Other noncurrent assets as of December 31, 2018 increased by 172.5% to P161.3 million from P59.2 million as of December 31, 2017.

Total liabilities went up by 9.4% to P13,269.3 million as of December 31, 2018 from P12,129.7 million as of December 31, 2017. Trade and other payables as of December 31, 2018 of P3,797.4 million were higher by 41.2% than P2,690.2 million as of December 31, 2017. Trade and other payables are covered by agreed payment schedules. Provision for claims went up to P219.4 million as of December 31, 2018 from P204.5 million as of December 31, 2017. Income and other taxes payable increased by 4.9% to P330.9 million as of December 31, 2018 from P315.3 million as of December 31, 2017. Port concession rights payable (current and noncurrent) as of December 31, 2018 totaled P8,866.9 million, 0.2% above the P8,806.6 million as of December 31, 2017. Pension liability as of December 31, 2018 of P54.8 million were lower by 51.6% compared to P113.1 million as of December 31, 2017.

Consolidated Cash Flows

Net cash provided by operating activities decreased by 16.9% to P4,138.7 million in 2018 from P4,979.9 million in 2017 due to lower trade and other payables.

Net cash used in investing activities in 2018 of P2,564.3 million were 12.3% higher than P2,282.8 million in 2017 due to higher acquisitions of property and equipment and intangible assets.

Cash used in financing activities in 2018 of P1,689.1 million were higher by 3.2% than the P1,636.7 million in 2017 due to higher payments of port concession rights payable and cash dividends. Cash dividends paid amounted to P900.0 million and P860.0 million in 2018 and 2017, respectively.

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

The Group has adopted the following new standards, amendments to standards and interpretations starting January 1, 2018 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption did not have any significant impact on the Group’s consolidated financial statements.

- 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 that reflects the business model in which assets are managed and their cash flow characteristics, including a new forward-looking expected credit loss model for calculating impairment, and guidance on own credit risk on financial liabilities measured at fair value. 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.

  Classification, Measurement and Impairment of Financial Assets

  The following table shows the original measurement categories under PAS 39 and the new measurement categories under PFRS 9 for each class of the Group's financial assets as at January 1, 2018.

	Original Classification under PAS 39	**New Classification under PFRS 9**	**Original Carrying Amount under PAS 39**	**New Carrying Amount under PFRS 9**
Financial Assets				
Cash and cash equivalents	Loans and receivables	Amortized cost	P6,945,189	**P6,945,189**
Trade and other receivables	Loans and receivables	Amortized cost	509,068	**509,068**
Deposits	Loans and receivables	Amortized cost	33,845	**33,845**
Equity securities	Available for sale	FVOCI - equity	2,652	**2,652**
Total financial assets			P7,490,754	**P7,490,754**

  For assets in the scope of the PFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Group has determined that the application of PFRS 9's impairment requirements at January 1, 2018 did not result in an additional allowance for impairment.

  The Group has applied PFRS 9 retrospectively but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Group's previous accounting policy.

  Hedge Accounting

  As permitted by the standard, the Group did not adopt the new hedge accounting requirements and continues to apply the hedge accounting requirements of PAS 39.

- 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 Group expects to be entitled.

PFRS 15 requires a contract with a customer to be legally enforceable and to meet certain criteria to be within the scope of the standard and for the general model to apply. It introduces detailed guidance on identifying performance obligations which requires entities to determine whether promised goods or services are distinct. It also introduces detailed guidance on determining transaction price, including guidance on variable consideration and consideration payable to customers. The transaction price will then be generally allocated to each performance obligation in proportion to its stand-alone selling price.

Depending on whether certain criteria are met, revenue is recognized over time, in a manner that best reflects the Group'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 PFRS. 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.

Due to the transition method (cumulative effect method) chosen in applying PFRS 15, comparative information has not been restated to reflect the new requirements. The Group has not identified significant impacts to amounts recognized in the financial statements in the application of PFRS 15. However, the Group has adopted the new disclosure requirements including the disaggregation of revenue into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors and has aligned the description of its accounting policies with PFRS 15.

In conjunction with the adoption of PFRS 15, the consequential amendments to Philippine Interpretation IFRIC 12, *Service Concession Arrangements*, has no significant impact to the Group.

- 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.

<u>Standards Issued But Not Yet Adopted</u>
A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2018. However, the Group has not early adopted 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, 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 at or before the date of initial application of PFRS 16.

The Group has decided it will apply the modified retrospective adoption method in PFRS 16, and, therefore, will only recognize leases on balance sheet as at January 1, 2019. In addition, it has decided to measure right-of-use assets by reference to the measurement of the lease liability on that date. This will ensure there is no immediate impact to net assets on that date.

As at December 31, 2018 operating lease commitments amounted to P723.1 million, which is not expected to be materially different from the anticipated position on December 31, 2019. Assuming the Group's lease commitments remain at this level, the effect of discounting those commitments is anticipated to result in right-of-use assets and lease liabilities of approximately P553.2 million being recognized on January 1, 2019. However, further work still needs to be carried out to determine whether and when extension and termination options are likely to be exercised, which will result in the actual liability recognized being higher or lower. Instead of recognizing an operating expense for its operating lease payments, the Group will instead recognize interest on its lease liabilities and amortization on its right-of-use assets.

- 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 consolidated 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 Group chosen tax treatment. If it is not probable that the tax authority will accept the Group 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. The interpretation can be initially applied retrospectively applying PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors* if possible without the use of hindsight, or retrospectively with the cumulative effect recognized at the date of initial application without restating comparative information.

  The Group is currently assessing the impact of the Philippine Interpretation IFRIC-23.

- 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 FVOCI 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.

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.

▪ *Plan Amendment, Curtailment or Settlement* (Amendments to PAS 19, *Employee Benefits).* The amendments clarify that on amendment, curtailment or settlement of a defined benefit pension plan, an entity now uses updated actuarial assumptions to determine its current service cost and net interest for the period. The effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income.
The amendments apply for plan amendments, curtailments or settlements that occur on or after the beginning of the first annual reporting period that begins on or after January 1, 2019. Earlier application is permitted.

▪ *Annual Improvements to PFRSs 2015 - 2017 Cycle*. This cycle of improvements contains amendments to four standards:

- Previously held interest in a joint operation (Amendments to PFRS 3, *Business*

Combinations and PFRS 11, *Joint Arrangements*). The amendments clarify how a company accounts for increasing its interest in a joint operation that meets the definition of a business. If a party maintains or obtains joint control, then the previously held interest is not remeasured. If a party obtains control, then the transaction is a business combination achieved in stages and the acquiring party remeasures the previously held interest at fair value.
The amendments apply to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019. Earlier application is permitted.

- Income tax consequences of payments on financial instruments classified as equity (Amendments to PAS 12). The amendments clarify that all income tax consequences of dividends, including payments on financial instruments classified as equity, are recognized consistently with the transactions that generated the distributable profits, i.e. in profit or loss, Other Comprehensive Income or equity.

  The amendments are effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted. When an entity first applies those amendments, it shall apply them to the income tax consequences of dividends recognized on or after the beginning of the earliest comparative period.

- *Borrowing costs eligible for capitalization* (Amendments to PAS 23, *Borrowing Costs)*. The amendments clarify that the general borrowings pool used to calculate eligible borrowing costs excludes only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying assets that are now ready for their intended use or sale are included in that general pool.

  The amendments are effective for annual periods beginning on or after January 1, 2019. Earlier application is permitted. The amendments are applied to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies the amendments.

Effective January 1, 2020

- *Amendments to References to Conceptual Framework in PFRS Standards* sets out amendments to PFRS Standards, their accompanying documents and PFRS practice statements to reflect the issuance of the revised Conceptual Framework for Financial Reporting in 2018 (2018 Conceptual Framework). The 2018 Conceptual Framework includes:

  - a new chapter on measurement;
  - guidance on reporting financial performance;
  - improved definitions of an asset and a liability, and guidance supporting these definitions; and
  - clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

  Some Standards, their accompanying documents and PFRS practice statements contain references to, or quotations from, the International Accounting Standards Committee's Framework for the Preparation and Presentation of Financial Statements adopted by the IASB in 2001 or the Conceptual Framework for Financial Reporting issued in 2010. The amendments update some of those references and quotations so that they refer to the 2018 Conceptual Framework, and makes other amendments to clarify which version of the Conceptual Framework is referred to in particular documents.

  These amendments are effective for annual reporting periods beginning on or after January 1, 2020.

- *Definition of a Business (Amendments to* PFRS 3*).* The amendments narrowed and clarified the definition of a business. They also permit a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a business. The amendments:

  - confirmed that a business must include inputs and a process, and clarified that:
    - the process must be substantive; and
    - the inputs and process must together significantly contribute to creating outputs;
  - narrowed the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs; and
  - added a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets.

  The amendments apply to business combinations and asset acquisitions in annual reporting periods beginning on or after January 1, 2020. Earlier application is permitted.

- *Definition of Material (Amendments to* PAS 1, *Presentation of Financial Statements* and PAS 8). The amendments refine the definition of material. The amended definition of material states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify the definition of material and its application by:

  (a) raising the threshold at which information becomes material by replacing the term ‘could influence’ with ‘could reasonably be expected to influence’;
  (b) including the concept of ‘obscuring information’ alongside the concept of ‘omitting’ and ‘misstating’ information in the definition;
  (c) clarifying that the users to which the definition refers are the primary users of general purpose financial statements referred to in the Conceptual Framework;
  (d) clarifying the explanatory paragraphs accompanying the definition; and
  (e) aligning the wording of the definition of material across PFRS Standards and other publications.

  The amendments are expected to help entities make better materiality judgements without substantively changing existing requirements.

  The amendments apply prospectively for annual periods beginning on or after January 1, 2020. Earlier application is permitted.

Deferral of the local implementation of Amendments to PFRS 10, *Consolidated Financial Statements* 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 2019 is P9.0 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 2018:

- ATIB's total assets were only 9.2% of the consolidated total assets
- Income before other income and expense from ATIB was only 6.9% of consolidated income before other income and expense.[3]

Consolidated KPI	Manner of Calculation	2018	2017	Discussion
Return on Capital Employed	Percentage of income before interest and tax over capital employed	20.7%	19.2%	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%	19.6%	
Current ratio	Ratio of current assets over current liabilities	1.96 : 1.00	2.44 : 1.00	Decrease due to higher current liabilities.

[3] Income before other income and expense is defined as income before net financing costs, net gains on derivative instruments and others.

Asset to equity ratio	Ratio of total assets over equity attributable to equity holders of the parent	1.84 : 1.00	1.89 : 1.00	Decrease due to higher equity because of the increase in the net income.
Debt to equity ratio	Ratio of total liabilities over equity attributable to equity holders of the parent	0.84 : 1.00	0.89 : 1.00	Decrease due to higher equity because of the increase in the net income.
Days Sales in Receivables (DSR)	Gross trade receivables over revenues multiplied by number of days	16 days	11 days	Increase due to higher accrued revenues.
Net Income Margin	Net income over revenues less government share in revenues	28.8%	28.7%	Increase due to higher revenues.
Reportable Injury Frequency Rate (RIFR)[4]	Number of reportable injuries within a given accounting period relative to the total number of hours worked in the same accounting period.	0.73	0.53	Due to higher number of injuries.

Summary of Selected Financial Data (in millions)

Description	*Year ended December 31, 2018*	*Year ended December 31, 2017*
Revenues	*P12,276.7*	*P10,603.2*
Net income	*2,883.4*	*2,489.7*
Total assets	*29,123.2*	*25,765.2*
Total liabilities	*13,269.3*	*12,129.7*

Years ended December 31, 2017 and 2016

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

[4] 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.

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 66.4% 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.

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 P181.7 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

P2,118.4 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.

<u>Standards Issued But Not Yet Adopted</u>
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.

- 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.

- *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.

- *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.

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 2019 is P9.0 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.[5]

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.

[5] Income before other income and expense is defined as income before net financing costs, net gains on derivative instruments and others.

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)[6]	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*

Information on Independent Accountant and External Audit Fees

The appointment of R.G. Manabat & Co. as the external auditors of Asian Terminals, Inc. for 2019 was approved by the shareholders during the annual meeting held on April 25, 2019. The same external auditors are being recommended for re-election at the scheduled annual meeting of the Stockholders.

In compliance with Securities Regulation Code Rule 68, Ms. Alicia S. Columbres was appointed as the Partner-in-Charge in 2018.

The aggregate fees for audit services rendered were as follows:

	2019 (P'000)	2018 (P'000)
Audit Fees	3,211.5	3,118.0

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 2019 and 2018.

6 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.

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.

Item 7. Financial Statements

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

Item 8. 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, 2019, the following were the directors and executive officers of Asian Terminals Inc.

Name	Age	Position
Andrew R. Hoad	53	Chairman
Eusebio H. Tanco	70	Director/President
Glen C. Hilton	50	Director
Ahmad Yousef Ahmad Alhassan Al Simreen	40	Director
Roberto C. O. Lim	61	Director
Monico V. Jacob	74	Director
Felino A. Palafox, Jr.	70	Director
Artemio V. Panganiban	83	Director
William Wassaf Khoury Abreu	42	Executive Vice President
Sean James L. Perez	54	Senior Vice President for Commercial and Outports
Rodolfo G. Corvite, Jr.	60	Corporate Secretary and Vice President for Business Support Services
Jose Tristan P. Carpio	51	Treasurer/ Vice President for Finance/CFO
Christopher Joe Styles	50	Vice President for Engineering
Chi Wai Chan	45	Vice President for Manila and Cavite Operations
Rodrigo Leopoldo Sanchez-Gil	42	Vice President for Batangas and Laguna Operations

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, 53, British, joined the Board in February 2018 and became the Chairman in April 2018. He was the former Executive Vice President of ATI from 2012 until March 2018. Mr. Hoad is the current 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, 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, 70, 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), Leisure Resorts World Corporation (since 2019), 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), iACADEMY (since 2002), 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), Philippines First Insurance Co. (since 1973), and CEO of Classic Finance, Inc. (since 2004). He is also the president of Global Resource for Outsourced Workers, Inc. (GROW, Inc.) (since 2002), Bloom with Looms Logistics, Inc. (formerly STMI Logistics, Inc., since 1980), First Optima Realty Corporation (since 1980), 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 Philhealthcare Inc. (since 2009), Philplans First, Inc. (since 2017), Philippine Life Financial Assurance (formerly Asian Life Financial Assurance, since 2012), STI West Negros University (since 2013), United Coconut Chemicals, Inc. (since 1995), M.B. Paseo (since 1980), Philippine Health Educators, Inc. (since 2004), 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, 74, 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 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., 69, 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 28 billion square meters of land area and the architecture of more than 15 million square meters of building floor area in 40 countries. 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 formerly 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 7 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, 83, Filipino. He served as Chief Justice of the Philippines 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, entrepreneur and youth leader. Among such awards is the "Renaissance Jurist of the 21st 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 6th 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.

Glen Christopher Hilton, 50, Australian, was a former director of ATI from 2008 to 2013. He is the current CEO and Managing Director of DP World Australia and was the former CEO of Port of Tanjung Pelepas, Malaysia (2013 to 2016) and VP and Managing Director of DP World South East Asia (2008- 2013), Executive Director of DP World Caucedo (2006-2008) and the General Manager of DP World Adelaide (2001 to 2006). Mr. Hilton was elected in a board meeting last August 22, 2019, to serve the unexpired portion of the term of Mr. Matthew Wells Leech.

Roberto C.O. Lim, 61, Filipino and is a lawyer. He was initially elected as independent director in December 2018, replacing Atty. Teodoro L. Locsin,Jr. He was elected in 2019 as an independent director of the Philippine Stock Exchange and is the Chairman of Inteliconsult Corporation and Vice Chairman and Executive Director of the Air Carriers Association of the Philippines (ACAP). He also teaches Transportation Law at the College of Law of the Lyceum of the Philippines University. Prior to this, he was the former Undersecretary for Aviation and Airports at the Department of Transportation up to 2017. He was the Chairman of Global Legal Advisory Council of International Air Transport Association (IATA), the Vice President for Legal Affairs and Corporate Compliance Officer of Philippine Airlines, Inc., Director of Abacus Holdings and Abacus International Pte, Ltd, a global distribution company based in Singapore. Atty. Lim was a member of the Philippine Negotiating Panel on Air Treaties, Chairman of the IATA Legal Advisory Council and member of the Aero Political Committee of the Association of Asia Pacific Airlines. Atty. Lim's degrees include: a BA in History and Political Science and a BSc in Commerce from De La Salle University; a law degree (LL.B) from the University of the Philippines; and, a Master of Laws (LLM) from Kings' College, University of London. Atty. Lim is the Chairman of Audit Committee and a member of the Corporate Governance Committee and Executive Committee.

Ahmad Yousef Ahmad Alhassan Al Simreen, 40 UAE national, joined the Board last April 2018 and 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, 42**,** a national of Dominican Republic. He is the Executive Vice President of ATI since March 2018. 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, Post Graduate Diploma in Port Mangement from IMTA-STC in Rotterdam in 2001 and has undertaken executive management programs at Michigan Ross School of Business, London Business School and Case Western Reserve University.

Sean James L. Perez, 54, Filipino, is the Senior Vice-President for Commercial and Outports since November 2017. He was the Vice-President for Marketing and Commercial from 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, 51, 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., 60**,** Filipino, is the Corporate Secretary and Compliance Officer since 1997, the Vice President for Business Support Services and Data Protection Officer (since 2017). 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, 45, Chinese, is currently the Vice President for Manila and Cavite Operations. He joined ATI last November 2017 as the Vice President for Group Operations (until April 2019). 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, 50, 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.

Rodrigo Sanchez, 42, American, joined ATI in April 2019 as the Vice President Batangas & Laguna Operations. Before joining ATI, he worked as Director of Operations for Terminal Petikemas Surabaya (TPS), Indonesia from January 2018 to April 2019 and as Global Operations Training Manager at DP World Head Office in Dubai from Mar 2014 to Dec 2017. Mr. Sanchez holds a degree in International Relations from the University of Southern California (USC).

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 P75 million in 2019 and P66 million in 2018. The projected annual compensation in 2020 is P81 million.

   The total annual compensation of all other officers and directors in 2019 amounted to P157 million and in 2018 amounted to P138 million. The projected annual compensation in 2020 is P167 million.

		(in millions of pesos)			
Name and Principal Position	**Year**	**Salary**	**Bonus**	**Other Annual Compensation**	**Total**
Eusebio H. Tanco President/CEO					
William Wassaf Khoury Abreu Executive Vice President					
Christopher Joe Styles Vice President for Engineering					
Chi Wai Chan Vice President for Manila and Cavite Operations					
Rodolfo G. Corvite, Jr. Vice President for Business Support Services					
CEO and 4 most highly compensated officers	2020 (Projected)	63	18	0	81
All other officers* and directors as a group unnamed	2020 (Projected)	131	36	0	167

**Managers and above*

Name and Principal Position	Year	(in millions of pesos)			
		Salary	Bonus	Other Annual Compensation	Total
Eusebio H. Tanco President					
William Wassaf Khoury Abreu Executive Vice President					
Christopher Joe Styles Vice President for Engineering					
Chi Wai Chan Vice President for Manila and Cavite Operations					
Rodolfo G. Corvite, Jr. Vice President for Business Support Services					
CEO and most highly compensated officers	2019 (Actual)	60	15	0	75
All other officers* and directors as a group unnamed	2019 (Actual)	120	37	0	157

Managers and above

Name and Principal Position	Year	(in millions of pesos)			
		Salary	Bonus	Other Annual Compensation	Total
Eusebio H. Tanco President					
Sean James L. Perez SVP for Commercial & Outports					
Rodolfo G. Corvite, Jr. Vice President for Business Support Services					
Christopher Joe Styles Vice President for Engineering					
Chi Wai Chan Vice President for Group Operations					
CEO and most highly compensated officers	2018 (Actual)	55	11	0	66
All other officers* and directors as a group unnamed	2018 (Actual)	109	29	0	138

Managers and above

2) The Directors do not receive compensation for services provided as a director other than reasonable per diems[7] 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.

[7] Directors' per diem amounted to Php2,560,000 (for 2019) and Php3,035,000 (for 2018)).The Chairman receives Php60,000.00 per diem, for every board meeting attended, while members of the Board receive Php50,000.00.

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, 2019, the Company knows of no one who owns in excess of 5% of its common stock except as set forth in the table below:

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. 3rd Floor SSHG Law Centre, 105 Paseo de Roxas Makati City (Stockholder)	ATI Holdings, Inc.	Australian	291,371,230	14.57%
Common	PCD Nominee Corp. (Filipino.)* G/F MKSE Bldg. 6767 Ayala Ave., Makati City	(Beneficial Owners unknown to Issuer) *(AsiaSec Equities, Inc. 8/F Chatham House 116 Valero cor. V. A. Rufino Sts. Salcedo Village, Makati City)*	Filipino	239,116,734 116,991,033	11.96% *(5.85%)*
Common	Pecard Group Holdings, Inc. 3rd 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. 3rd Floor SSHG Law Centre, 105 Paseo de Roxas Makati City (Stockholder)	Philippine Seaport, Inc.	Filipino	196,911,524	9.85%
Common	Daven Holdings 7th 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) *(Standard Chartered Bank 6756 Ayala Avenue, Makati City 1200*	Non-Filipino	136,721,778 *(104,324,600)*	6.84% *(5.21%)*
Common	SG Holdings Inc. 7th Floor, Philfirst Building, 6764 Ayala Avenue, Makati City (Stockholder)	SG Holdings, Inc	Filipino	130,000,000	6.50%
Common	Morray Holdings, Inc. 7th Floor, Philfirst Building, 6764 Ayala Avenue, Makati City (Stockholder)	Morray 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, 2019, 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%
-d0-	Monico V. Jacob	1/direct	Filipino	.00%
-do-	Ahmad Yousef Ahmad Alhassan Al Simreen	1/direct	UAE	.00%
-do-	Glen C Hilton	1/direct	Australian	.00%
-do-	Eusebio H. Tanco	15,257,663/ direct 37,511,984/indirect	Filipino	2.64%
-do-	Andrew R. Hoad	1/direct	British	.00%
-do-	Artemio V. Panganiban (independent director)	1/direct	Filipino	.00%
-do-	Roberto C.O. Lim (independent director)	1/direct	Filipino	.00%
--do-	Rodolfo G. Corvite, Jr.	222,398/direct	Filipino	.01%
	TOTAL	53,007,351		2.65%

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 December 31, 2019, 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 December

31, 2019) of the outstanding capital stock of ATI. (Please refer to Note 20 of the Audited Consolidated Financial Statements).

The Company avails of leases from Mar-Bay Homes, Inc., Bloom With Looms Logistics Inc. and Eujo Philippines, Inc. where Mr. E.H. Tanco is the President. Insurance services are 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. In 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 Risks, Opportunities, Assessment and Management (ROAM) and PLDT.

The Company has not deviated from its Manual. In November 2019, the Board, individual directors, Corporate Governance Committee, Nomination Committee, Compensation Committee and the key officers have undergone self-assessment. Over-all results yielded "excellent" scores and was reported by the Corporate Governance Committee to the Board. The Board took note of the results and approved the same in the board meeting on November 29, 2019.The Audit Committee separately conducted its self-assessment last August 1, 2019.[8]

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. The Integrated Annual Corporate Governance Report (I-ACGR) shall be submitted on or before July 30, 2020.

[8] Pursuant to SEC Memorandum Circular No. 4 series of 2012 and the ATI Audit Committee Charter.

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

(A) Exhibits

Exhibit 1* Quarterly Report (SEC Form 17-Q) As of September 30, 2019

Exhibit 2 Financial Statements and Schedules

*Please refer to the September 30, 2019 Quarterly Report (SEC Form 17-Q) submitted to the Securities and Exchange Commission

(B) Reports on SEC Form 17-C

Date Reported	**Item(s) Reported**
February 19, 2019	Notice of Guidelines for Nominations for Election to the Board of Directors
February 27, 2019	Setting the date, venue, agenda and record date of the 2019 Annual Stockholders' Meeting and closing of stock and transfer book; Approval of the 2018 Audited Financial Statements; Appointment of the independent auditors for 2019;
April 29, 2019	Results of the 2019 Annual Stockholders' Meeting, Declaration of Cash Dividends, Record and Payment Dates and Results of the Organizational Meeting
August 2, 2019	Audit Committee Self-Assessment for 2018
August 23, 2019	Resignation of Mr. Matthew Leech as Director and member of the Executive and Compensation Committees. Election of Mr. Glen C. Hilton as replacement of Mr. Leech in the Board and in the Executive and Compensation Committees. Approval of the Related Party Transactions Policy.
November 7, 2019	Termination of the MAFSICOR case

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 JUN 2 9 2020 day of June 2020.

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 JUN 2 9 2020 of June 2020 affiants exhibiting to me their respective government issued IDs.:

Name	ID, Date and Place of Issue
William Wassaf Khoury Abreu	Passport No. RD4569280, June 19, 2017/ Dominican Republic
Jose Tristan P. Carpio	Passport No. PO175912B, January 1, 2019/ Manila
Rodolfo G. Corvite, Jr.	Passport No. P0014227A, August 22, 2016/ Manila
Marissa R. Pinca	UMID No. CRN-0033-2033767-0

Notary Public
ATTY. CHARMAINE P. DATOC
Notary Public for Manila
Until December 31, 2020
Notarial Commission No. 2019-053
PTR No. 9148965 / 01-08-2020 / Manila
IBP No. 109719 / 01-09-2020 / Manila
Roll No. 64199

Doc. No. 49
Page No. 31
Book No. IV
Series of 2020.

COVER SHEET
For
AUDITED FINANCIAL STATEMENTS

SEC Registration Number

1 3 3 6 5 3

COMPANY NAME

ASIAN TERMINALS, INC. AND ITS SUBSIDIARIES

PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

A. Bonifacio Drive, Port Area Manila

Form Type	Department requiring the report	Secondary License Type, If Applicable

COMPANY INFORMATION

Company's email Address	Company's Telephone Number/s	Mobile Number
asianterminals.com.ph	528-6000	

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
823	4th Thursday of April	December 31

CONTACT PERSON INFORMATION

The designated contact person ***MUST*** be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Jose Tristan P. Carpio	Josec@asianterminals.com.ph	528-6000	

CONTACT PERSON's ADDRESS

Note 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2: All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

ASIAN TERMINALS, INC. AND ITS SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2019, 2018 and 2017

With Independent Auditors' Report

Alas Oplas & Co., CPAs

Alas Oplas & Co., CPAs
23/F Philippine AXA Life Centre
1286 Sen. Gil Puyat Avenue
Makati City, Philippines 1200
Phone: (632) 7759-5090 | (632) 8889-1861
Email: aocheadoffice@alasoplascpas.com
www.alasoplascpas.com

Independent Member of
BKR International

CERTIFICATE ON THE COMPILATION SERVICES FOR THE PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS

We have compiled the accompanying consolidated financial statements of **ASIAN TERMINALS, INC. AND ITS SUBSIDIARIES** based on information you have provided. These consolidated financial statements comprise the consolidated statements of financial position of **ASIAN TERMINALS, INC. AND ITS SUBSIDIARIES** as at December 31, 2019, the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

We performed this compilation engagement in accordance with Philippine Standard on Related Services 4410 (Revised), Compilation Engagements.

We have applied our expertise in accounting and financial reporting to assist you in the preparation and presentation of these consolidated financial statements in accordance with Philippine Financial Reporting Standards (PFRSs). We have complied with relevant ethical requirements, including principles of integrity, objectivity, professional competence and due care.

These consolidated financial statements and the accuracy and completeness of the information used to compile them are your responsibility.

Since a compilation engagement is not an assurance engagement, we are not required to verify the accuracy or completeness of the information you provided to us to compile these consolidated financial statements. Accordingly, we do not express an audit opinion or a review conclusion on whether these consolidated financial statements are prepared in accordance with (PFRSs).

ALAS, OPLAS & CO., CPAs
BOA Registration No. 0190, valid from September 4, 2019 to October 30, 2022
SEC A.N. (Firm) 0321-FR-1, issued on February 7, 2019; effective until February 6, 2022
TIN 002-013-406-000
BIR A.N. 08-001026-000-2018, issued on January 25, 2018; effective until January 24, 2021

By:

Ma Criselda S Oplas

MA. CRISELDA S. OPLAS
Partner
CPA License No. 0063314
TIN 132-466-039-000
BIR A.N. 08-001026-002-2018, issued on January 25, 2018; effective until January 24, 2021
PTR No. 8117108, issued on January 2, 2020, Makati City

February 28, 2020
Makati City, Philippines

ASIAN TERMINALS INCORPORATED
ISO 14001 & OHSAS 18001 certified
Delivering reliable and consistent services.

Asian Terminals Incorporated Head Office,
A. Bonifacio Drive, Port Area,
Manila, Philippines 1018
P. O. Box 3021, Manila, Philippines
Tel. No. (632) 528 6000
Fax No. (632) 527 2467

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of **Asian Terminals, Inc. and its Subsidiaries** (the "Group") is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019, 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.

ANDREW R. HOAD
Chairman of the Board

EUSEBIO H. TANCO
President

JOSE TRISTAN P. CARPIO
Chief Financial Officer

Signed this 27 of February, 2020

SUBSCRIBED AND SWORN TO before me this 02 MAR 2020 day of ________ 2020, the signatories exhibiting to me their respective Passports/Driver's License Nos., as follows:

Name	Passport Nos.	Date/Place Issued
1. Andrew R. Hoad	538803908	6/22/17; HMPO
2. Eusebio H. Tanco	P0992946B	3/11/19; Manila
3. Jose Tristan P. Carpio	P0175912B	1/9/19; Manila

Notary Public

Doc. No. 104;
Page No. 21;
Book No. 8;
Series of 2020.

ATTY. GILBERTO B. PASIMANERO
Notary Public Until Dec. 31, 2021
Notarial Commission No. 2020-030
IBP# 092831 Pasig - 10-7-2019
PTR# Mla 9112245-1-02-2020
Roll# 25473, TIN# 103-098-346
MCLE Compl. No. VI-0011418 until 4-14-2022

KPMG

R.G. Manabat & Co.
The KPMG Center, 9/F
6787 Ayala Avenue, Makati City
Philippines 1226
Telephone +63 (2) 8885 7000
Fax +63 (2) 8894 1985
Website home.kpmg/ph
Email ph-inquiry@kpmg.com

REPORT OF INDEPENDENT AUDITORS

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

Opinion

We have audited the consolidated financial statements of Asian Terminals, Inc. and its Subsidiaries (the "Group"), which comprise the consolidated statements of financial position as at December 31, 2019 and 2018, 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, 2019, 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, 2019 and 2018, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2019, 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.

LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date JUN 11 2020 TSIS
MELINA PRISCA S. RANIO

KPMG

Key Audit Matter

Key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. This matter was 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 this matter.

Revenue Recognition (P13,329,441 - amount in thousands)
Refer to Notes 2 and 26 to the consolidated financial statements.

The risk
The Group's revenues are mainly generated from arrastre, stevedoring, storage, and special and other services. 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.

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 and generated reports 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, to confirm that all services had been performed at the point at which revenue is recognized. Among others, 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.

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, 2019, 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, 2019 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.

KPMG

- 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 audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and 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 matter. We describe these matter 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 Alicia S. Columbres.

R.G. MANABAT & CO.

ALICIA S. COLUMBRES
Partner
CPA License No. 069679
SEC Accreditation No. 1590-AR-1, Group A, valid until August 7, 2022
Tax Identification No. 120-964-156
BIR Accreditation No. 08-001987-27-2017
Issued September 5, 2017; valid until September 4, 2020
PTR No. MKT 8116760
Issued January 2, 2020 at Makati City

March 3, 2020
Makati City, Metro Manila

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date JUN 11 2020 TSIS
MELINA PRISCA S. RANJO

Securities and Exchange Commission
Electronic Records Management Division
1 / 2020 ICTD
RECEIVED SUBJECT TO REVIEW OF FORM AND CONTENTS

ASIAN TERMINALS, INC. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
(Amounts in Thousands)

	Note	December 31 2019	2018
ASSETS			
Current Assets			
Cash and cash equivalents	*6, 24, 25*	**P5,647,349**	P6,868,485
Trade and other receivables - net	*7, 24, 25*	**630,599**	742,027
Spare parts and supplies	*18*	**748,499**	507,538
Prepaid expenses	*8*	**1,395,876**	962,362
Total Current Assets		**8,422,323**	9,080,412
Noncurrent Assets			
Investment in an associate	*9*	**49,507**	83,636
Property and equipment - net	*10*	**934,111**	883,945
Intangible assets - net	*11*	**20,051,240**	17,962,561
Right-of-use assets - net	*23*	**676,129**	-
Deferred tax assets - net	*13*	**1,013,174**	951,305
Other noncurrent assets	*12*	**107,602**	161,291
Total Noncurrent Assets		**22,831,763**	20,042,738
		P31,254,086	P29,123,150
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	*14, 24, 25*	**P3,253,008**	P3,797,432
Provisions for claims	*15*	**259,799**	219,359
Port concession rights payable - current portion	*23, 24, 25*	**313,263**	296,234
Income and other taxes payable		**283,228**	330,873
Lease liabilities - current portion	*23*	**136,701**	-
Total Current Liabilities		**4,245,999**	4,643,898
Noncurrent Liabilities			
Port concession rights payable - net of current portion	*23, 24, 25*	**7,989,729**	8,570,648
Pension liability - net	*21*	**184,146**	54,753
Lease liabilities - net of current portion	*23*	**504,241**	-
Total Noncurrent Liabilities		**8,678,116**	8,625,401
		12,924,115	13,269,299

Forward

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date JUN 11 2020 TSIS
MELINA PRISCA S. RANJO

	Note	December 31 2019	2018
Equity			
Equity Attributable to Equity Holders of the Parent Company	*16*		
Capital stock		**P2,000,000**	P2,000,000
Additional paid-in capital		**264,300**	264,300
Retained earnings		**16,060,246**	13,585,013
Fair value reserve		**(5,820)**	(5,820)
		18,318,726	15,843,493
Non-controlling Interest		**11,245**	10,358
Total Equity		**18,329,971**	15,853,851
		P31,254,086	P29,123,150

See Notes to the Consolidated Financial Statements.

ASIAN TERMINALS, INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Amounts in Thousands, Except Per Share Data)

			Years Ended December 31	
	Note	**2019**	2018	2017
REVENUES FROM OPERATIONS	*2, 26*	**P13,329,441**	P12,276,678	P10,603,172
GOVERNMENT SHARE IN REVENUES	*17, 23*	**(2,329,105)**	(2,270,116)	(1,914,439)
		11,000,336	10,006,562	8,688,733
COSTS AND EXPENSES EXCLUDING GOVERNMENT SHARE IN REVENUES	*18, 20, 21*	**(5,606,428)**	(4,940,862)	(4,436,203)
OTHER INCOME AND EXPENSES				
Finance income	*19*	**157,296**	113,188	85,604
Finance cost	*19*	**(558,881)**	(540,426)	(567,733)
Others - net	*19*	**216,736**	(627,781)	(335,885)
		(184,849)	(1,055,019)	(818,014)
CONSTRUCTION REVENUES	*11*	**2,747,425**	3,222,423	2,102,478
CONSTRUCTION COSTS	*11*	**(2,747,425)**	(3,222,423)	(2,102,478)
		-	-	-
INCOME BEFORE INCOME TAX		**5,209,059**	4,010,681	3,434,516
INCOME TAX EXPENSE	*13*			
Current		**1,511,488**	1,348,499	1,148,001
Deferred		**(18,032)**	(221,207)	(203,167)
		1,493,456	1,127,292	944,834
NET INCOME		**P3,715,603**	P2,883,389	P2,489,682
Income Attributable to				
Equity holders of the Parent Company		**P3,714,060**	P2,881,448	P2,486,993
Non-controlling interest		**1,543**	1,941	2,689
		P3,715,603	P2,883,389	P2,489,682
Basic/Diluted Earnings per Share Attributable to Equity Holders of the Parent Company	*22*	**P1.86**	P1.44	P1.24

See Notes to the Consolidated Financial Statements.

ASIAN TERMINALS, INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands)

		Years Ended December 31		
	Note	**2019**	2018	2017
NET INCOME FOR THE YEAR		**P3,715,603**	P2,883,389	P2,489,682
OTHER COMPREHENSIVE INCOME				
Item that will never be reclassified to profit or loss				
Actuarial gains (losses) on pension liability	*21*	**(146,124)**	39,830	55,135
Tax on item taken directly to equity	*13*	**43,837**	(11,949)	(16,541)
		(102,287)	27,881	38,594
Items that are or may be reclassified to profit or loss				
Cash flow hedge - effective portion		-	(357,154)	(31,479)
Cash flow hedge - reclassified to profit or loss		-	653,753	328,312
Tax on items taken directly to equity	*13*	-	(88,979)	(89,050)
	16	-	207,620	207,783
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR - Net of tax		**(102,287)**	235,501	246,377
TOTAL COMPREHENSIVE INCOME		**P3,613,316**	P3,118,890	P2,736,059
Total Comprehensive Income Attributable to				
Equity holders of the Parent Company		**P3,611,849**	P3,116,981	P2,733,340
Non-controlling interest		**1,467**	1,909	2,719
		P3,613,316	P3,118,890	P2,736,059

See Notes to the Consolidated Financial Statements.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date JUN 11 2020 TSIS
MELINA PRISCA S. RANJO

ASIAN TERMINALS, INC. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019, 2018 AND 2017
(Amounts in Thousands, Except Per Share Data)

		Attributable to Equity Holders of the Parent Company								
				Retained Earnings						
	Note	Capital Stock	Additional Paid-in Capital	Appropriated for Port Development	Unappropriated	Hedging Reserve	Fair Value Reserve	Total	Non-controlling Interest	Total Equity
Balance at January 1, 2019		P2,000,000	P264,300	P10,500,000	P3,085,013	P -	(P5,820)	P15,843,493	P10,358	P15,853,851
Adjustment on initial application of PFRS 16	4	-	-	-	(11,616)	-	-	(11,616)	-	(11,616)
Adjusted Balance at January 1, 2019		2,000,000	264,300	10,500,000	3,073,397	-	(5,820)	15,831,877	10,358	P15,842,235
Cash dividends - P0.56 a share	16	-	-	-	(1,125,000)	-	-	(1,125,000)	(580)	(1,125,580)
Reversal of appropriation of retained earnings	16	-	-	(3,600,000)	3,600,000	-	-	-	-	-
Appropriations during the year	16	-	-	6,000,000	(6,000,000)	-	-	-	-	-
Net income for the year		-	-	-	3,714,060	-	-	3,714,060	1,543	3,715,603
Other comprehensive income:										
Actuarial loss - net of tax	21	-	-	-	(102,211)	-	-	(102,211)	(76)	(102,287)
Balance at December 31, 2019		**P2,000,000**	**P264,300**	**P12,900,000**	**P3,160,246**	**P -**	**(P5,820)**	**P18,318,726**	**P11,245**	**P18,329,971**
Balance at January 1, 2018		P2,000,000	P264,300	P9,700,000	P1,875,652	(P207,620)	(P5,820)	P13,626,512	P9,029	P13,635,541
Cash dividends - P0.45 a share	16	-	-	-	(900,000)	-	-	(900,000)	(580)	(900,580)
Reversal of appropriation of retained earnings	16	-	-	(3,700,000)	3,700,000	-	-	-	-	-
Appropriations during the year	16	-	-	4,500,000	(4,500,000)	-	-	-	-	-
Net income for the year		-	-	-	2,881,448	-	-	2,881,448	1,941	2,883,389
Other comprehensive income:										
Actuarial gain - net of tax	21	-	-	-	27,913	-	-	27,913	(32)	27,881
Cash flow hedge - effective portion - net of tax	16	-	-	-	-	(250,008)	-	(250,008)	-	(250,008)
Cash flow hedge - reclassified to profit or loss - net of tax	16	-	-	-	-	457,628	-	457,628	-	457,628
Balance at December 31, 2018		P2,000,000	P264,300	P10,500,000	P3,085,013	P -	(P5,820)	P15,843,493	P10,358	P15,853,851

Forward

	Note	Capital Stock	Additional Paid-in Capital	Retained Earnings: Appropriated for Port Development	Retained Earnings: Unappropriated	Hedging Reserve	Fair Value Reserve	Total	Non-controlling Interest	Total Equity
		Attributable to Equity Holders of the Parent Company								
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	21	-	-	-	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
Balance at December 31, 2017		P2,000,000	P264,300	P9,700,000	P1,875,652	(P207,620)	(P5,820)	P13,626,512	P9,029	P13,635,541

See Notes to the Consolidated Financial Statements.

ASIAN TERMINALS, INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

		Years Ended December 31		
	Note	**2019**	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		**P5,209,059**	P4,010,681	P3,434,516
Adjustments for:				
Depreciation and amortization	*10, 11, 23*	**1,529,979**	1,130,882	1,180,724
Finance cost	*19*	**558,881**	540,426	567,733
Provisions for inventory obsolescence	*18*	**29,221**	20,000	-
Net unrealized foreign exchange losses (gains)		**(211,056)**	565,357	325,848
Amortization of noncurrent prepaid rental		**-**	984	984
Finance income	*19*	**(157,296)**	(113,188)	(85,604)
Equity in net earnings of an associate	*9, 19*	**(51,129)**	(59,299)	(46,701)
Contributions to retirement funds	*21*	**(48,795)**	(60,469)	(21,941)
Gain on disposals of:				
Property and equipment		**(6,788)**	(4,724)	(255)
Intangible assets		**(5,849)**	(532)	-
Reversal of allowance for doubtful accounts	*7*	**(3,550)**	(5,950)	-
Loss on retirement of:				
Property and equipment		**-**	-	197
Operating income before working capital changes		**6,842,677**	6,024,168	5,355,501
Decrease (increase) in:				
Trade and other receivables		**102,412**	(231,848)	(65,542)
Spare parts and supplies		**(270,182)**	(123,837)	(89,106)
Prepaid expenses		**(493,308)**	(332,490)	(161,933)
Increase (decrease) in:				
Trade and other payables		**(766,452)**	(53,006)	733,010
Provisions for claims		**40,440**	14,815	153,600
Income and other taxes payable		**14,465**	(65,560)	3,059
Cash generated from operations		**5,470,052**	5,232,242	5,928,589
Finance income received		**169,862**	97,303	85,330
Finance cost paid		**(27,914)**	(366)	(365)
Income tax paid		**(1,573,598)**	(1,267,353)	(1,033,660)
Net cash provided by operating activities		**4,038,402**	4,061,826	4,979,894

Forward

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date JUN 11 2020 TSIS
MELINA PRISCA S. RANJO

	Note	2019	2018	2017
		Years Ended December 31		
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of:				
Intangible assets	*11*	**(P3,101,456)**	(P2,295,504)	(P2,102,478)
Property and equipment	*10*	**(182,502)**	(165,649)	(197,628)
Proceeds from disposals of:				
Property and equipment		**7,601**	4,724	335
Intangible assets		**5,918**	534	-
Dividends received	*9*	**85,258**	62,690	14,328
Decrease (increase) in:				
Other noncurrent assets		**68,489**	(95,899)	(281)
Deposits		**(8,386)**	(5,073)	2,929
Net cash used in investing activities		**(3,125,078)**	(2,494,177)	(2,282,795)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments of:				
Cash dividends	*16*	**(1,125,000)**	(900,000)	(860,000)
Cash dividends to non-controlling interest		**(580)**	(580)	(580)
Port concession rights payable	*23*	**(773,340)**	(781,790)	(776,075)
Lease liabilities	*23*	**(131,625)**	-	-
Net cash used in financing activities		**(2,030,545)**	(1,682,370)	(1,636,655)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(1,117,221)**	(114,721)	1,060,444
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**(103,915)**	38,017	3,538
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	*6*	**6,868,485**	6,945,189	5,881,207
CASH AND CASH EQUIVALENTS AT END OF YEAR	*6*	**P5,647,349**	P6,868,485	P6,945,189

See Notes to the Consolidated Financial Statements.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date JUN 11 2020 TSIS
MELINA PRISCA S. RANJO

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in Thousands, Except Per Share Data)

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 Subsidiaries, ATI Batangas, Inc. (ATIB) and Tanza Container Terminal, Inc. (TCTI), (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). DP World Australia (POAL) Pty. Ltd. directly owns 17.32% of the total outstanding capital stock of ATI.

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.

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 (the "Third Supplement") with the Philippine Ports Authority (PPA) dated October 19, 2007 (see Note 23).

b. Port of Batangas

   On October 2, 2015, ATI and ATIB signed a Contract with PPA 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.

   In December 2019, ATI and ATIB signed a Contract with PPA for the extension of the term from 2025 to 2035 (see Note 23).

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 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.

This is the first set of the Group's annual consolidated financial statements in which PFRS 16, *Leases* has been applied. Changes to significant accounting policies are described in Note 4.

The consolidated financial statements were authorized for issue by the Board of Directors (BOD) on February 27, 2020.

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:

Items	Measurement Bases
Equity investments at Fair Value through Other Comprehensive Income (FVOCI)	Fair value
Pension liability	The present value of the defined benefit obligation less the fair value of plan assets.

Functional and Presentation Currency
The consolidated financial statements are presented in Philippine peso, which is the Group'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, ATIB, TCTI and the Group's interest in an associate accounted for under the equity method of accounting. ATIB is a 99.17% owned subsidiary as at December 31, 2019 and 2018. TCTI is incorporated on January 18, 2018, and a 100% owned subsidiary as at December 31, 2019 and 2018.

The financial statements of ATIB and TCTI 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.

TCTI is fully consolidated from the date of incorporation. 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.

4. Significant Accounting Policies

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

The Group has adopted new and amendments to standards and interpretations, including any consequential amendments to other standards, with date of initial application of January 1, 2019.

Adoption of New Standards, Amendments to Standards and Interpretations

The Group has adopted the following new standards, amendments to standards and interpretations starting January 1, 2019 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption did not have any significant impact on the Group's consolidated financial statements.

- PFRS 16 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 also introduced.

  The Group has applied PFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under PAS 17 and Philippine Interpretation IFRIC 4, *Determining Whether an Arrangement Contains a Lease*. The details of the accounting policies under PAS 17 and Philippine Interpretation IFRIC 4 are disclosed separately if they are different from those under PFRS 16 and the impact of changes is disclosed below.

  On transition to PFRS 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied PFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under PAS 17 and Philippine Interpretation IFRIC 4 were not reassessed for whether there is a lease under PFRS 16. Therefore, the definition of a lease under PFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

On transition to PFRS 16, the Group recognized right-of-use assets, and lease liabilities, recognizing the difference in retained earnings. The impact on transition is summarized below.

	Note	**January 1, 2019**
Right-of-use assets	*23*	**P587,088**
Lease liabilities	*23*	**555,635**
Prepaid expenses		**(53,379)**
Trade and other payables		**(10,310)**
Retained earnings		**(11,616)**

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted the remaining lease payments using its incremental borrowing rate at the date of initial application. The carrying amount of right-of-use assets was measured as if PFRS 16 had been applied since the commencement date, discounted using the Group's incremental borrowing rate at the date of initial application. The weighted average rate applied is 7.17%.

	January 1, 2019
Operating lease commitments at December 31, 2018 as disclosed under PAS 17	**P896,008**
Discounted using the incremental borrowing rate at January 1, 2019	**555,635**
Lease liabilities recognized at January 1, 2019	**555,635**

The Group used a number of practical expedients when applying PFRS 16 to leases previously classified as operating leases under PAS 17. In particular, the Group:

- did not recognize right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognize right-of-use assets and liabilities for leases of low value assets;
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term.

The Group has classified:

- cash payments for the principal portion of lease payments as financing activities;
- cash payments for the interest portion as operating activities consistent with the presentation of interest payments chosen by the Group; and
- short-term lease and payments for leases of low value assets as operating activities.

- 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 consolidated 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 Group chosen tax treatment. If it is not probable that the tax authority will accept the Group 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.

- *Prepayment Features with Negative Compensation (Amendments to* PFRS 9, *Financial Instruments*). 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 FVOCI 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.

  - 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.

- *Long-term Interests in Associates and Joint Ventures* (Amendments to PAS 28, *Investments in Associates and Joint Ventures*). 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.

- *Plan Amendment, Curtailment or Settlement* (Amendments to PAS 19, *Employee Benefits).* The amendments clarify that on amendment, curtailment or settlement of a defined benefit pension plan, an entity now uses updated actuarial assumptions to determine its current service cost and net interest for the period. The effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income.

- *Annual Improvements to PFRSs 2015 - 2017 Cycle.* This cycle of improvements contains amendments to four standards:

  - Previously held interest in a joint operation (Amendments to PFRS 3, *Business Combinations* and PFRS 11, *Joint Arrangements*). The amendments clarify how a company accounts for increasing its interest in a joint operation that meets the definition of a business. If a party maintains or obtains joint control, then the previously held interest is not remeasured. If a party obtains control, then the transaction is a business combination achieved in stages and the acquiring party remeasures the previously held interest at fair value.

  - Income tax consequences of payments on financial instruments classified as equity (Amendments to PAS 12). The amendments clarify that all income tax consequences of dividends, including payments on financial instruments classified as equity, are recognized consistently with the transactions that generated the distributable profits, i.e. in profit or loss, Other Comprehensive Income or equity.

  - *Borrowing Costs Eligible for Capitalization* (Amendments to PAS 23, *Borrowing Costs).* The amendments clarify that the general borrowings pool used to calculate eligible borrowing costs excludes only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying assets that are now ready for their intended use or sale are included in that general pool.

Standards Issued But Not Yet Adopted
A number of amendments to standards are effective for annual periods beginning after January 1, 2019. However, the Group has not early adopted 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, 2020

- *Amendments to References to Conceptual Framework in PFRS Standards* sets out amendments to PFRS Standards, their accompanying documents and PFRS practice statements to reflect the issuance of the revised Conceptual Framework for Financial Reporting in 2018 (2018 Conceptual Framework). The 2018 Conceptual Framework includes:

  - a new chapter on measurement;
  - guidance on reporting financial performance;
  - improved definitions of an asset and a liability, and guidance supporting these definitions; and
  - clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

Some Standards, their accompanying documents and PFRS practice statements contain references to, or quotations from, the International Accounting Standards Committee's Framework for the Preparation and Presentation of Financial Statements adopted by the IASB in 2001 or the Conceptual Framework for Financial Reporting issued in 2010. The amendments update some of those references and quotations so that they refer to the 2018 Conceptual Framework and makes other amendments to clarify which version of the Conceptual Framework is referred to in particular documents.

These amendments are effective for annual reporting periods beginning on or after January 1, 2020.

- *Definition of a Business (Amendments to* PFRS 3*).* The amendments narrowed and clarified the definition of a business. They also permit a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a business. The amendments:

  - confirmed that a business must include inputs and a process, and clarified that:

    - the process must be substantive; and
    - the inputs and process must together significantly contribute to creating outputs;

  - narrowed the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs; and

  - added a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets.

  The amendments apply to business combinations and asset acquisitions in annual reporting periods beginning on or after January 1, 2020. Earlier application is permitted.

- *Definition of Material (Amendments to* PAS 1, *Presentation of Financial Statements* and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*). The amendments refine the definition of material. The amended definition of material states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify the definition of material and its application by:

  (a) raising the threshold at which information becomes material by replacing the term 'could influence' with 'could reasonably be expected to influence';
  (b) including the concept of 'obscuring information' alongside the concept of 'omitting' and 'misstating' information in the definition;
  (c) clarifying that the users to which the definition refers are the primary users of general purpose financial statements referred to in the Conceptual Framework;
  (d) clarifying the explanatory paragraphs accompanying the definition; and
  (e) aligning the wording of the definition of material across PFRS Standards and other publications.

The amendments are expected to help entities make better materiality judgements without substantively changing existing requirements.

The amendments apply prospectively for annual periods beginning on or after January 1, 2020. Earlier application is permitted.

Deferral of the local implementation of Amendments to PFRS 10, *Consolidated Financial Statements* 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.

<u>Financial Instruments</u>
Non-derivative Financial Instruments. Non-derivative financial instruments consist of cash and cash equivalents, trade and other receivables, deposits, equity securities, trade and other payables (except for statutory payables), and port concession rights payable.

Recognition and Initial Measurement. Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at Fair Value through Profit or Loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Financial Assets
Classification and Subsequent Measurement. On initial recognition, the Group classifies its financial assets in the following measurement categories: amortized cost; FVOCI - debt investment; FVOCI - equity investment; or FVTPL.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

The Group has no financial assets classified as measured at: FVOCI - debt investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortized cost using the effective interest method if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Included in this category are the Group's cash and cash equivalents, trade and other receivables, and deposits.

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

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis. The accumulated fair value reserves are never reclassified to profit or loss. Dividends are recognized as income in profit or loss unless it clearly represents a recovery of the cost of investment.

Included in this category is the Group's equity instruments (included under other noncurrent assets).

Business Model Assessment. The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

a. the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;

b. how the performance of the portfolio is evaluated and reported to the Group's management;

c. the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;

d. how managers of the business are compensated - e.g., whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and

e. the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Solely Payments of Principal and Interest Assessment. Principal is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin. In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;

- terms that may adjust the contractual coupon rate, including variable-rate features;

- prepayment and extension features; and

- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

Financial Liabilities
Classification, Subsequent Measurement and Gains and Losses. Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

Included under other financial liabilities are the Group's trade and other payables (except for due to government agencies) port concession rights payable and lease liabilities.

<u>Impairment of Financial Assets</u>

Impairment of Financial Assets - Policy Applicable from January 1, 2018

PFRS 9 replaces the 'incurred loss' model in PAS 39 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under PFRS 9, credit losses are recognized earlier than under PAS 39.

ECL is the probability-weighted estimate of credit losses over the expected life of the financial instrument, representing the present value of expected cash shortfalls. The Group applies either a 12-month ECL or a lifetime ECL. Lifetime ECL applies to the financial assets that have experienced a significant increase in credit risk or are already credit-impaired. The Group's approach to ECL measurement are described in Note 24.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- Internal credit rating;
- External credit rating (as far as available);
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations;
- Actual or expected significant changes in the operating results of the debtor;
- Significant increases in credit risk on other financial instruments of the same debtor; and
- Significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtor and changes in the operating results of the debtor.

Regardless of the analysis above, a significant risk in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

A default on a financial asset is when the counterparty fails to make contractual payments within 75 days of when they fall due. A financial asset is credit-impaired when an event that has a detrimental impact on the estimated future cash flows have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as default or being more than 75 days past due;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or either financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Financial assets are written off when there is no reasonable expectation of recovery. The Group categorizes a loan or receivable for write off when a debtor fails to make payments or when it is no longer probable that the receivable will be collected. Where loans or receivables have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognized in profit or loss.

Impairment of Financial Assets - Policy Applicable before January 1, 2018

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. 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.

Offsetting of Financial Assets and Liabilities
Financial assets and financial liabilities are offset and the net amount is reported in the 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.

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

- the rights to receive cash flows from the asset have expired;

- 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 control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a 'pass-through' arrangement, 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 pay.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

Determination of Fair Values
A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and nonfinancial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes, when necessary, based on the market values, being the estimated amount for which assets could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The different levels of fair value of financial instruments carried at fair value, by valuation method have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); 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 the 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.

Spare Parts and Supplies
Spare parts and supplies are stated at the lower of cost and current replacement cost. 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 Subsidiaries
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 subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

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.

<u>Intangible Assets</u>
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 arrangements 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 arrangements.

Port concession rights consist of:

a. Upfront fees payments on the concession contracts;

b. The cost of port infrastructures 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 is 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 contract asset or useful life ranging from 2 to 25 years whichever is shorter.

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, intangible assets other than goodwill and right-of-use assets 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." Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of any related income tax benefit.

Retained Earnings and Dividend Distribution

Retained earnings include current and prior years' results, net of 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 from Contracts with Customers

The Group recognizes revenue when it transfers control over a service to a customer. Revenue is measured based on the consideration specified in a contract and PPA Tariff regulations, which are all fixed amounts, for each type of services rendered net of variable consideration, if any. The PPA established all relevant port regulations, basic port services and service level requirements, liability on cargo, security, and safety. The Group's revenue is well defined in PPA Operations Memorandum Circular No. 02-2018 and revised schedule of Cargo Handling Tariff implemented on June 5, 2018.

In 2017, revenue was measured at the fair value of the consideration received or receivable. Revenue recognized when the related services have been rendered. It 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.

The following is a description of principal activities from which the Group generates its revenue. Revenue is disaggregated by the following service lines:

- *Stevedoring*

  The Group generates stevedoring revenue from all works performed on board vessel. The activity includes movement of cargoes from ship-to-shore, shore-to-ship lifting for inbound and outbound and transshipment including the related stevedoring transportation and liftings from shore to yard and yard to shore. The activity generally finishes in a short period of time (i.e. 24 to 48 hours from the time ship arrives at the port). The Group recognizes revenue at a point in time upon completion of service and the average credit term is 15 to 30 days.

- *Arrastre*

  The Group generates arrastre revenue from portside cargo handling operations. The activity includes receiving, handling, custody, security and delivery of cargo passing over piers, quays, warehouses and open storages within the jurisdictional area of responsibility of the Group. The Group recognizes revenue upon completion of service (i.e at a point in time). The customer pays arrastre charges before the release of cargoes.

- *Logistics*
  Logistics operation includes trucking and handlings services. The Group recognizes revenue upon completion of service (i.e at a point in time) and the average credit term is 15 to 30 days.

- *Special and Others Services*
  Special and other services include storage, reefer monitoring, container freight servicing, and equipment or manpower rental. Majority of these service lines pertains to storage revenues. Storage revenues are charges from the use of warehouses and/or open storages within the jurisdictional area of responsibility of the Group beyond the free storage period. Customers are billed upon withdrawal of cargoes from the terminal (for Import) or upon loading of cargoes to vessel (for export). The Group recognizes revenues over a period of time (number of days the container stayed in the jurisdictional area) and the average credit term is15 to 30 days.

Other Income
Other income is recognized at the point in time when the service has been rendered.

Finance Income
Finance income is recognized on a time proportion basis that reflects the effective yield on the investment.

Construction Revenues and Costs
The Group recognizes revenue related to construction and upgrade of services under service concession arrangement in accordance with PFRS 15. When the construction or upgrade services are provided or delivered under concession arrangement accounted within the scope of Philippine Interpretation IFRIC 12, *Service Concession Arragements* the consideration is measured at the estimated selling price of the construction services provided. No margin has been recognized since the estimated selling price of the consideration services provided approximates the construction costs. The nature of the consideration determines the subsequent accounting. The consideration is classified as a contract asset under Intangible assets during the construction or upgrade period in accordance with PFRS 15.

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

<u>Borrowing Costs</u>
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

(Policy Applicable from January 1, 2019)

At the inception of the contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in PFRS 16. This policy is applied to contracts entered into, on or after January 1, 2019.

Group as Lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price.

However, for leases of property the Group has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

The Group recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset. which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, and the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financial sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;

- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;

- amounts expected to be payable under a residual value guarantee; and

- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group's changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss the carrying amount of the right-of-use asset has been reduced to zero.

The Group has elected not to recognize right-of-use assets and lease liabilities for leases of short-term leases and low-value assets, if any. The Group recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(Policy Applicable before January 1, 2019)
For contracts entered into before January 1, 2019, the Group determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfillment of the arrangement was dependent on the use of a specific asset or assets; and

- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following criteria was met:

    - the purchaser has the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;

    - the purchaser has the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or

    - facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output; and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

The Group classified leases that transfer substantially all of the risks and rewards of ownership as finance leases. When this is the case, the leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent.

Subsequently, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognized in the Group's statement of financial position. Payments made under operating leases were recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognized as an integral part of the total lease expense, over the term of the lease.

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 pension plans is determined separately for each plan using the projected unit credit method.

The defined benefit pension 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 pension 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 pension 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 pension liability (asset), taking into account any changes in the net defined pension liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit pension 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 pension 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 difference associated with investment in 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 and the non-port operation is insignificant to the Group's total business.

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.

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 subsidiaries has been determined to be the Philippine peso. It is the currency that mainly influences the price and cost of providing services.

Service Concession Arrangements. The Group has determined that the operating contracts are within the scope of IFRIC 12, accounted for under the intangible asset model.

The intangible assets pertaining to concession rights as at December 31, 2019 and 2018 are presented in Note 11 to the consolidated financial statements.

Port Concession Rights and Port Concession Rights Payable. Estimates and assumptions are required on the determination of the cost of port concession rights on service concession arrangements to determine the extent to which the Group receives a right or license to charge users of public service. Port concession rights includes future fixed government share considerations in exchange for license or right. Fixed government share is recognized at present value using the discount rate at the inception date with a corresponding liability (port concession rights payable) recognized. In making those estimates, the management is required to determine a suitable discount rate to calculate the present value of port concessions rights and port concession rights payable. The Group believes that, while the assumptions used are reasonable and appropriate, these estimates and assumptions can materially affect the consolidated financial statements.

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 (USD). 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.

The Group voluntarily revoked the designation of hedging instrument and hedged item on November 30, 2018 (see Note 16).

Provisions for Claims. The Group records provisions for claims for property, equipment and cargo damage and for pending civil and labor cases when it is determined that an unfavorable outcome is probable and the amount of the claim can be reasonably estimated. The determination of the amount of reserves required, if any, is based on management's analysis of each individual issue, often with assistance of outside legal counsel.

Provisions for claims amounted to P259.8 million and P219.4 million as at December 31, 2019 and 2018, respectively (see Note 15).

Lease Extension Option. Some property leases contain extension options exercisable by the Group before the end of the non-cancellable contract period. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

Lease liabilities on property leases on which extension options were exercised amounted to P161.39 million as at December 31, 2019.

6. Cash and Cash Equivalents

	Note	**2019**	2018
Cash on hand and in banks		**P395,470**	P436,917
Short-term investments		**5,251,879**	6,431,568
	24, 25	**P5,647,349**	P6,868,485

Cash in banks earn interest at floating rates based on daily bank deposit rates. Majority of short-term investments are on 90-day term subject to roll-over requirements of the Group and earn interest at the prevailing short-term deposit rates amounting to P157.3 million and P111.1 million in 2019 and 2018, respectively (see Note 19).

7. Trade and Other Receivables

	Note	**2019**	2018
Trade receivables		**P507,092**	P658,794
Receivable from insurance		**33,994**	19,357
Due from related parties	*20*	**33,772**	11,246
Advances to officers and employees		**26,948**	19,546
Receivable from escrow fund		**13,635**	13,635
Interest receivable		**4,095**	16,661
Other receivables		**18,042**	15,440
		637,578	754,679
Allowance for impairment losses		**(6,979)**	(12,652)
	24, 25	**P630,599**	P742,027

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, 2018	P3,296	P15,306	P18,602
Reversals during the year	-	(5,950)	(5,950)
Balance at December 31, 2018	3,296	9,356	12,652
Reversals during the year	-	(3,550)	(3,550)
Write-offs	(2,123)	-	(2,123)
Balance at December 31, 2019	**P1,173**	**P5,806**	**P6,979**

8. Prepaid Expenses

	Note	**2019**	2018
Taxes		**P1,297,595**	P871,283
Insurance		**71,277**	2,598
Advances to contractors		**5,538**	10,790
Rental	*12, 23*	**4,004**	49,118
Advances to government agencies		**101**	101
Others		**17,361**	28,472
		P1,395,876	P962,362

Taxes pertain to the Group's input VAT credits, net of output VAT.

Rentals pertain to prepayments on short-term leases entered during the period. The Group has elected not to recognize right-of-use assets and lease liabilities for these leases.

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 porterage, in Makar Wharf, General Santos City, Philippines. SCIPSI is not listed in any public exchange. The carrying amount of investment in an associate as at December 31 follows:

	Note	**2019**	2018
Acquisition cost		**P11,222**	P11,222
Accumulated equity in net earnings:			
Balance at beginning of year		**72,414**	75,805
Equity in net earnings for the year	*19*	**51,129**	59,299
Dividends received during the year		**(85,258)**	(62,690)
		38,285	72,414
		P49,507	P83,636

The following table shows the summarized financial information of SCIPSI:

	2019	2018
Current assets	**P98,217**	P202,871
Noncurrent assets	**77,793**	64,180
Total assets	**P176,010**	P267,051
Current liabilities	**P44,109**	P45,064
Noncurrent liabilities	**2,382**	2,611
Total liabilities	**P46,491**	P47,675
Revenues	**P363,202**	P385,924
Expenses	**(220,023)**	(219,867)
Net income	**P143,179**	P166,057

Based on unaudited financial statements

Dividend income of P85.3 million and P62.7 million was received in 2019 and 2018, respectively.

10. Property and Equipment - net

The movements in this account are as follows:

2019

	Port Facilities and Equipment	Leasehold Improvements	Furniture, Fixtures and Equipment	Transportation and Other Equipment	Construction in-progress	Total
Cost						
Balance at beginning of year	P164,443	P599,967	P668,665	P205,541	P254,505	P1,893,121
Additions	1,200	78,721	28,206	53,430	32,833	194,390
Disposals	(60,135)	-	(28,394)	(18,830)	-	(107,359)
Reclassifications	92,707	-	34,768	550	(63,010)	65,015
Balance at end of year	198,215	678,688	703,245	240,691	224,328	2,045,167
Accumulated Depreciation and Amortization						
Balance at beginning of year	132,668	392,342	363,444	120,722	-	1,009,176
Depreciation and amortization	11,816	21,290	94,419	30,577	-	158,102
Disposals	(60,134)	-	(28,394)	(18,017)	-	(106,545)
Reclassifications	50,323	-	-	-	-	50,323
Balance at end of year	134,673	413,632	429,469	133,282	-	1,111,056
Carrying Amount	P63,542	P265,056	P273,776	P107,409	P224,328	P934,111

2018

	Port Facilities and Equipment	Leasehold Improvements	Furniture, Fixtures and Equipment	Transportation and Other Equipment	Construction in-progress	Total
Cost						
Balance at beginning of year	P152,084	P560,495	P513,661	P190,963	P84,497	P1,501,700
Additions	14,840	32,500	150,939	40,144	197,769	436,192
Disposals	-	-	(18,243)	(26,528)	-	(44,771)
Reclassifications	(2,481)	6,972	22,308	962	(27,761)	-
Balance at end of year	164,443	599,967	668,665	205,541	254,505	1,893,121
Accumulated Depreciation and Amortization						
Balance at beginning of year	124,575	372,489	316,694	122,324	-	936,082
Depreciation and amortization	8,093	19,853	64,993	24,926	-	117,865
Disposals	-	-	(18,243)	(26,528)	-	(44,771)
Balance at end of year	132,668	392,342	363,444	120,722	-	1,009,176
Carrying Amount	P31,775	P207,625	P305,221	P84,819	P254,505	P883,945

The Group has non-cash additions for the years ended December 31, 2019 and 2018 which amounted to P11.9 million and P270.5 million, respectively.

Cost of fully depreciated property and equipment which are still being used by the Group amounted to P403.0 million and P411.7 million as at December 31, 2019 and 2018, respectively.

11. Intangible Assets - net

The movements in this account are as follows:

2019

	Port Concession Rights					
	Upfront Fees (Note 23)	**Fixed Government Share**	**Port Infrastructure**	**Subtotal**	**Goodwill**	**Total**
Cost						
Balance at beginning of year	**P282,000**	**P9,279,694**	**P18,251,073**	**P27,812,767**	**P42,060**	**P27,854,827**
Additions	**600,000**	**-**	**2,747,425**	**3,347,425**	**-**	**3,347,425**
Reclassifications	**-**	**-**	**(65,015)**	**(65,015)**	**-**	**(65,015)**
Disposals	**-**	**-**	**(175,763)**	**(175,763)**	**-**	**(175,763)**
Balance at end of year	**882,000**	**9,279,694**	**20,757,720**	**30,919,414**	**42,060**	**30,961,474**
Accumulated Amortization						
Balance at beginning of year	**63,374**	**3,172,774**	**6,656,117**	**9,892,265**	**-**	**9,892,265**
Amortization	**11,280**	**386,596**	**846,110**	**1,243,986**	**-**	**1,243,986**
Reclassifications			**(50,323)**	**(50,323)**		**(50,323)**
Disposals	**-**	**-**	**(175,694)**	**(175,694)**	**-**	**(175,694)**
Balance at end of year	**74,654**	**3,559,370**	**7,276,210**	**10,910,234**	**-**	**10,910,234**
Carrying Amount	**P807,346**	**P5,720,324**	**P13,481,510**	**P20,009,180**	**P42,060**	**P20,051,240**

2018

	Port Concession Rights					
	Upfront Fees (Note 23)	Fixed Government Share	Port Infrastructure	Subtotal	Goodwill	Total
Cost						
Balance at beginning of year	P282,000	P9,279,694	P15,084,610	P24,646,304	P42,060	P24,688,364
Additions	-	-	3,222,423	3,222,423	-	3,222,423
Disposals	-	-	(55,960)	(55,960)	-	(55,960)
Balance at end of year	282,000	9,279,694	18,251,073	27,812,767	42,060	27,854,827
Accumulated Amortization						
Balance at beginning of year	52,094	2,786,178	6,096,935	8,935,207	-	8,935,207
Amortization	11,280	386,596	615,141	1,013,017	-	1,013,017
Disposals	-	-	(55,958)	(55,958)	-	(55,958)
Balance at end of year	63,374	3,172,774	6,656,118	9,892,266	-	9,892,266
Carrying Amount	P218,626	P6,106,920	P11,594,955	P17,920,501	P42,060	P17,962,561

The unamortized capitalized borrowing costs as at December 31, 2019 and 2018 amounted to P68.8 million and P73.5 million, respectively. No borrowing costs were capitalized in 2019 and 2018.

The Group has non-cash additions for the years ended December 31, 2019 and 2018 which amounted to P246.0 million and P926.9 million, respectively.

Contract asset under Port Infrastructure represents ongoing construction of port facilities and eventual putting into service in accordance with the Investment Plan. The movements in contract asset are as follows:

	2019	2018
Balance at beginning of year	**P2,762,999**	P2,251,216
Additions during the year	**2,747,425**	3,222,423
Reclassification during the year	**(3,365,847)**	(2,710,640)
Balance at end of year	**P2,144,577**	P2,762,999

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 4.0%. The discount rate applied to cash flow projections is 5.9% in 2019 and 7.9% in 2018 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 P0.6 billion and P1.7 billion in 2019 and 2018, 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

	Note	**2019**	2018
Deposits	*24, 25*	**P57,154**	P41,040
Taxes		**47,796**	116,286
Equity securities	*24, 25*	**2,652**	2,652
Rental		**-**	1,313
		P107,602	P161,291

Deposits mainly represent payments related to refundable security deposits on property leases and utilities. This account includes noninterest-bearing refundable security 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 3.66%. The carrying amounts of these refundable security deposits at amortized cost amounted to P14.8 million as at December 31, 2019 and 2018.

Taxes pertain to noncurrent portion of the input value-added tax on capital goods exceeding P1.0 million.

Equity securities 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:

	2019	2018	2017
Statutory income tax rate	**30.00%**	30.00%	30.00%
Changes in income tax rate resulting from:			
Income subjected to final tax	**(0.98)**	(0.94)	(0.84)
Others	**(0.35)**	(0.95)	(1.65)
Effective income tax rate	**28.67%**	28.11%	27.51%

The movements in deferred tax balances are as follows:

2019	Note	Net Balance at January 1	Recognized in Profit or Loss	Recognized in OCI	December 31 Deferred Tax Assets	Deferred Tax Liabilities	Net
Port concession rights payable related to fixed government share		P433,373	P38,375	P -	P471,748	P -	P471,748
Unrealized foreign exchange loss - net		428,426	(51,912)	-	376,514	-	376,514
Provisions for claims		65,809	12,131	-	77,940	-	77,940
Pension liability	21	20,649	(1,774)	43,837	62,712	-	62,712
Excess of cost over net realizable value of spare parts and supplies		17,469	8,766	-	26,235	-	26,235
Accrued expenses		-	16,845	-	16,845	-	16,845
Impairment losses on receivables	7	3,513	(783)	-	2,730	-	2,730
Right-of-use and lease liability		-	186	-	186	-	186
Accrued operating lease		4,142	(4,142)	-	-	-	-
Rental deposit		1,245	(1,245)	-	-	-	-
Unamortized capitalized borrowing costs and custom duties		(23,321)	1,585	-	-	(21,736)	(21,736)
Net tax assets (liabilities)		P951,305	P18,032	P43,837	P1,034,910	(P21,736)	P1,013,174

2018	Note	Net Balance at January 1	Recognized in Profit or Loss	Recognized in OCI	December 31 Deferred Tax Assets	Deferred Tax Liabilities	Net
Port concession rights payable related to fixed government share		P391,832	P41,541	P -	P433,373	P -	P433,373
Cash flow hedge		88,979	-	(88,979)	-	-	-
Unrealized foreign exchange loss - net		257,757	170,669	-	428,426	-	428,426
Provisions for claims		61,364	4,445	-	65,809	-	65,809
Pension liability	21	33,392	(794)	(11,949)	20,649	-	20,649
Excess of cost over net realizable value of spare parts and supplies		11,469	6,000	-	17,469	-	17,469
Accrued operating lease		4,343	(201)	-	4,142	-	4,142
Impairment losses on receivables	7	5,298	(1,785)	-	3,513	-	3,513
Rental deposit		1,587	(342)	-	1,245	-	1,245
Unamortized capitalized borrowing costs and custom duties		(24,995)	1,674	-	-	(23,321)	(23,321)
Net tax assets (liabilities)		P831,026	P221,207	(P100,928)	P974,626	(P23,321)	P951,305

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	2019	2018
Accrued expenses:			
Marketing, commercial and promotion		**P677,068**	P518,798
Personnel costs		**171,019**	222,876
Professional fees		**153,315**	147,924
Finance costs		**141,330**	151,091
Repairs and maintenance		**89,097**	86,111
Security expenses		**36,921**	45,344
Trucking expense		**31,296**	30,790
Rentals	*23*	**14,729**	65,089
Utilities		**13,639**	14,210
Corporate social responsibility		**13,414**	11,842
Safety and environment		**4,659**	4,723
Miscellaneous		**102,958**	61,638
Due to government agencies	*23*	**684,531**	696,023
Equipment acquisitions		**572,418**	1,133,236
Trade		**288,681**	370,635
Shippers' and brokers' deposits		**95,642**	128,879
Management fee payable	*20*	**15,488**	10,489
Other payables		**146,803**	97,734
	24, 25	**P3,253,008**	P3,797,432

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.

Rentals pertain to short-term leases entered during the period. The Group has elected not to recognize right-of-use assets and lease liabilities for these leases.

15. Provisions for Claims

	2019	2018
Balance at beginning of year	**P219,359**	P204,544
Provisions during the year	**109,541**	25,738
Payments during the year	**(69,101)**	(10,923)
Balance at end of year	**P259,799**	P219,359

Provisions relate to property and 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.

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, 2019, the Parent Company has a total of 2 billion issued and outstanding common shares and 823 stockholders.

<u>Capital Stock - P1 Par Value</u>
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, 2019 and 2018.

<u>Retained Earnings</u>
The Group's unappropriated retained earnings includes the subsidiaries' unappropriated net earnings of P9.6 million and P4.8 million and the Group's accumulated equity in the net earnings of an associate amounting to P38.3 million and P72.4 million as at December 31, 2019 and 2018, respectively, which are available for distribution only upon declaration of dividends by such subsidiaries to the Parent Company and the associate to the Group. Cash dividends are distributed yearly since 2000.

Cash Dividends
On April 25, 2019, the BOD approved the declaration of cash dividends amounting to P1,125.0 million or P0.56 per share payable on June 18, 2019 to common shareholders of record as at May 24, 2019.

On April 26, 2018, the BOD approved the declaration of cash dividends amounting to P900.0 million or P0.45 per share payable on June 18, 2018 to common shareholders of record as at May 22, 2018.

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.

Appropriation and Reversal of Appropriation of Retained Earnings
On December 20, 2019, the Group's BOD approved the reversal to the unappropriated retained earnings of the amount of P3.6 billion out of the already approved appropriation of P10.5 billion, for capital expenditures for 2018 and 2019. Furthermore, the Group's BOD approved an appropriation of the retained earnings amounting to P6.0 billion for capital expenditures for the next 2 years. The Group's BOD also approved on the same date a budget amounting to P10.0 billion for capital expenditures which include yard and berth development as well as construction of new facilities and equipment acquisition for 2020. The capital expenditures will strengthen the Group's operations and capability to handle growth.

On December 20, 2018, the Group's BOD approved the reversal to the unappropriated retained earnings of the amount of P3.7 billion out of the already approved appropriation of P9.7 billion, for capital expenditures for 2016 and 2017. Furthermore, the Group's BOD approved an appropriation of the retained earnings amounting to P4.5 billion for capital expenditures for the next 2 years. The Group's BOD also approved on the same date a budget amounting to P9.0 billion for capital expenditures which include yard and berth development as well as construction of new facilities and equipment acquisition for 2019. The capital expenditures will strengthen the Group's operations and capability to handle growth.

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.

Fair Value Reserve

Fair value reserve amounting to P5.8 million as at December 31, 2019 and 2018 represents unrealized loss on equity securities.

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, 2019, 2018 and 2017, the effective fair value changes of the Group's cash flow hedge that was recognized in other comprehensive income amounted to nil, P250.0 million and P22.0 million, respectively, net of tax.

For the years ended December 31, 2019, 2018 and 2017, the Group's cash flow hedge that was reclassified to profit or loss from other comprehensive income amounted to nil, P457.6 million and P229.8 million, respectively, net of tax.

On November 30, 2018, the management voluntarily revoked the designation of hedge instrument and hedge items. The management has determined that the hedge is retrospectively effective until the date of voluntary termination, including the recognized ineffectiveness in profit or loss.

Based on the management's assessment, continuation of hedging will only lead to recognition of higher unrealized foreign exchange losses that would affect their forecasted profits in the long-run. As a result, the Group reclassified the entirety of unrealized foreign exchange losses pertaining to hedging from other comprehensive income to its profit or loss. For the year ended December 31, 2018, the amount recognized from "Hedging reserve" account to profit or loss amounted to P254.4 million, net of tax.

17. Government Share in Revenues

This account consists of the PPA's share in revenues of the Group as stipulated in the agreements discussed in Notes 2 and 23. The PPA's share in gross revenues includes variable government share amounting to P2.3 billion, P2.3 billion and P1.9 billion in 2019, 2018 and 2017, respectively (see Note 23).

18. Costs and Expenses Excluding Government Share in Revenues

	Note	**2019**	2018	2017
Labor costs	*21*	**P1,551,941**	P1,462,559	P1,282,910
Depreciation and amortization	*10, 11, 23*	**1,529,979**	1,130,882	1,180,724
Equipment running		**812,343**	797,971	595,449
Taxes and licenses		**390,164**	272,084	256,132
Management fees	*20*	**229,821**	176,083	149,706
Security, health, environment and safety		**212,654**	205,407	181,801
Facilities-related expenses		**210,506**	200,520	151,910
Insurance		**110,743**	87,280	66,295
Provision for claims	*15*	**109,541**	25,738	154,090
General transport		**96,442**	46,128	41,133
Marketing, commercial and promotion		**56,009**	86,450	45,740
Rental	*23*	**38,883**	148,134	139,905
Professional fees		**26,255**	80,469	24,460
Entertainment, amusement and recreation		**8,908**	7,787	5,170
Others		**222,239**	213,370	160,778
		P5,606,428	P4,940,862	P4,436,203

Labor costs include salaries, benefits and pension expense.

Spare parts and supplies used and included under equipment running amounted to P310.9 million, P296.3 million and P227.3 million in 2019, 2018 and 2017, respectively.

Provision for inventory obsolescence included in profit or loss amounted to P29.2 million, P20.0 million and nil in 2019, 2018 and 2017, respectively.

Rental pertains to short-term leases incurred during the period. The Group has elected not to recognize right-of-use assets and lease liabilities for these leases.

19. Other Income and Expenses

Finance income is broken down as follows:

	Note	**2019**	2018	2017
Interest on cash in banks and short-term investments	*6*	**P157,296**	P111,066	P83,787
Accretion of rental deposits	*12, 23*	**-**	2,122	1,817
		P157,296	P113,188	P85,604

Finance cost is broken down as follows:

	Note	2019	2018	2017
Interest on port concession rights payable		**P528,747**	P533,664	P559,779
Interest on lease liability	*23*	**27,696**	-	-
Interest component of pension expense	*21*	**2,220**	6,396	7,589
Interest on bank loans/credit facilities		**218**	366	365
		P558,881	P540,426	P567,733

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).

Others consist of the following:

	Note	2019	2018	2017
Foreign exchange gains (losses) - port concession rights payable		**P184,487**	(P136,851)	(P107,169)
Equity in net earnings of an associate	*9*	**51,129**	P59,299	P46,701
Foreign exchange gains (losses) - others		**(94,430)**	35,461	10,243
Management income	*20*	**9,672**	10,285	8,806
Income from insurance claims		**44,046**	-	264
Gain on disposal of equipment and intangible assets		**12,637**	5,256	-
Foreign exchange losses - cash flow hedge		**-**	(603,374)	(329,386)
Other income - net		**9,195**	2,143	34,656
		P216,736	(P627,781)	(P335,885)

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

Foreign exchange losses (gains)- cash flow hedge in 2018 includes the amount reclassified from other comprehensive income resulting from the voluntary revocation by management of the designation of the hedge instrument and hedge items (see Note 16).

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:

Category/ Transaction	Ref	Year	Amount of the Transaction	Outstanding Balance: Due from Related Parties	Outstanding Balance: Due to Related Parties	Lease Liability	Terms	Conditions
Associate								
▪ Management income	*A*	**2019**	**P9,672**	**P891**	**P -**	**P -**	**Payable on demand**	**Unsecured; no impairment**
		2018	10,285	957	-	-	Payable on demand	Unsecured; no impairment
Post-Employment Benefit Plan								
▪ Retirement fund	*B*	**2019**	**75,449**	**32,459**	**-**	**-**	**Payable on demand**	**Unsecured; no impairment**
		2018	39,221	10,016	-	-	Payable on demand	Unsecured; no impairment
Others								
▪ Management fees	*C*	**2019**	**229,821**	**-**	**15,488**	**-**	**Payable within ten (10 days) of the following month**	**Unsecured**
		2018	176,083	-	10,489	-	Payable within ten (10) days of the following month	Unsecured
▪ Advances	*D*	**2019**	**2,207**	**422**	**-**	**-**	**Payable on demand**	**Unsecured; no impairment**
		2018	2,456	273	-	-	Payable on demand	Unsecured; no impairment
▪ Lease	*E*	**2019**	**16,672**	**-**	**-**	**99,767**	**Payable within five (5 days) of the following month**	**Unsecured**
		2018	-	-	-	-		
TOTAL		**2019**		**P33,772**	**P15,488**	**P99,767**		
TOTAL		2018		P11,246	P10,489	P -		

A. Amount owed by SCIPSI pertains to management fees equivalent of 6% of gross revenue.

B. The Parent Company and ATIB have separate, noncontributory, defined benefit retirement plans covering all its regular employees, in the form of a trust being maintained by a trustee bank. Certain payments to retired employees were paid directly by the Group to be subsequently paid by the retirement fund.

C. P & O Management Services Phils., Inc. (POMS), a related party which is 40.00% owned by POAL, manages the Parent Company by virtue of a management agreement. The Parent Company's management agreement with POMS was further renewed on August 20, 2015 for another five years until August 31, 2020. 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.

D. Amount owed by DP World Asia Holdings Limited-Regional Operating Headquarters, a related party under common control, pertains to reimbursements for expenses paid by the Group.

E. The Parent Company has entered a 5-year lease contract with a company controlled by the Group's director commencing on May 1, 2019 for a parcel of land located at Barangay Lawa, Calamba, Laguna, with a monthly lease rental of P40 per square meter, subject to an escalation of 8% beginning May 1, 2021 and every 2 years thereafter. The contract terms are based on market rates for this type of arrangement and amounts are payable on a monthly basis for the duration of the contract. The leased premises shall be used for its off-dock container yard and cargo support requirements, including but not limited to warehousing and logistics (see Note 23).

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

	2019	2018
Short-term employee benefits	**P202,850**	P179,929
Post-employment benefits	**8,569**	9,276
	P211,419	P189,205

The outstanding related party balances are expected to be settled in cash.

21. Pensions

The Group's latest actuarial valuation reports are dated December 31, 2019. 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			TOTAL		
	2019	2018	2017	**2019**	2018	2017	**2019**	2018	2017
Current service cost	**P27,718**	P33,874	P36,651	**P2,129**	P1,708	P2,052	**P29,847**	P35,582	P38,703
Interest cost on defined benefit obligation	**31,529**	28,809	28,144	**2,430**	1,652	1,685	**33,959**	30,461	29,829
Interest income on plan assets	**(29,379)**	(22,252)	(20,587)	**(2,360)**	(1,813)	(1,653)	**(31,739)**	(24,065)	(22,240)
Net pension expense	**P29,868**	P40,431	P44,208	**P2,199**	P1,547	P2,084	**P32,067**	P41,978	P46,292

Current service cost is charged under "Labor cost" account included in "Costs and expenses excluding government share in revenues" in the consolidated statements of income (see Note 18). 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		TOTAL	
	2019	2018	**2019**	2018	**2019**	2018
Present value of pension obligations	**(P602,339)**	(P474,061)	**(P48,576)**	(P33,941)	**(P650,915)**	(P508,002)
Fair value of plan assets	**432,407**	422,308	**34,362**	30,941	**466,769**	453,249
Pension liability	**(169,932)**	(P51,753)	**(P14,214)**	(P3,000)	**(P184,146)**	(P54,753)

Changes in the Present Value of Pension Obligations

	ATI		ATIB		TOTAL	
	2019	2018	**2019**	2018	**2019**	2018
Present value of pension obligations at beginning of year	**P474,061**	P527,936	**P33,941**	P29,298	**P508,002**	P557,234
Current service cost	**27,718**	33,874	**2,129**	1,708	**29,847**	35,582
Interest cost	**31,529**	28,809	**2,430**	1,653	**33,959**	30,462
Benefits paid	**(71,518)**	(41,747)	**(3,550)**	(2,249)	**(75,068)**	(43,996)
Actuarial loss (gain)	**140,549**	(74,811)	**13,626**	3,531	**154,175**	(71,280)
Present value of pension obligations at end of year	**P602,339**	P474,061	**P48,576**	P33,941	**P650,915**	P508,002

Changes in the Fair Value of Plan Assets

	ATI		ATIB		TOTAL	
	2019	2018	**2019**	2018	**2019**	2018
Fair value of plan assets at beginning of year	**P422,308**	P413,305	**P30,941**	P30,856	**P453,249**	P444,161
Interest income	**29,379**	22,252	**2,360**	1,813	**31,739**	24,065
Actual contributions	**44,703**	58,024	**4,092**	2,445	**48,795**	60,469
Remeasurement gain (loss) on plan assets	**12,776**	(29,526)	**836**	(1,924)	**13,612**	(31,450)
Benefits paid	**(76,759)**	(41,747)	**(3,867)**	(2,249)	**(80,626)**	(43,996)
Fair value of plan assets at end of year	**P432,407**	P422,308	**P34,362**	P30,941	**P466,769**	P453,249

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

	ATI			ATIB			TOTAL		
	2019	2018	2017	**2019**	2018	2017	**2019**	2018	2017
Actuarial gain (loss) due to:									
Changes in financial assumptions	**(P107,477)**	P47,701	P16,666	**(P11,072)**	P5,894	P938	**(P118,549)**	P53,595	P17,604
Changes in demographic assumptions	**-**	29,153	(1,068)	**-**	(3,669)	3,919	**-**	25,484	2,851
Experience adjustment	**(38,315)**	(2,043)	44,403	**(2,872)**	(5,756)	414	**(41,187)**	(7,799)	44,817
Remeasurement gain (loss) on plan assets	**12,776**	(29,526)	(9,963)	**836**	(1,924)	(174)	**13,612**	(31,450)	(10,137)
	(P133,016)	P45,285	P50,038	**(P13,108)**	(P5,455)	P5,097	**(P146,124)**	P39,830	P55,135

The cumulative amount of actuarial gain (loss) recognized in the consolidated statements of changes in equity included under "Retained earnings" account amounted to (P35.9) million and P110.1 million as at December 31, 2019 and, 2018, respectively.

Plan Assets

The plans entitle 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.

The defined benefit pension plans expose 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		TOTAL	
	2019	2018	**2019**	2018	**2019**	2018
Cash and cash equivalents	**P5,574**	P38,840	**P363**	P3,419	**P5,937**	P42,259
Investment in UITF	**5,776**	5,343	**825**	381	**6,601**	5,724
Equity instruments	**62,563**	66,383	**4,587**	4,643	**67,150**	71,026
Investment in government securities	**326,024**	286,797	**26,002**	20,567	**352,026**	307,364
Debt instruments	**13,909**	7,801	**1,203**	702	**15,112**	8,503
Other receivables	**18,561**	17,144	**1,382**	1,229	**19,943**	18,373
	P432,407	P422,308	**P34,362**	P30,941	**P466,769**	P453,249

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	
	2019	2018	**2019**	2018
Discount rate at end of year	**4.9%**	7.3%	**5.0%**	7.4%
Salary increase rate	**3.5%-6.0%**	4.0%-5.0%	**3.5%-6.0%**	4.0%-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	
	2019	2018	**2019**	2018
Average expected future service years	**11**	11	**13**	13

Maturity analysis of the benefit payments:

	2019	
	Expected Benefit Payments	
	ATI	**ATIB**
Within 1 Year	**P70,504**	**P1,050**
Within 1 - 5 Years	**181,396**	**11,770**
More than 5 Years	**2,291,590**	**378,602**

	2018	
	Expected Benefit Payments	
	ATI	ATIB
Within 1 Year	P85,502	P2,104
Within 1 - 5 Years	181,043	12,584
More than 5 Years	1,737,962	253,070

Sensitivity Analysis

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

2019

	ATI		**ATIB**	
	1% Increase	**1% Decrease**	**1% Increase**	**1% Decrease**
Discount rate	**(P47,252)**	**P54,839**	**(P5,147)**	**P6,135**
Salary increase rate	**56,741**	**(49,802)**	**6,246**	**(5,335)**

2018

	ATI		ATIB	
	1% Increase	1% Decrease	1% Increase	1% Decrease
Discount rate	(P29,467)	P33,424	(P2,834)	P3,280
Salary increase rate	36,241	(32,434)	3,498	(3,064)

The Group expects to pay P48.7 million in contributions to defined benefit pension plans in 2020.

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

Basic EPS is computed as follows:

	2019	2018	2017
(a) Net income attributable to Equity Holders of the Parent Company (in thousands)	**P3,714,060**	P2,881,448	P2,486,993
(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)	**P1.86**	P1.44	P1.24

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.

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 (see Note 2).

   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 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 3rd year, US$5.08 million for the 4th-7th year, and US$5.33 million for the 8th-25th 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. The Parent Company and ATIB are authorized by the PPA to render cargo handling and passenger services, supply base operations, porterage 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, Parent Company 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 4th and 5th years and 3% for the remaining 5 years. In addition, Parent Company 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. On December 18, 2019, the term of the contract was extended until June 30, 2035. The same percentage for the annual volume-triggered government share shall be remitted by Parent Company and ATIB for the extended term and the applicable escalation rate is still 3%. In consideration for the extension of the term from 2025 to 2035, Parent Company and ATIB paid to the PPA a lump-sum fee of P200 million in December 2019.

d. A lump-sum fee of P400 million was paid to the PPA in December 2019 as advance consideration in the event of renewal of the contracts for Port of Batangas Phase 1 and Container Terminal "A-1," Phase 2 beyond year 2035.

   Upon recognition of the fair value of the fixed fees representing the government share under the concession agreements as discussed above, the Group also recognized the corresponding port concession rights payable (see Note 2). The movements in the port concession rights payable are as follows:

	2019	2018
Balance as at January 1	**P8,866,882**	P8,806,580
Accretion of port concession rights payable	**524,421**	238,718
Payments during the year	**(773,340)**	(781,790)
Effects of exchange rate changes	**(314,971)**	603,374
Balance as at December 31	**P8,302,992**	P8,866,882

<u>Agreements outside the Scope of Philippine Interpretation IFRIC 12, *Service Concession Arrangements*</u>

a. The Parent Company has a 5-year lease agreement with PPA effective April 3, 2017 covering a land adjacent to the Container Freight Station (CFS) area of the Container Terminal "A-1" with a monthly lease rental of P1.7 million, subject to a yearly escalation of 5%.

   Operating lease commitments preceding the date of the application of PFRS 16 under the above operating lease is as follows:

	2018
Within one year	**P20,403**
After one year but not more than five years	**66,310**
	P86,713

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 monthly rates amounted to P1.3 million, P1.2 million and P1.2 million in 2019, 2018 and 2017, respectively.

Operating lease commitments preceding the date of the application of PFRS 16 under the above operating lease is as follows:

	2018
Within one year	**P14,396**
After one year but not more than five years	**31,096**
	P45,492

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.

Operating lease commitments preceding the date of the application of PFRS 16 under the above operating lease is as follows:

	2018
Within one year	**P7,164**
After one year but not more than five years	**15,511**
	P22,675

d. The Parent Company has entered a 25-year lease contract commencing on February 15, 2018 for a parcel of land located at barangay Calibuyo, Tanza, Cavite, with a monthly lease rental of P35 per square meter, subject to an escalation of 5% beginning February 15, 2020 and every 2 years thereafter. The lease premises shall be used exclusively as a port terminal, inland clearance depot, warehouse, and for other activities related or ancillary thereto.

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

	2018
Within one year	**P16,517**
After one year but not more than five years	**90,011**
After more than five years	**433,811**
	P540,339

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.

Majority of the Group's leased properties pertain to land. The leases typically run for a period of 1-25 years, with an option to renew the lease after that date. Previously, these leases were classified as operating leases under PAS 17. Information about leases for which the Group is a lessee is presented below.

i. Right-of-Use Assets

Right-of-use assets related to leased properties whose lease terms are more than 12 months.

	Note	**Total**
Balance at January 1, 2019		**P587,088**
Additions to right-of-use assets		**216,932**
Depreciation during the year	*18*	**(127,891)**
Balance at December 31, 2019		**P676,129**

ii. Lease Liabilities

	Note	**Total**
Balance at January 1, 2019		**P555,635**
Additions to lease liabilities		**216,932**
Payments made		**(159,321)**
Interest expense during the year	*19*	**27,696**
Balance at December 31, 2019		**P640,942**

iii. Amounts to be Recognized in Profit or Loss

	Note	**2019**
2019 - Leases under PFRS 16		
Expenses relating to short-term and/or low value leases	*18*	**P38,883**
Depreciation expense	*18*	**127,891**
Interest on lease liability	*19*	**27,696**
2018 - Operating Leases under PAS 17		
Rent expense	*18*	**148,134**
Total cash outflow of leases for 2019		**P237,174**

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, equity securities, trade and other payables, port concession rights payable and lease liabilities 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.

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, 2019 and 2018, the interest rate profile of the Group's interest bearing financial instrument is as follows:

	2019	2018
Fixed Rate Instruments		
Cash and cash equivalents*	**P5,646,441**	P6,867,826

Excluding cash on hand amounting to P0.9 million and P0.7 million as at December 31, 2019 and 2018, respectively.

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:

		Contractual Cash Flows					
As at December 31, 2019	Carrying Amount	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	> 5 Years	Total
Trade and other payables*	P2,568,477	P371,892	P366,297	P1,830,288	P -	P -	P2,568,477
Port concession rights payable	8,302,992	-	198,271	594,811	3,986,753	7,596,968	12,376,803
Lease liabilities	640,942	16,221	32,442	141,664	386,670	414,690	991,687
Total	P11,512,411	P388,113	P597,010	P2,566,763	P4,373,423	P8,011,658	P15,936,967

excluding due to government agencies amounting to P0.7 million

		Contractual Cash Flows					
As at December 31, 2018	Carrying Amount	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	> 5 Years	Total
Trade and other payables*	P3,101,409	P345,689	P492,020	P2,263,700	P -	P -	P3,101,409
Port concession rights payable	8,866,882	-	197,152	591,457	4,003,742	8,373,061	13,165,412
Total	P11,968,291	P345,689	P689,172	P2,855,157	P4,003,742	P8,373,061	P16,266,821

excluding due to government agencies amounting to P0.7 million

Credit Risk

Credit risk on trade and other receivables represents the risk of loss the Group would incur if credit customers and counterparties fail to perform their contractual obligations.

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 implemented to assess the credit standing of customers.

The Group does not require collateral in respect of trade and other receivables. The Group does not have trade and other receivables for which no loss allowance is recognized because of collateral. The carrying amounts of trade and other receivables represent the maximum credit exposure.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash in bank and cash equivalents, deposits and FVOCI - equity, 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. The Group trades only with reputable banks and recognized third parties.

Exposure to credit risk is monitored on an ongoing basis. Credit checks are being performed on all clients requesting credit over certain amounts. Credit is not extended beyond authorized limits, established where appropriate through consultation with a professional credit vetting organization. Credit granted is subject to regular review, to ensure it remains consistent with the clients' current credit worthiness and appropriate to the anticipated volume of business.

Financial information on the Group's maximum exposure to credit risk as at December 31, 2019 and 2018, without considering the effects of collaterals and other risk mitigation techniques, is presented below.

	Note	**2019**	2018
Cash and cash equivalents*	*6*	**P5,646,441**	P6,867,826
Trade and other receivables - net	*7*	**630,599**	742,027
Deposits	*12*	**57,154**	41,040
Equity securities	*12*	**2,652**	2,652
		P6,336,846	P7,653,545

**excluding cash on hand amounting to P0.9 million and P0.7 million as at December 31, 2019 and 2018, respectively.*

The table below shows the credit quality of the Group's financial assets based on their historical experience with the corresponding debtor.

	As at December 31, 2019			
	Grade A	**Grade B**	**Grade C**	**Total**
Cash in banks and cash equivalents	**P5,646,441**	**P -**	**P -**	**P5,646,441**
Trade and other receivables - net	**378,340**	**252,259**	**-**	**630,599**
Deposits	**57,154**	**-**	**-**	**57,154**
Equity securities	**2,652**	**-**	**-**	**2,652**
	P6,084,587	**P252,259**	**P -**	**P6,336,846**

	As at December 31, 2018			
	Grade A	Grade B	Grade C	Total
Cash in banks and cash equivalents	P6,867,826	P -	P -	P6,867,826
Trade and other receivables - net	407,285	334,742	-	742,027
Deposits	41,040	-	-	41,040
Equity securities	2,652	-	-	2,652
	P7,318,803	P334,742	P -	P7,653,545

Grade A receivables pertain to those receivables from customers that always pay on time or even before the maturity date. Grade B includes receivables that are collected on their due dates provided that they were reminded or followed up by the Group. Those receivables which are collected consistently beyond their due dates and require persistent effort from the Group are included under Grade C.

Cash in banks is considered good quality (Grade A) as this pertains to deposits in reputable banks.

Trade and Other Receivables
The exposure to credit risk for trade and other receivables by industry is as follows:

	Note	**2019**	2018
Shipping lines		**P376,234**	P459,388
Others		**254,365**	282,639
	7	**P630,599**	P742,027

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.

Expected Credit Loss Assessment
The Group allocates each exposure to a credit risk grade based on data that is determined to be predictive of the risk of loss (including but not limited to external ratings, audited financial statements, management accounts and cash flow projections and available press information about customers) and applying expected credit judgment. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default.

Exposures within each credit risk grade are segmented by industry classification and an ECL rate is calculated for each segment based on delinquency and actual credit loss experience.

The following table provides information about the exposure to credit risk for trade and other receivables as at December 31, 2019:

	Gross Carrying Amount	Impairment Loss Allowance	Credit-impaired
Current (not past due)	P537,966	P -	No
1 - 30 days past due	19,733	-	No
31 - 60 days past due	2,533	-	No
61- 90 days past due	69,786	-	No
More than 90 days past due	7,560	6,979	Yes
Balance at December 31, 2019	**P637,578**	**P6,979**	

	Gross Carrying Amount	Impairment Loss Allowance	Credit-impaired
Current (not past due)	P734,209	P -	No
1 - 30 days past due	2,887	-	No
31 - 60 days past due	3,570	-	No
61- 90 days past due	858	-	No
More than 90 days past due	13,155	12,652	Yes
Balance at December 31, 2018	**P754,679**	**P12,652**	

Loss rates are based on actual credit loss experience over three years considering circumstances at the reporting date. Any adjustment to the loss rates for forecasts of future economic conditions are not expected to be material. The Group applies the simplified approach in providing for expected credit losses prescribed by PFRS 9, which permits the use of the lifetime expected loss provision and applies a provision matrix. The application of the expected loss rates to the receivables of the Group does not have a material impact on the financial statements.

The maturity of the Group's trade and other receivables is less than one year so the lifetime expected credit losses and the 12-month expected credit losses are similar.

Movement in the Allowance for Impairment in Respect of Trade and Other Receivables

	2019	Individually Impaired	Collectively Impaired
Balance at January 1	**P12,652**	P3,296	P9,356
Reversals during the year	**(3,550)**	-	(3,550)
Write-offs	**(2,123)**	(2,123)	-
Balance at December 31	**P6,979**	P1,173	P5,806

	2018	Individually Impaired	Collectively Impaired
Balance at January 1 under PAS 39	P18,602	P3,296	P15,306
Adjustment on initial application of PFRS 9	-	-	-
Balance at January 1 under PFRS 9	18,602	3,296	15,306
Reversals during the year	(5,950)	-	(5,950)
Balance at December 31	P12,652	P3,296	P9,356

The significant change in the gross carrying amount of trade receivables that contributed also to the change in the impairment loss allowance during 2019 and 2018 refers to the reversals in allowance for impairment during the year. The reversals resulted from review of credit risks profiling of customers and upon identification of receivables with specific doubtful accounts.

Cash in Banks and Cash Equivalents

The Group held cash in banks and cash equivalents of P5.6 billion and P6.9 billion as at December 31, 2019 and 2018, respectively. The cash and cash equivalents are held with bank and financial institution counterparties, which are rated Grade A.

Impairment on cash in banks and cash equivalents has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash in bank and cash equivalents have low credit risk based on the external credit ratings of the counterparties and any ECL is expected to be immaterial.

Foreign Currency Risk

The Group has foreign currency financial assets and liabilities arising from USD denominated revenues, 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 as well as buying 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 hedged the spot exchange risk on the highly probable forecast USD revenue transactions using a non-derivative financial instrument, port concession rights payable, which is denominated in USD. The financial liability creates an exposure to the functional currency which offsets the foreign currency exposure on the highly probable USD revenue stream. This type of hedging relationship was designated as cash flow hedge.

The Group had assessed that 80% of the USD denominated stevedoring revenue for the designated period is highly probable. However, the Group had designated 67% of the monthly USD 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 USD 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 decided to terminate the Hedging instrument on November 30, 2018. A sensitivity analysis has been prepared comparing the impact on unrealized foreign exchange losses on the port concession rights payable under the Fair Value method and continuing the cash flow hedge. The fair value method is more beneficial to the Group.

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

	2019	2018
Assets		
Cash and cash equivalents	**US$55,955**	US$45,648
Liabilities		
Trade and other payables	**7,132**	2,998
Port concession rights payable	**138,805**	142,611
	145,937	145,609
Net foreign currency-denominated liabilities	**(US$89,982)**	(US$99,961)
Peso equivalent	**(P4,556,688)**	(P5,255,949)

The exchange rates applicable for USD as at December 31, 2019 and 2018 are P50.64 and P52.58, respectively.

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

	Increase (Decrease) in USD Exchange Rate	**Effect on Income Before Income Tax**	**Effect on Equity**
2019			
	+5%	**(P227,834)**	**(P159,484)**
	-5%	**227,834**	**159,484**
2018			
	+5%	(262,797)	(183,958)
	-5%	262,797	183,958

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	2019	2018
Capital stock		**P2,000,000**	P2,000,000
Additional paid-in capital		**264,300**	264,300
Retained earnings		**16,060,246**	13,585,013
Fair value reserve		**(5,820)**	(5,820)
Total	*16*	**P18,318,726**	P15,843,493

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, 2019 and 2018.

		2019		2018	
	Note	**Carrying Amount**	**Fair Value**	Carrying Amount	Fair Value
Financial Assets					
Cash and cash equivalents	*6*	**P5,647,349**	**P5,647,349**	P6,868,485	P6,868,485
Trade and other receivables - net	*7*	**630,599**	**630,599**	742,027	742,027
Deposits	*12*	**57,154**	**62,582**	41,040	44,298
		6,335,102	**6,340,530**	7,651,552	7,654,810
Equity securities	*12*	**2,652**	**2,652**	2,652	2,652
		P6,337,754	**P6,343,182**	P7,654,204	P7,657,462
Financial Liabilities					
Other financial liabilities:					
Trade and other payables*	*14*	**2,568,477**	**2,568,477**	P3,101,409	P3,101,409
Port concession rights payable		**8,302,992**	**9,748,981**	8,866,882	9,060,531
Lease liabilities		**640,942**	**742,941**	-	-
		P11,512,411	**P13,060,399**	P11,968,291	P12,161,940

** excluding due to government agencies amounting to P0.7 million in 2019 and 2018.*

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 equity securities. The fair values of unquoted equity securities 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 3.7% in 2019 and 7.0% in 2018.

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 4.20% to 5.13% in 2019 and 7.06% to 7.61% in 2018.

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

As at December 31, 2019	*Note*	**Level 1**	**Level 2**	**Level 3**
Equity securities	*12*	**P933**	**P -**	**P1,719**
Port concession rights payable		**-**	**9,748,981**	**-**
Lease liabilities		**-**	**640,942**	**-**
		P933	**P10,389,923**	**P1,719**

As at December 31, 2018	*Note*	Level 1	Level 2	Level 3
Equity securities	*12*	P933	P -	P1,719
Port concession rights payable		-	9,060,531	-
		P933	P9,060,531	P1,719

There have been no transfers from one level to another in 2019 and 2018.

26. Revenues from Operations

The Group derives revenue from the transfer of services in the following major service lines:

	2019	2018	2017
Revenues from Operations			
Stevedoring	**P6,027,019**	P5,368,521	P4,833,068
Arrastre	**4,666,414**	4,572,477	3,715,092
Logistics	**91,289**	72,726	104,286
Special and other services	**2,544,719**	2,262,954	1,950,726
	P13,329,441	P12,276,678	P10,603,172

KPMG

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Philippines 1226
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Website home.kpmg/ph
Email ph-inquiry@kpmg.com

REPORT OF INDEPENDENT AUDITORS ON COMPONENTS OF FINANCIAL SOUNDNESS INDICATORS

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

We have audited, in accordance with Philippine Standards on Auditing, the consolidated financial statements of Asian Terminals, Inc. (the "Company") and its Subsidiaries (collectively known as the "Group") as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019, and have issued our report thereon dated March 3, 2020.

Our audits were made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The Supplementary Schedule on Financial Soundness Indicators, including their definitions, formulas, calculation, and their appropriateness or usefulness to the intended users, are the responsibility of the Company's management. These financial soundness indicators are not measures of operating performance defined by Philippine Financial Reporting Standards (PFRSs) and may not be comparable to similarly titled measures presented by other companies.

This schedule is presented for the purpose of complying with the Revised Securities Regulation Code (SRC) Rule 68 issued by the Securities and Exchange Commission, and is not a required part of the basic consolidated financial statements prepared in accordance with PFRSs. The components of these financial soundness indicators have been traced to the Group's consolidated financial statements as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019 and no material exceptions were noted.

R.G. MANABAT & CO.

ALICIA S. COLUMBRES
Partner
CPA License No. 069679
SEC Accreditation No. 1590-AR-1, Group A, valid until August 7, 2022
Tax Identification No. 120-964-156
BIR Accreditation No. 08-001987-27-2017
Issued September 5, 2017; valid until September 4, 2020
PTR No. MKT 8116760
Issued January 2, 2020 at Makati City

March 3, 2020

KPMG

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REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY INFORMATION

The Stockholders and Board of Directors
Asian Terminals, Inc. and its Subsidiaries
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 its Subsidiaries (collectively known as the "Group") as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019, included in this Form 17-A, and have issued our report thereon dated March 3, 2020.

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
- Supplementary Schedules of Annex 68-J
- Reconciliation of Retained Earnings Available for Dividend Declaration

This supplementary information is presented for purposes of complying with the Revised Securities Regulation Code (SRC) Rule 68, 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.

ALICIA S. COLUMBRES
Partner
CPA License No. 069679
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Issued January 2, 2020 at Makati City

March 3, 2020
Makati City, Metro Manila

Asian Terminals Inc. and its Subsidiaries
Schedule of Financial Soundness Indicators
For the Years Ended December 31, 2019, 2018 and 2017

Consolidated KPI	Manner of Calculation	2019	2018	2017	Discussion
Return on Capital Employed*	Percentage of income before interest and tax* over capital employed	20.1%	20.7%	19.2%	Decreased due to increase in intangible assets.
Return on Equity attributable to equity holders of the parent	Percentage of net income over equity attributable to average equity holders of the parent	21.7%	19.6%	19.6%	Improved due to increase in net income
Current ratio	Ratio of current assets over current liabilities	1.98 : 1.00	1.96 : 1.00	2.44 : 1.00	Increased due to lower current assets.
Asset to equity ratio	Ratio of total assets over equity attributable to equity holders of the parent	1.71 : 1.00	1.84 : 1.00	1.89 : 1.00	Decreased due to increase in retained earnings.
Debt to equity ratio	Ratio of total liabilities over equity attributable to equity holders of the parent	0.71 : 1.00	0.84 : 1.00	0.89 : 1.00	Improved due to increase in retained earnings
Days Sales in Receivables (DSR)	Gross trade receivables over revenues multiplied by number of days	11 days	16 days	11 days	Decreased due to improved collection.
Net Income Margin	Net income over revenues less government share in revenues	33.8%	28.8%	28.7%	Increased due to higher net income growth.
Reportable Injury Frequency Rate (RIFR)[1]	Number of reportable injuries within a given accounting period relative to the total number of hours worked in the same accounting period.	0.82	0.73	0.53	Increased due to higher number of injuries.

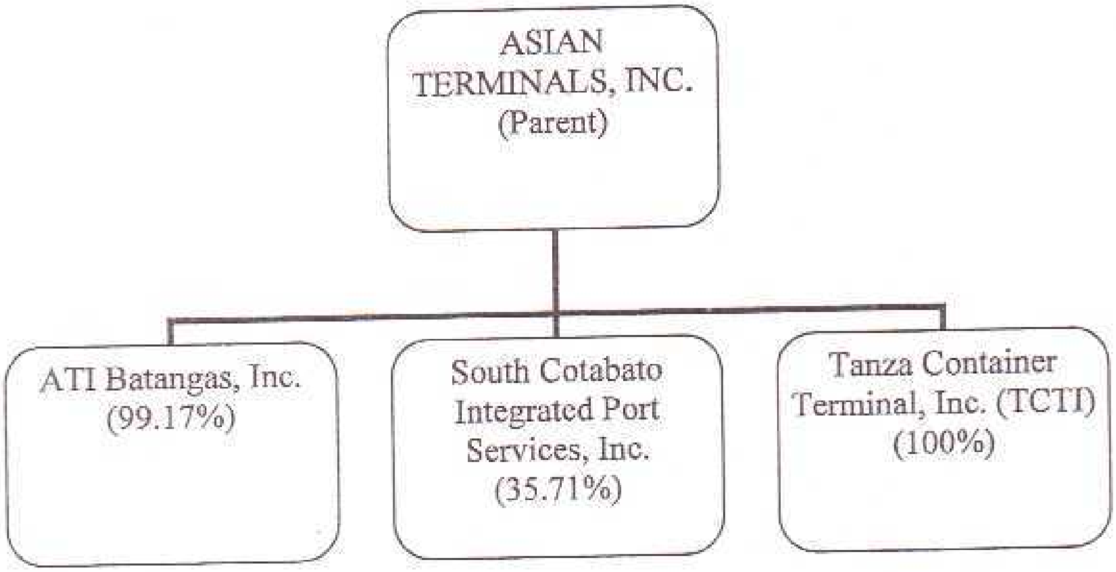
*Income before interest and tax excludes also net unrealized foreign exchange losses and others.

[1] 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.

ASIAN TERMINALS, INC.
SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
AS AT DECEMBER 31, 2019

Unappropriated Retained Earnings, beginning		P1,500,424
Adjustments:		
Unrealized foreign exchange loss - cash flow hedge		(910,753)
Deferred tax benefit		(66,727)
Unrealized actuarial gain		932,760
Unappropriated Retained Earnings, as adjusted, beginning		1,455,704
Net Income based on the face of AFS	3,619,341	
Less: Non-actual/unrealized income net of tax		
Equity in net income of associate/joint venture	-	-
Unrealized foreign exchange gain - net (except those attributable to Cash and Cash Equivalents)	-	-
Unrealized actuarial gain	(28,749)	
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	(14,535)	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	-	-
Subtotal	3,576,057	
Add: Non-actual losses		
Depreciation on revaluation increment (after tax)	-	-
Unrealized foreign exchange loss - net (except those attributable to Cash and Cash Equivalents)	218,373	
Adjustment due to deviation from PFRS/GAAP - loss	-	-
Loss on fair value adjustment of investment property (after tax)	-	-
Net income actually incurred during the period		5,250,134
Add (Less):		
Dividend declarations during the period		(1,125,000)
Appropriations of Retained Earnings during the period		(6,000,000)
Reversals of appropriations		3,600,000
Effects of prior period adjustments		(17,791)
Treasury shares	-	-
Unappropriated Retained Earnings, as adjusted, ending		P1,707,343

Asian Terminals, Inc.
Subsidiaries and an Associate
December 31, 2019



ASIAN TERMINALS, INC. AND ITS SUBSIDIARIES

INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

FORM 17-A, Item 7

December 31, 2019

ASIAN TERMINALS, INC. AND ITS SUBSIDIARIES

Schedule A. **Financial Assets**
December 31, 2019
(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	₱5,647,349	₱5,647,349	₱169,862
Trade and other receivables - net	N/A	N/A	630,599	630,599	-
Deposits	N/A	N/A	57,154	62,582	-
Equity Securities					
Quoted Equity Shares		N/A	933	933	-
Unquoted Equity Shares		N/A	1,719	1,719	-
			₱6,337,754	₱6,343,182	₱169,862

Schedule B. **Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)**
December 31, 2019
(in thousands)

Name and designation of debtor	Balance at beginning of period	Additions	Amounts collected	Amounts written-off	Current	Non-current	Balance at end of period
Officers	₱19,546	₱47,473	(₱40,071)	₱0	₱0	₱0	₱26,948
Related Parties	1,229	11,726	(11,642)	0	0	0	1,313
	₱20,775	₱59,199	(₱51,713)	₱0	₱0	₱0	₱28,261

Schedule C. **Amounts Payable from Related Parties which are Eliminated during the Consolidation of Financial Statements**
December 31, 2019
(in thousands)

Name and designation of debtor	Balance at beginning of period	Additions	Amounts paid	Amounts written-off	Current	Non-current	Balance at end of period
ATI Batangas, Inc.	(₱8,398)	656,835	(₱268,043)	₱0	₱0	₱0	₱380,394
Tanza Container Terminal, Inc.	16,361	66,617	-	-	-	-	82,978
	₱7,963	₱723,452	(₱268,043)	₱0	₱0	₱0	₱463,372

Schedule D. **Intangible Assets - Other Assets**
December 31, 2019
y ***(in thousands)***

Description	Beginning balance	Additions at costs	Charged to cost and expenses	Charged to other accounts	Other changes additions (deductions)	Ending balance
	Please refer to Note 11 of the Consolidated Financial Statements					

Schedule E. **Long-term Debt**
December 31, 2019
(in thousands)

Title of Issue and type of obligation	Amount authorized by indenture	Amount shown under caption "Current portion of long-term debt" in related balance sheet	Amount shown under caption "Long-Term Debt" in related balance sheet
	Not Applicable		

Schedule F. **Indebtedness to Related Parties**
December 31, 2019
(in thousands)

Name of Issuing entity and association of each issue	Amount shown in the balance sheet	Valued based on market quotation at end of reporting period
P&O Management Services Phils., Inc.	₱15,488	₱15,488

Schedule G. **Guarantees of Securities of Other Issuers**
December 31, 2019
(in thousands)

Name of issuing entity of securities guaranteed by the company for which this statement is filed	Title of issue of each class of securities guaranteed	Total amount guaranteed and outstanding	Amount owned by person for which statement is filed	Nature of guarantee
Not Applicable				

Schedule H. **Capital Stock**
December 31, 2019
(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	15,586	1,346,577

ASIAN TERMINALS, INC. AND ITS SUBSIDIARIES
Schedule C. Amounts Payable from Related Parties which are Eliminated during the Consolidation of Financial Statements
December 31, 2019
(in thousands)

Description	Beginning balance	Additions	Amounts paid	Amounts written off	Current	Non-current	Ending balance
ATI Batangas, Inc.	₱ (8,398)	₱ 656,835	₱ (268,043)	₱ -	₱ -	₱ -	₱ 380,394
Tanza Container Terminal, Inc.	16,361	66,617	-	-	-	-	82,978
							-
							-
	₱ 7,963	₱ 723,452	₱ (268,043)	₱ -	₱ -	₱ -	₱ 463,372

ASIAN TERMINALS, INC. AND ITS SUBSIDIARIES
Schedule H. Capital Stock
December 31, 2019
(in thousands)

Title of issue	Number of shares authorized	Number of shares issued and outstanding	Number of shares reserved for options, warrants, conversions, and other rights	Number of shares held by		
				Affiliates	Directors, officers and employees	Others
Common shares	4,000,000	2,000,000	None	637,838	15,586	1,346,577

COVER SHEET

For

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

1 3 3 6 5 3

COMPANY NAME

A S I A N T E R M I N A L S , I N C .

PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

A . B o n i f a c i o D r i v e

P o r t A r e a , M a n i l a

Form Type	Department requiring the report	Secondary License Type, If Applicable
A A P C F S		

COMPANY INFORMATION

Company's email Address	Company's Telephone Number/s	Mobile Number
asianterminals.com.ph	528-6000	

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
823	4th Thursday of April	December 31

CONTACT PERSON INFORMATION

The designated contact person *MUST* be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Jose Tristan P. Carpio	JoseC@asianterminals.com.ph	528-6000	

CONTACT PERSON's ADDRESS

Note 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2: All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

ASIAN TERMINALS, INC.

SEPARATE FINANCIAL STATEMENTS
December 31, 2019 and 2018

With Independent Auditors' Report

Alas Oplas & Co., CPAs

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Independent Member of
BKR International

CERTIFICATE ON THE COMPILATION SERVICES FOR THE PREPARATION OF THE SEPARATE FINANCIAL STATEMENTS AND NOTES TO THE FINANCIAL STATEMENTS

We have compiled the accompanying separate financial statements of **ASIAN TERMINALS, INC.** based on information you have provided. These separate financial statements comprise the separate statements of financial position of **ASIAN TERMINALS, INC.** as at December 31, 2019, the separate statements of income, separate statements of comprehensive income, separate statements of changes in equity and separate statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

We performed this compilation engagement in accordance with Philippine Standard on Related Services 4410 (Revised), Compilation Engagements.

We have applied our expertise in accounting and financial reporting to assist you in the preparation and presentation of these separate financial statements in accordance with Philippine Financial Reporting Standards (PFRSs). We have complied with relevant ethical requirements, including principles of integrity, objectivity, professional competence and due care.

These separate financial statements and the accuracy and completeness of the information used to compile them are your responsibility.

Since a compilation engagement is not an assurance engagement, we are not required to verify the accuracy or completeness of the information you provided to us to compile these separate financial statements. Accordingly, we do not express an audit opinion or a review conclusion on whether these separate financial statements are prepared in accordance with (PFRSs).

ALAS, OPLAS & CO., CPAs
BOA Registration No. 0190, valid from September 4, 2019 to October 30, 2022
SEC A.N. (Firm) 0321-FR-1, issued on February 7, 2019; effective until February 6, 2022
TIN 002-013-406-000
BIR A.N. 08-001026-000-2018, issued on January 25, 2018; effective until January 24, 2021

By:

Ma Criselda S Oplas

MA. CRISELDA S. OPLAS
Partner
CPA License No. 0063314
TIN 132-466-039-000
BIR A.N. 08-001026-002-2018, issued on January 25, 2018; effective until January 24, 2021
PTR No. 8117108, issued on January 2, 2020, Makati City

March 3, 2020
Makati City, Philippines

ASIAN TERMINALS INCORPORATED
ISO 14001 & OHSAS 18001 certified
Delivering reliable and consistent services.

Asian Terminals Incorporated Head Office,
A. Bonifacio Drive, Port Area,
Manila, Philippines 1018
P. O. Box 3021, Manila, Philippines
Tel. No. (632) 528 6000
Fax No. (632) 527 2467

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of **Asian Terminals, Inc.** (the "Company") is responsible for the preparation and fair presentation of the financial statements including the schedules attached therein, as at and for the years ended December 31, 2019 and 2018 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 separate financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable matters related to going concern and using the going concern basis of accounting unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

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

The Board of Directors reviews and approves the separate 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 financial statements of the Company 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.

ANDREW R. HOAD
Chairman of the Board

EUSEBIO H. TANCO
President

JOSE TRISTAN P. CARPIO
Chief Financial Officer

Signed this 27 of February, 2020

SUBSCRIBED AND SWORN TO before me this 02 MAR 2020 day of ______ 2020, the signatories exhibiting to me their respective Passports/Driver's License Nos., as follows:

Name	Passport Nos.	Date/Place Issued
1. Andrew R. Hoad	538803908	6/22/17; HMPO
2. Eusebio H. Tanco	P0992946B	3/11/19; Manila
3. Jose Tristan P. Carpio	P0175912B	1/9/19; Manila

Notary Public

Doc. No. 103;
Page No. 21;
Book No. 8;
Series of 2020.

ATTY. GILBERTO B. PASIMANERO
Notary Public Until Dec. 31, 2021
Notarial Commission No. 2020-030
IBP# 092831 Pasig - 10-7-2019
PTR# Mla 9112245-1-02-2020
Roll# 25473, TIN# 103-098-346
MCLE Compl. No. VI-0011418 until 4-14-2022

KPMG

R.G. Manabat & Co.
The KPMG Center, 9/F
6787 Ayala Avenue, Makati City
Philippines 1226
Telephone +63 (2) 8885 7000
Fax +63 (2) 8894 1985
Website home.kpmg/ph
Email ph-inquiry@kpmg.com

REPORT OF INDEPENDENT AUDITORS

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

Report on the Audit of the Financial Statements

Opinion

We have audited the separate financial statements of Asian Terminals, Inc. (the "Company"), which comprise the separate statements of financial position as at December 31, 2019 and 2018, and the separate statements of income, separate statements of comprehensive income, separate statements of changes in equity and separate statements of cash flows for the years then ended, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying separate financial statements present fairly, in all material respects, the unconsolidated financial position of the Company as at December 31, 2019 and 2018, and its unconsolidated financial performance and its unconsolidated cash flows for the years then ended in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date JUN 11 2020 TSTS
MELEINA PRISCA S. RANCIO

KPMG

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

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 financial statements.

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

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

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

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

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

Report on the Supplementary Information Required Under Revenue Regulations No. 15-2010 of the Bureau of Internal Revenue

Our audits were conducted for the purpose of forming an opinion on the basic separate financial statements taken as a whole. The supplementary information in Note 26 to the separate financial statements is presented for purposes of filing with the Bureau of Internal Revenue and is not a required part of the basic separate financial statements. Such information is the responsibility of management. The information has been subjected to the auditing procedures applied in our audit of the basic separate financial statements. In our opinion, the information is fairly stated in all material respects, in relation to the basic separate financial statements taken as a whole.

The engagement partner on the audit resulting in this independent auditors' report is Alicia S. Columbres.

R.G. MANABAT & CO.

ALICIA S. COLUMBRES
Partner
CPA License No. 069679
SEC Accreditation No. 1590-AR-1, Group A, valid until August 7, 2022
Tax Identification No. 120-964-156
BIR Accreditation No. 08-001987-27-2017
Issued September 5, 2017; valid until September 4, 2020
PTR No. MKT 8116760
Issued January 2, 2020 at Makati City

March 3, 2020
Makati City, Metro Manila

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date JUN 11 2020
MELINA PRISCA S. RANJO

KPMG

R.G. Manabat & Co.
The KPMG Center, 9/F
6787 Ayala Avenue, Makati City
Philippines 1226

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

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

We have audited the accompanying separate financial statements of Asian Terminals, Inc. (or the "Company"), as at and for the year ended December 31, 2019, on which we have rendered our report dated March 3, 2020.

In compliance with the Revised Securities Regulation Code (SRC) Rule 68, we are stating that the said Company has a total of seven hundred ninety-six (796) stockholders owning one hundred (100) or more shares each.

R.G. MANABAT & CO.

ALICIA S. COLUMBRES
Partner
CPA License No. 069679
SEC Accreditation No. 1590-AR-1, Group A, valid until August 7, 2022
Tax Identification No. 120-964-156
BIR Accreditation No. 08-001987-27-2017
Issued September 5, 2017; valid until September 4, 2020
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March 3, 2020
Makati City, Metro Manila

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date JUN 11 2020 TS S
MELINA PRISCA S. RANIO

ASIAN TERMINALS, INC.
SEPARATE STATEMENTS OF FINANCIAL POSITION
(Amounts in Thousands)

	Note	December 31 2019	2018
ASSETS			
Current Assets			
Cash and cash equivalents	*6, 23, 24*	**P5,282,406**	P6,547,081
Trade and other receivables - net	*7, 20, 23, 24*	**1,032,895**	701,370
Spare parts and supplies	*18*	**747,493**	506,784
Prepaid expenses	*8*	**1,296,326**	902,089
Total Current Assets		**P8,359,120**	8,657,324
Noncurrent Assets			
Investments in subsidiaries and an associate	*9*	**165,064**	165,064
Property and equipment - net	*10*	**649,206**	651,010
Intangible assets - net	*11*	**17,735,977**	15,976,586
Right-of-use assets - net	*22*	**347,107**	-
Deferred tax assets - net	*13*	**965,192**	912,224
Other noncurrent assets	*12*	**105,876**	121,806
Total Noncurrent Assets		**19,968,422**	17,826,690
		P28,327,542	P26,484,014
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	*14, 20, 23, 24*	**P3,022,674**	P3,520,705
Provisions for claims	*15*	**245,267**	205,090
Port concession rights payable - current portion	*22, 23, 24*	**225,756**	218,102
Income and other taxes payable		**258,835**	317,482
Lease liabilities - current portion	*22, 23, 24*	**119,805**	-
Total Current Liabilities		**3,872,337**	4,261,379
Noncurrent Liabilities			
Port concession rights payable - net of current portion	*22, 23, 24*	**7,416,246**	7,911,978
Pension liability	*21*	**169,932**	51,753
Lease liabilities - net of current portion	*22, 23, 24*	**226,683**	-
Total Noncurrent Liabilities		**7,812,861**	7,963,731
		11,685,198	12,225,110
Equity			
Capital stock		**2,000,000**	2,000,000
Additional paid-in capital		**264,300**	264,300
Retained earnings		**14,383,864**	12,000,424
Fair value reserve		**(5,820)**	(5,820)
Total Equity	*16, 23*	**16,642,344**	14,258,904
		P28,327,542	P26,484,014

See Notes to the Separate Financial Statements.

ASIAN TERMINALS, INC.
SEPARATE STATEMENTS OF INCOME
(Amounts in Thousands)

		Years Ended December 31	
	Note	**2019**	2018
REVENUES FROM OPERATIONS	*2, 25*	**P12,347,092**	P11,277,583
GOVERNMENT SHARE IN REVENUES	*17*	**(2,277,787)**	(2,205,300)
		10,069,305	9,072,283
COSTS AND EXPENSES EXCLUDING GOVERNMENT SHARE IN REVENUES	*18, 20, 21*	**(4,988,943)**	(4,367,669)
OTHER INCOME AND EXPENSES			
Finance income		**145,244**	103,250
Finance cost		**(513,160)**	(506,675)
Others - net		**340,820**	(525,253)
	19	**(27,096)**	(928,678)
CONSTRUCTION REVENUES	*11*	**2,662,718**	2,832,241
CONSTRUCTION COSTS	*11*	**(2,662,718)**	(2,832,241)
		-	-
INCOME BEFORE INCOME TAX		**5,053,266**	3,775,936
INCOME TAX EXPENSE			
Current		**1,446,987**	1,278,096
Deferred		**(13,063)**	(215,287)
	13	**1,433,924**	1,062,809
NET INCOME		**P3,619,342**	P2,713,127

See Notes to the Separate Financial Statements.

ASIAN TERMINALS, INC.
SEPARATE STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Thousands)

		Years Ended December 31	
	Note	**2019**	2018
NET INCOME FOR THE YEAR		**P3,619,342**	P2,713,127
OTHER COMPREHENSIVE INCOME (LOSS)			
Item that will never be reclassified to profit or loss			
Actuarial gains (losses) on pension liability	*21*	**(133,016)**	45,286
Tax on item taken directly to equity	*13*	**39,905**	(13,586)
		(93,111)	31,700
Items that are or may be reclassified to profit or loss			
Cash flow hedge - effective portion		**-**	(357,154)
Cash flow hedge - reclassified to profit or loss		**-**	653,753
Tax on items taken directly to equity	*13*	**-**	(88,979)
	16	**-**	207,620
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR - net of tax		**(93,111)**	239,320
TOTAL COMPREHENSIVE INCOME		**P3,526,231**	P2,952,447

See Notes to the Separate Financial Statements.

ASIAN TERMINALS, INC.
SEPARATE STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2019 AND 2018
(Amounts in Thousands, Except Per Share Data)

	Note	Capital Stock	Additional Paid-in Capital	Retained Earnings: Appropriated for Port Development	Retained Earnings: Unappropriated	Hedging Reserve	Fair value Reserve	Total
Balance at January 1, 2019		P2,000,000	P264,300	P10,500,000	P1,500,424	P -	(P5,820)	P14,258,904
Adjustment on initial application of PFRS 16		-	-	-	(17,791)	-	-	(17,791)
Adjusted balance at January 1, 2019		2,000,000	264,300	10,500,000	1,482,633	-	(5,820)	14,241,113
Cash dividends - P0.56 a share	16	-	-	-	(1,125,000)	-	-	(1,125,000)
Reversal of appropriation of retained earnings	16	-	-	(3,600,000)	3,600,000	-	-	-
Appropriations during the year	16	-	-	6,000,000	(6,000,000)	-	-	-
Net income for the year		-	-	-	3,619,342	-	-	3,619,342
Other comprehensive income:								
Actuarial loss - net of tax		-	-	-	(93,111)	-	-	(93,111)
Balance at December 31, 2019		P2,000,000	P264,300	P12,900,000	P1,483,864	P -	(P5,820)	P16,642,344
Balance at January 1, 2018		P2,000,000	P264,300	P9,700,000	P455,597	(P207,620)	(P5,820)	P12,206,457
Cash dividends - P0.45 a share	16	-	-	-	(900,000)	-	-	(900,000)
Reversal of appropriation of retained earnings	16	-	-	(3,700,000)	3,700,000	-	-	-
Appropriations during the year	16	-	-	4,500,000	(4,500,000)	-	-	-
Net income for the year		-	-	-	2,713,127	-	-	2,713,127
Other comprehensive income:								
Actuarial gains - net of tax		-	-	-	31,700	-	-	31,700
Cash flow hedge - effective portion - net of tax	16	-	-	-	-	(250,008)	-	(250,008)
Cash flow hedge - reclassified to profit and loss - net of tax	16	-	-	-	-	457,628	-	457,628
Balance at December 31, 2018		P2,000,000	P264,300	P10,500,000	P1,500,424	P -	(P5,820)	P14,258,904

See Notes to the Separate Financial Statements.

ASIAN TERMINALS, INC.
SEPARATE STATEMENTS OF CASH FLOWS
(Amounts in Thousands)

	Note	Years Ended December 31 2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		**P5,053,266**	P3,775,936
Adjustments for:			
Depreciation and amortization	*10, 11, 18, 22*	**1,309,803**	1,011,784
Finance cost	*19*	**513,160**	506,675
Provisions for inventory obsolescence	*18*	**29,221**	20,000
Net unrealized foreign exchange gains (losses)		**(211,056)**	565,357
Amortization of noncurrent prepaid rental		**-**	984
Dividend income from a subsidiary and an associate	*9, 19, 20*	**(154,678)**	(132,110)
Finance income	*19*	**(145,244)**	(103,250)
Contributions to retirement funds	*20, 21*	**(44,705)**	(58,024)
Gain on disposals of:			
Property and equipment	*19*	**(6,579)**	(4,657)
Intangible assets	*19*	**(5,849)**	(532)
Reversal of allowance for impairment losses on trade and other receivables	*7*	**(2,609)**	(5,950)
Operating income before working capital changes		**6,334,730**	5,576,213
Increase in:			
Trade and other receivables		**(340,800)**	(214,203)
Spare parts and supplies		**(269,930)**	(123,872)
Prepaid expenses		**(406,487)**	(351,168)
Increase (decrease) in:			
Trade and other payables		**(658,263)**	(61,686)
Provisions for claims		**40,177**	8,797
Income and other taxes payable		**10,483**	(64,013)
Cash generated from operations		**4,709,910**	4,770,068
Finance income received		**157,128**	87,843
Finance cost paid		**(23,650)**	(366)
Income tax paid		**(1,516,117)**	(1,183,502)
Net cash provided by operating activities		**3,327,271**	3,674,043

Forward

		Years Ended December 31	
	Note	**2019**	2018
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposals of:			
Property and equipment	*10*	**P7,392**	P4,657
Intangible assets	*11*	**5,918**	532
Acquisitions of:			
Property and equipment	*10*	**(87,467)**	(39,402)
Intangible assets	*11*	**(2,686,217)**	(1,915,170)
Dividends received	*9, 19, 20*	**154,678**	132,110
Decrease (increase) in:			
Other noncurrent assets		**26,132**	(59,025)
Deposits		**(10,202)**	(5,073)
Investment in new subsidiary		**-**	(3,125)
Net cash used in investing activities		**(2,589,766)**	(1,884,496)
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of:			
Cash dividends	*16*	**(1,125,000)**	(P900,000)
Port concession rights payable	*22*	**(657,280)**	(669,091)
Lease Liability		**(115,986)**	-
Net cash used in financing activities		**(1,898,266)**	(1,569,091)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(1,160,761)**	220,456
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**(103,914)**	38,018
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	*6*	**6,547,081**	6,288,607
CASH AND CASH EQUIVALENTS AT END OF YEAR	*6*	**P5,282,406**	P6,547,081

See Notes to the Separate Financial Statements.

ASIAN TERMINALS, INC.

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

(Amounts in Thousands, Except Per Share Data)

1. Reporting Entity

Asian Terminals, Inc. (ATI or the "Company") was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on July 9, 1986. The 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). DP World Australia (POAL) Pty. Ltd. directly owns 17.32% of the total outstanding capital stock of ATI.

The Company operates and manages the South Harbor Port of Manila and Container Terminal "A-1," Phase II of the Port of Batangas in Batangas City. The registered office address of the Company is A. Bonifacio Drive, Port Area, Manila.

2. Operating Contracts

Following are the Company'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 (see Note 22).

b. Port of Batangas

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 (see Note 22).

In December 2019, ATI signed a Contract with PPA for the extension of the term from 2025 to 2035 (see Note 22).

3. Basis of Preparation

Statement of Compliance

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

This is the first set of the Company's separate financial statements in which PFRS 16, *Leases* has been applied. Changes to significant accounting policies are described in Note 4.

The accompanying separate financial statements were authorized for issue by the Board of Directors (BOD) on February 27, 2020.

The Company also prepares and issues consolidated financial statements for the same period as the separate financial statements prepared and presented in compliance with PFRSs. Said consolidated financial statements may be obtained from the SEC.

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

Items	Measurement Bases
Equity investments at fair value through other comprehensive income (FVOCI)	Fair value
Pension liability	The present value of the defined benefit obligation less the fair value of plan assets

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

4. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all years presented in these separate financial statements, except if mentioned otherwise.

The Company has adopted new and amendments to standards, and interpretations, including any consequential amendments to other standards, with date of initial application of January 1, 2019.

Adoption of New Standards, Amendments to Standards and Interpretations
The Company has adopted the following new standards, amendments to standards and interpretations starting January 1, 2019 and accordingly, changed its accounting policies. Except as otherwise indicated, the adoption did not have any significant impact on the Company's separate financial statements.

- PFRS 16 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 also introduced.

The Company has applied PFRS 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under PAS 17 and Philippine Interpretation IFRIC 4, *Determining Whether an Arrangement Contains a Lease*. The details of the accounting policies under PAS 17 and Philippine Interpretation IFRIC 4 are disclosed separately if they are different from those under PFRS 16 and the impact of changes is disclosed below.

On transition to PFRS 16, the Company elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Company applied PFRS 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under PAS 17 and Philippine Interpretation IFRIC 4 were not reassessed for whether there is a lease under PFRS 16. Therefore, the definition of a lease under PFRS 16 was applied only to contracts entered into or changed on or after January 1, 2019.

On transition to PFRS 16, the Company recognized right-of-use assets, and lease liabilities, recognizing the difference in retained earnings. The impact on transition is summarized below.

	Note	January 1, 2019
Right-of-use assets	22	P228,610
Lease liabilities	22	245,541
Prepaid expenses		(12,250)
Trade and other payables		(11,390)
Retained earnings		(17,791)

When measuring lease liabilities for leases that were classified as operating leases, the Company discounted the remaining lease payments using its incremental borrowing rate at the date of initial application. The carrying amount of right-of-use assets was measured as if PFRS 16 had been applied since the commencement date, discounted using the Company's incremental borrowing rate at the date of initial application. The weighted average rate applied is 6.95%.

	January 1, 2019
Operating lease commitments at December 31, 2018 as disclosed under PAS 17	P287,025
Discounted using the incremental borrowing rate at January 1, 2019	245,541
Lease liabilities recognized at January 1, 2019	245,541

The Company used a number of practical expedients when applying PFRS 16 to leases previously classified as operating leases under PAS 17. In particular, the Company:

- did not recognize right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;

- did not recognize right-of-use assets and liabilities for leases of low value assets;
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term.

The Company has classified:

- cash payments for the principal portion of lease payments as financing activities;
- cash payments for the interest portion as operating activities consistent with the presentation of interest payments chosen by the Company; and
- short-term lease and payments for leases of low value assets as operating activities.

▪ 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 separate 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 chosen tax treatment. If it is not probable that the tax authority will accept the Company 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.

▪ *Prepayment Features with Negative Compensation (Amendments to* PFRS 9, *Financial Instruments*). 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 (FVOCI) 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.

  - 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.

- *Long-term Interests in Associates and Joint Ventures* (Amendments to PAS 28, *Investments in Associates and Joint Ventures*). 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.

- *Plan Amendment, Curtailment or Settlement* (Amendments to PAS 19, *Employee Benefits).* The amendments clarify that on amendment, curtailment or settlement of a defined benefit pension plan, an entity now uses updated actuarial assumptions to determine its current service cost and net interest for the period. The effect of the asset ceiling is disregarded when calculating the gain or loss on any settlement of the plan and is dealt with separately in other comprehensive income.

- *Annual Improvements to PFRSs 2015 - 2017 Cycle*. This cycle of improvements contains amendments to four standards:

  - Previously held interest in a joint operation (Amendments to PFRS 3, *Business Combinations* and PFRS 11, *Joint Arrangements*). The amendments clarify how a company accounts for increasing its interest in a joint operation that meets the definition of a business. If a party maintains or obtains joint control, then the previously held interest is not remeasured. If a party obtains control, then the transaction is a business combination achieved in stages and the acquiring party remeasures the previously held interest at fair value.

  - Income tax consequences of payments on financial instruments classified as equity (Amendments to PAS 12). The amendments clarify that all income tax consequences of dividends, including payments on financial instruments classified as equity, are recognized consistently with the transactions that generated the distributable profits, i.e. in profit or loss, Other Comprehensive Income or equity.

  - *Borrowing Costs Eligible for Capitalization* (Amendments to PAS 23, *Borrowing Costs)*. The amendments clarify that the general borrowings pool used to calculate eligible borrowing costs excludes only borrowings that specifically finance qualifying assets that are still under development or construction. Borrowings that were intended to specifically finance qualifying assets that are now ready for their intended use or sale are included in that general pool.

Standards Issued But Not Yet Adopted

A number of amendments to standards are effective for annual periods beginning after January 1, 2019. However, the Company has not early adopted the following new or amended standards in preparing these separate financial statements. Unless otherwise stated, none of these are expected to have a significant impact on the Company's separate financial statements.

Effective January 1, 2020

- *Amendments to References to Conceptual Framework in PFRS Standards* sets out amendments to PFRS Standards, their accompanying documents and PFRS practice statements to reflect the issuance of the revised Conceptual Framework for Financial Reporting in 2018 (2018 Conceptual Framework). The 2018 Conceptual Framework includes:

  - a new chapter on measurement;
  - guidance on reporting financial performance;
  - improved definitions of an asset and a liability, and guidance supporting these definitions; and
  - clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

  Some Standards, their accompanying documents and PFRS practice statements contain references to, or quotations from, the International Accounting Standards Committee's Framework for the Preparation and Presentation of Financial Statements adopted by the IASB in 2001 or the Conceptual Framework for Financial Reporting issued in 2010. The amendments update some of those references and quotations so that they refer to the 2018 Conceptual Framework, and makes other amendments to clarify which version of the Conceptual Framework is referred to in particular documents.

  These amendments are effective for annual reporting periods beginning on or after January 1, 2020.

- *Definition of a Business (Amendments to* PFRS 3*).* The amendments narrowed and clarified the definition of a business. They also permit a simplified assessment of whether an acquired set of activities and assets is a group of assets rather than a business. The amendments:

  - confirmed that a business must include inputs and a process, and clarified that:

    - the process must be substantive; and
    - the inputs and process must together significantly contribute to creating outputs;

  - narrowed the definitions of a business by focusing the definition of outputs on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs; and

  - added a test that makes it easier to conclude that a company has acquired a group of assets, rather than a business, if the value of the assets acquired is substantially all concentrated in a single asset or group of similar assets.

The amendments apply to business combinations and asset acquisitions in annual reporting periods beginning on or after January 1, 2020. Earlier application is permitted.

- *Definition of Material (Amendments to* PAS 1, *Presentation of Financial Statements* and PAS 8, *Accounting Policies, Changes in Accounting Estimates and Errors*). The amendments refine the definition of material. The amended definition of material states that information is material if omitting, misstating or obscuring it could reasonably be expected to influence the decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity. The amendments clarify the definition of material and its application by:

  (a) raising the threshold at which information becomes material by replacing the term 'could influence' with 'could reasonably be expected to influence';
  (b) including the concept of 'obscuring information' alongside the concept of 'omitting' and 'misstating' information in the definition;
  (c) clarifying that the users to which the definition refers are the primary users of general purpose financial statements referred to in the Conceptual Framework;
  (d) clarifying the explanatory paragraphs accompanying the definition; and
  (e) aligning the wording of the definition of material across PFRS Standards and other publications.

  The amendments are expected to help entities make better materiality judgements without substantively changing existing requirements.

  The amendments apply prospectively for annual periods beginning on or after January 1, 2020. Earlier application is permitted.

Deferral of the local implementation of Amendments to PFRS 10, *Consolidated Financial Statements* 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 Instruments

Non-derivative Financial Instruments. Non-derivative financial instruments consist of cash and cash equivalents, trade and other receivables, deposits, equity securities, trade and other payables (except for statutory payables), port concession rights payable, and lease liabilities.

Recognition and Initial Measurement. Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the Company becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at Fair Value through Profit or Loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

Financial Assets

Classification and Subsequent Measurement. On initial recognition, the Company classifies its financial assets in the following measurement categories: amortized cost; FVOCI - debt investment; FVOCI - equity investment; or FVTPL.

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

The Company has no financial assets classified as measured at: FVOCI - debt investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Company changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

A financial asset is measured at amortized cost using the effective interest method if it meets both of the following conditions and is not designated as at FVTPL:

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The amortized cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognized in profit or loss. Any gain or loss on derecognition is recognized in profit or loss.

Included in this category are the Company's cash and cash equivalents, trade and other receivables, and deposits.

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

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI. This election is made on an investment-by-investment basis. The accumulated fair value reserves are never reclassified to profit or loss. Dividends are recognized as income in profit or loss unless it clearly represents a recovery of the cost of investment.

Included in this category is the Company's equity instruments (included under other noncurrent assets).

Business Model Assessment. The Company makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

a. the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realizing cash flows through the sale of the assets;
b. how the performance of the portfolio is evaluated and reported to the Company's management;
c. the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
d. how managers of the business are compensated - e.g., whether compensation is based on the fair value of the assets managed or the contractual cash flows collected; and
e. the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Solely Payments of Principal and Interest Assessment. Principal is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin. In assessing whether the contractual cash flows are solely payments of principal and interest, the Company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Company considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Company's claim to cash flows from specified assets (e.g. non-recourse features).

Financial Liabilities
Classification, Subsequent Measurement and Gains and Losses. Financial liabilities are classified as measured at amortized cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognized in profit or loss. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognized in profit or loss. Any gain or loss on derecognition is also recognized in profit or loss.

Included under other financial liabilities are the Company's trade and other payables (except for due to government agencies) port concession rights payable and lease liabilities.

Impairment of Financial Assets
The 'expected credit loss' (ECL) impairment model applies to financial assets measured at amortized cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments.

ECL is the probability-weighted estimate of credit losses over the expected life of the financial instrument, representing the present value of expected cash shortfalls. The Company applies either a 12-month ECL or a lifetime ECL. Lifetime ECL applies to the financial assets that have experienced a significant increase in credit risk or are already credit-impaired. The Company's approach to ECL measurement are described in Note 23.

The Company considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information. Especially the following indicators are incorporated:

- Internal credit rating;
- External credit rating (as far as available);
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the debtor's ability to meet its obligations;
- Actual or expected significant changes in the operating results of the debtor;
- Significant increases in credit risk on other financial instruments of the same debtor; and
- Significant changes in the expected performance and behaviour of the debtor, including changes in the payment status of debtor and changes in the operating results of the debtor.

Regardless of the analysis above, a significant risk in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment.

A default on a financial asset is when the counterparty fails to make contractual payments within 75 days of when they fall due. A financial asset is credit-impaired when an event that has a detrimental impact on the estimated future cash flows have occurred. Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as default or being more than 75 days past due;
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or either financial reorganization; or
- the disappearance of an active market for a security because of financial difficulties.

Financial assets are written off when there is no reasonable expectation of recovery. The Company categorizes a loan or receivable for write off when a debtor fails to make payments or when it is no longer probable that the receivable will be collected. Where loans or receivables have been written off, the Company continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognized in profit or loss.

Offsetting of Financial Assets and Liabilities

Financial assets and financial liabilities are offset and the net amount is reported in the 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 separate statements of financial position.

Derecognition of Financial Instruments

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

- the rights to receive cash flows from the asset have expired;

- the Company 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 Company 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 control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a ‘pass-through’ arrangement, 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 Company’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 Company could be required to pay.

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged, cancelled or has expired.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognized in profit or loss.

Determination of Fair Values
A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and nonfinancial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes, when necessary, based on the market values, being the estimated amount for which assets could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

The different levels of fair value of financial instruments carried at fair value, by valuation method have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); 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 the financial instruments are discussed in Note 24 to the separate 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 Company 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 Company determines the appropriate method of recognizing the 'Day 1' profit amount.

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 entirely in the same level of the fair value hierarchy as the lowest input that is significant to the entire measurement.

Fair values of the financial instruments are discussed in Note 24 to the separate financial statements.

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Spare Parts and Supplies

Spare parts and supplies are stated at the lower of cost and current replacement cost. Cost is determined using the weighted average method and includes all expenditures incurred in acquiring and bringing them to their existing location and condition.

Investments in Subsidiaries and an Associate

The Company's investments in subsidiaries and an associate are accounted for under the cost method. A subsidiary is an entity in which the Company has control. The Company 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 investment in subsidiaries are recognized in the separate financial statements from the date on which control commences until the date on which control ceases. An associate is an entity in which the Company has significant influence and which is neither a subsidiary nor a joint venture of the Company. The investments in subsidiaries and an associate are carried in the separate statements of financial position at cost less allowance for impairment losses, if any.

The Company has the following investments as at December 31, 2019 and 2018:

	Percentage of Ownership	
	2019	2018
Subsidiaries:		
ATI Batangas, Inc. (ATIB)	**99.17%**	99.17%
Tanza Container Terminal, Inc. (TCTI)	**100.00%**	100.00%
Associate:		
South Cotabato Integrated Ports Services, Inc. (SCIPSI)	**35.71%**	35.71%

TCTI was incorporated on January 18, 2018.

ATIB, TCTI and SCIPSI are incorporated in the Philippines.

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 Company and the cost of the items can be measured reliably.

Port facilities and equipment include spare parts that the Company 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 or life of the operating contract, whichever is shorter
Leasehold improvements	2 - 40 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 Company 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 Company as part of the service concession arrangements.

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 Company 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 is 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 arrangements or useful life ranging from 2 to 25 years whichever is shorter.

Impairment of Non-financial Assets

The carrying amounts of investments in subsidiaries and an associate, property and equipment, intangible assets and right-of-use assets 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 Company 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." Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of any related income tax benefit.

Retained Earnings and Dividend Distribution
Retained earnings include current and prior years' results, net of dividends declared, if any.

Dividend distribution to the Company's shareholders is recognized as a liability, and deducted from equity in the Company's separate statements of financial position in the period in which the dividends are approved and declared by the Company'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 from Contracts with Customers
The Company recognizes revenue when it transfers control over a service to a customer. Revenue is measured based on the consideration specified in a contract and PPA Tariff regulations, which are all fixed amounts, for each type of services rendered net of variable consideration, if any. The PPA established all relevant port regulations, basic port services and service level requirements, liability on cargo, security, and safety. The Company's revenue is well defined in PPA Operations Memorandum Circular No. 02-2018 and revised schedule of Cargo Handling Tariff implemented on June 5, 2018.

The following is a description of principal activities from which the Company generates its revenue. Revenue is disaggregated by the following service lines:

- *Stevedoring*
  The Company generates stevedoring revenue from all works performed on board vessel. The activity includes movement of cargoes from ship-to-shore, shore-to-ship lifting for inbound and outbound and transshipment including the related stevedoring transportation and liftings from shore to yard and yard to shore. The activity generally finishes in short period of time (i.e. 24 to 48 hours from the time ship arrive at the port). The Company recognizes revenue at a point in time upon completion of service and the average credit terms is 15 to 30 days.

- *Arrastre*
  The Company generates arrastre revenue from portside cargo handling operations. The activity includes receiving, handling, custody, security and delivery of cargo passing over piers, quays, warehouses and open storages within the jurisdictional area of responsibility of the Company. The Company recognizes revenue upon completion of service (i.e at a point in time). The customer pays arrastre charges before the release or cargoes.

- *Logistics*
  Logistics operation includes trucking and handlings services. The Company recognizes revenue upon completion of service (i.e at a point in time) and the average credit term is 15 to 30 days.

- *Special and Other Services*
  Special and other services include storage, reefer monitoring, container freight servicing, and equipment or manpower rental. Majority of these service lines pertains to storage revenues. Storage revenues are charges from the use of warehouses and/or open storages within the jurisdictional area of responsibility of the Company beyond the free storage period. Customers are billed upon withdrawal of cargoes from the terminal (for import) or upon loading of cargoes to vessel (for export). The Company recognizes revenues over a period of time (number of days the container stayed in the jurisdictional area) and the average credit term is 15 to 30 days.

Other Income
Other income is recognized at the point in time when the service has been rendered.

Finance Income
Finance income is recognized on a time proportion basis that reflects the effective yield on the investment.

Construction Revenues and Costs
The Company recognizes revenue related to construction and upgrade of services under service concession arrangement in accordance with PFRS 15. When the construction or upgrade services are provided or delivered under concession arrangement accounted within the scope of Philippine Interpretation IFRIC 12, *Service Concession Arragements* the consideration is measured at the estimated selling price of the construction services provided. No margin has been recognized since the estimated selling price of the consideration services provided approximates the construction cost. The nature of the consideration determines the subsequent accounting. The consideration is classified as a contract asset under Intangible assets during the construction or upgrade period in accordance with PFRS 15.

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 lives 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

(Policy Applicable from January 1, 2019)

At the inception of the contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Company uses the definition of a lease in PFRS 16. This policy is applied to contracts entered into, on or after January 1, 2019.

Company as Lessee

At commencement or on modification of a contract that contains a lease component, the Company allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price.

However, for leases of property the Company has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

The Company recognizes a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Company by the end of the lease term or the cost of the right-of-use asset reflects that the Company will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset. which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, and the Company's incremental borrowing rate. Generally, the Company uses its incremental borrowing rate as the discount rate.

The Company determines its incremental borrowing rate by obtaining interest rates from various external financial sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and

- the exercise price under a purchase option that the Company is reasonably certain to exercise, lease payments in an optional renewal period if the Company is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Company is reasonably certain not to terminate early.

The lease liability is measured at amortized cost using effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company's changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss the carrying amount of the right-of-use asset has been reduced to zero.

The Company has elected not to recognize right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Company recognizes the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(Policy Applicable before January 1, 2019)
For contracts entered into before January 1, 2019, the Company determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfillment of the arrangement was dependent on the use of a specific asset or assets; and

- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following criteria was met:

  - the purchaser has the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
  - the purchaser has the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
  - facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output; and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

The Company classified leases that transfer substantially all of the risks and rewards of ownership as finance leases. When this is the case, the leased assets are measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent.

Subsequently, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognized in the Company's statement of financial position. Payments made under operating leases were recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognized as an integral part of the total lease expense, over the term of the lease.

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 Company 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. *Pension*
   The Company has a funded, defined benefit pension plan, administered by a common pension trustee, covering their permanent employees. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit method.

   The defined benefit pension 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 pension 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 Company determines the net interest expense (income) on the net defined pension 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 pension liability (asset), taking into account any changes in the net defined pension liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plan 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 Company recognizes gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Foreign Currency Transactions

The separate financial statements are presented in Philippine peso, which is the Company'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 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 the 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 domestic subsidiaries 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 Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company 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 Company 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 sale 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 separate statements of financial position.

Operating Segments

The Company'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 Company has a single reportable operating segment, as its business has been mainly on port operations and the non-port operation is insignificant to the Company's total business.

The Company 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.

Contingencies

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

Events After the Reporting Date

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

5. Significant Accounting Judgments, Estimates and Assumptions

The preparation of the Company's separate 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 separate 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 Company'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 separate financial statements:

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

Service Concession Arrangements. The Company has determined that the operating contracts are within the scope of IFRIC 12, accounted for under the intangible asset model.

The intangible assets pertaining to concession rights as at December 31, 2019 and 2018 are presented in Note 11 to the separate financial statements.

Port Concession Rights and Port Concession Rights Payable. Estimates and assumptions are required on the determination of the cost of port concession rights on service concession arrangements to determine the extent to which the Company receives a right or license to charge users of public service. Port concession rights includes future fixed government share considerations in exchange for license or right. Fixed government share is recognized at present value using the discount rate at the inception date with a corresponding liability (port concession rights payable) recognized. In making those estimates, the management is required to determine a suitable discount rate to calculate the present value of port concessions rights and port concession rights payable. The Company believes that, while the assumptions used are reasonable and appropriate, these estimates and assumptions can materially affect the separate financial statements.

Estimates and Assumptions

The key estimates and assumptions used in the separate financial statements are based upon management's evaluation of relevant facts and circumstances as of the date of the separate 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 Company's highly probable dollar denominated stevedoring revenue to determine the Company's exposure on spot rate changes that will be hedged using a non-derivative financial instrument which is the Company port concession rights payable which is denominated in US Dollars (USD). On the inception of the hedge the management is required to develop a highly probable revenue forecast using the Company's budgeted stevedoring revenues which are adjusted based on the actual to budget historical deviation rate. The Company believes that, while the assumptions used are reasonable and appropriate, these estimates and assumptions can materially affect the separate financial statements.

The Company voluntarily revoked the designation of hedging instrument and hedged item on November 30, 2018 (see Note 16).

Provisions for Claims. The Company records provisions for claims for property and equipment, cargo damage, and for pending civil and labor cases when it is determined that an unfavorable outcome is probable and the amount of the claim can be reasonably estimated. The determination of the amount of reserves required, if any, is based on management's analysis of each individual issue, often with assistance of outside legal counsel.

The carrying amounts of provision for claims amounted to P245.3 million and P205.1 million as at December 31, 2019 and 2018, respectively (see Note 15).

Lease Extension Option. Some property leases contain extension options exercisable by the Company before the end of the non-cancellable contract period. The Company assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Company reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

Lease liabilities on property leases on which extension options were exercised amounted to P133.16 million as at December 31, 2019.

6. Cash and Cash Equivalents

	Note	**2019**	2018
Cash on hand and in banks		**P352,940**	P402,914
Short-term investments		**4,929,466**	6,144,167
	23, 24	**P5,282,406**	P6,547,081

Cash in banks earn interest at floating rates based on daily bank deposit rates. Majority of short-term investments are on 90-day term subject to roll-over requirements of the Company and earn interest at the prevailing short-term deposit rates amounting to P145.2 million and P101.1 million in 2019 and 2018, respectively (see Note 19).

7. Trade and Other Receivables

	Note	**2019**	2018
Due from related parties	*20*	**P491,862**	P23,890
Trade receivables		**466,462**	612,512
Receivable from insurance		**31,112**	18,513
Advances to officers and employees		**26,578**	18,906
Receivable from escrow fund		**13,635**	13,635
Interest receivable		**3,706**	15,590
Other receivables		**6,510**	10,026
		1,039,865	713,072
Allowance for impairment losses		**(6,970)**	(11,702)
	23, 24	**P1,032,895**	P701,370

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, 2018	P4,036	P13,616	P17,652
Reversals during the year	-	(5,950)	(5,950)
Balance at December 31, 2018	4,036	7,666	11,702
Reversals during the year	-	(2,609)	(2,609)
Write-offs	(2,123)	-	(2,123)
Balance at December 31, 2019	**P1,913**	**P5,057**	**P6,970**

8. Prepaid Expenses

	Note	**2019**	2018
Taxes		**P1,205,414**	P822,215
Insurance		**70,382**	2,414
Rental	*12, 22*	**2,404**	43,562
Others		**18,126**	33,898
		P1,296,326	P902,089

Taxes pertain to the Company's input VAT credits, net of output VAT.
Rental pertains to prepayments on short-term leases entered during the period. The Company has elected not to recognize right-of-use assets and lease liabilities for these leases.

9. Investments in Subsidiaries and an Associate

	Note	**2019**	2018
At cost:			
Subsidiary - ATIB	*9a*	**P150,717**	P150,717
Subsidiary - TCTI	*9b*	**3,125**	3,125
Associate - SCIPSI	*9c*	**11,222**	11,222
		P165,064	P165,064

a. The following table shows the summarized financial information of ATIB:

	2019	2018
Current assets	**P518,555**	P483,632
Noncurrent assets	**2,636,628**	2,215,929
Total assets	**P3,155,183**	P2,699,561
Current liabilities	**P738,241**	P390,915
Noncurrent liabilities	**642,411**	661,670
Total liabilities	**P1,380,652**	P1,052,585
Revenues	**P987,574**	P1,003,240
Expenses	**(775,790)**	(743,807)
Net income	**P211,784**	P259,433

ATIB's exclusive right to manage and render arrastre, stevedoring, storage and related cargo handling services at the Port of Batangas for Phase I was renewed on October 20, 2005 for a period of 10 years until 2015, renewable for another 10 years upon mutual agreement of PPA and ATIB. The contract with the PPA includes cargo handling and operation and management of the passenger terminals.

On October 2, 2015, ATIB signed a Contract for the Management, Operation, Maintenance and Development of Phase I, Port of Batangas with a term of October 1, 2015 until September 30, 2025. In December 2019, ATI and ATIB signed a Contract with PPA for the extension of the term from 2025 to 2035 (see Note 22).

b. The following table shows the summarized financial information of TCTI:

	2019	2018
Current assets	**P7,130**	P -
Noncurrent assets	**301,609**	-
Total assets	**P308,739**	P -
Current liabilities	**P82,979**	P13,236
Noncurrent liabilities	**239,741**	-
Total liabilities	**P322,720**	P13,236
Expenses	**(P11,974)**	(P16,361)
Net loss	**(P11,974)**	(P16,361)

The Company intends to develop a barge terminal in Tanza, Cavite to cater to Philippine Economic Zone Authority cargoes. In preparation for this project, TCTI was incorporated on January 18, 2018.

c. The following table shows the summarized financial information of SCIPSI:

	2019*	2018*
Current assets	**P98,217**	P202,871
Noncurrent assets	**77,793**	64,180
Total assets	**P176,010**	P267,051
Current liabilities	**P44,109**	P45,064
Noncurrent liabilities	**2,382**	2,611
Total liabilities	**P46,491**	P47,675
Revenues	**P363,202**	P385,924
Expenses	**(220,023)**	(219,867)
Net income	**P143,179**	P166,057

** Based on unaudited financial statements*

The Company has a 35.71% interest in SCIPSI, which is engaged in arrastre, stevedoring and other related cargo handling services, except porterage, in Makar Wharf, General Santos City, Philippines.

ATIB, TCTI and SCIPSI are not listed in any public exchange.

Dividend income of P154.7 million and P132.1 million was received from ATIB and SCIPSI in 2019 and 2018, respectively (see Notes 19 and 20).

10. Property and Equipment - net

The movements in this account are as follows:

2019

	Port Facilities and Equipment	Leasehold Improvements	Furniture, Fixtures and Equipment	Transportation and Other Equipment	Construction in-progress	Total
Cost						
Balance at beginning of year	**P106,264**	**P517,198**	**P625,032**	**P183,049**	**P118,958**	**P1,550,501**
Additions	**352**	**395**	**14,851**	**45,187**	**52,733**	**113,518**
Disposals	**(60,135)**	**-**	**(28,394)**	**(17,896)**	**-**	**(106,425)**
Reclassifications	**92,707**	**-**	**34,768**	**550**	**(63,010)**	**65,015**
Balance at end of year	**139,188**	**517,593**	**646,257**	**210,890**	**108,681**	**1,622,609**
Accumulated Depreciation						
Balance at beginning of year	**97,847**	**359,952**	**337,628**	**104,064**	**-**	**899,491**
Depreciation	**4,213**	**10,614**	**86,684**	**27,690**	**-**	**129,201**
Disposals	**(60,135)**	**-**	**(28,394)**	**(17,083)**	**-**	**(105,612)**
Reclassifications	**50,323**	**-**	**-**	**-**	**-**	**50,323**
Balance at end of year	**92,248**	**370,566**	**395,918**	**114,671**	**-**	**973,403**
Carrying Amount	**P46,940**	**P147,027**	**P250,339**	**P96,219**	**P108,681**	**P649,206**

2018

	Port Facilities and Equipment	Leasehold Improvements	Furniture, Fixtures and Equipment	Transportation and Other Equipment	Construction in-progress	Total
Cost						
Balance at beginning of year	P104,414	P516,834	P479,145	P170,540	P73,910	P1,344,843
Additions	1,887	364	144,107	37,339	66,028	249,725
Disposals	-	-	(18,242)	(25,825)	-	(44,067)
Reclassifications	(37)	-	20,022	995	(20,980)	-
Balance at end of year	106,264	517,198	625,032	183,049	118,958	1,550,501
Accumulated Depreciation						
Balance at beginning of year	96,101	348,985	297,478	107,364	-	849,928
Depreciation	1,746	10,967	58,392	22,525	-	93,630
Disposals	-	-	(18,242)	(25,825)	-	(44,067)
Balance at end of year	97,847	359,952	337,628	104,064	-	899,491
Carrying Amount	P8,417	P157,246	P287,404	P78,985	P118,958	P651,010

No borrowing costs were capitalized in 2019 and 2018.

The Company has non-cash additions as at December 31, 2019 and 2018 which amounted to P26.1 million and P210.3 million, respectively.

Cost of fully depreciated property and equipment which are still being used by the Company amounted to P347.3 million and P362.2 million as at December 31, 2019 and 2018, respectively.

11. Intangible Assets - net

The movements in this account are as follows:

2019

	Port Concession Rights			
	Upfront Fees (Note 22)	**Fixed Government Share**	**Port Infrastructure**	**Total**
Cost				
Balance at beginning of year	**P282,000**	**P8,342,270**	**P16,936,237**	**P25,560,507**
Additions	**200,000**	**-**	**2,662,718**	**2,862,718**
Transfer	**-**	**-**	**(21,819)**	**(21,819)**
Reclassification	**-**	**-**	**(65,015)**	**(65,015)**
Disposals	**-**	**-**	**(175,763)**	**(175,763)**
Balance at end of year	**482,000**	**8,342,270**	**19,336,358**	**P28,160,628**
Accumulated Amortization				
Balance at beginning of year	**63,374**	**2,868,109**	**6,652,438**	**9,583,921**
Amortization	**11,280**	**292,853**	**778,033**	**1,082,166**
Transfer	**-**	**-**	**(15,419)**	**(15,419)**
Reclassification	**-**	**-**	**(50,323)**	**(50,323)**
Disposals	**-**	**-**	**(175,694)**	**(175,694)**
Balance at end of year	**74,654**	**3,160,962**	**7,189,035**	**10,424,651**
Carrying Amount	**P407,346**	**P5,181,308**	**P12,147,323**	**P17,735,977**

2018

	Port Concession Rights			
	Upfront Fees (Note 22)	Fixed Government Share	Port Infrastructure	Total
Cost				
Balance at beginning of year	P282,000	P8,342,270	P14,159,956	P22,784,226
Additions	-	-	2,832,241	2,832,241
Disposals	-	-	(55,960)	(55,960)
Balance at end of year	282,000	8,342,270	16,936,237	25,560,507
Accumulated Amortization				
Balance at beginning of year	52,094	2,575,256	6,094,375	8,721,725
Amortization	11,280	292,853	614,021	918,154
Disposals	-	-	(55,958)	(55,958)
Balance at end of year	63,374	2,868,109	6,652,438	9,583,921
Carrying Amount	P218,626	P5,474,161	P10,283,799	P15,976,586

The unamortized capitalized borrowing costs as at December 31, 2019 and 2018 amounted to P68.8 million and P73.5 million, respectively. No borrowing costs were capitalized in 2019 and 2018.

The Company has non-cash additions as at December 31, 2019 and 2018 which amounted to P176.5 million and P917.1 million, respectively.

Contract asset under Port Infrastructure represents ongoing construction of port facilities and eventual putting into service in accordance with the Investment Plan. The movements in contract asset are as follows:

	2019	2018
Balance at beginning of year	**P2,762,896**	P1,345,468
Additions during the year	**2,662,718**	2,832,241
Reclassification during the year	**(3,282,053)**	(1,414,813)
Balance at end of year	**P2,143,561**	P2,762,896

12. Other Noncurrent Assets

	Note	**2019**	2018
Deposits	*23, 24*	**P55,428**	P38,600
Taxes		**47,796**	79,243
Equity securities	*23, 24*	**2,652**	2,652
Rental		**-**	1,311
		P105,876	P121,806

Deposits mainly represent payments related to refundable security deposits on property leases and utilities. This account includes noninterest-bearing refundable security 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 3.66%. The carrying amounts of these refundable security deposits at amortized cost amounted to P14.8 million as at December 31, 2019 and 2018.

Taxes pertain to noncurrent portion of the value-added input tax on capital goods exceeding P1.0 million.

Equity securities 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:

	2019	2018
Statutory income tax rate	**30.00%**	30.00%
Changes in income tax rate resulting from:		
Income subjected to final tax	**(1.01)**	(0.80)
Dividend income from a subsidiary and an associate	**(0.61)**	(1.05)
Effective income tax rate	**28.38%**	28.15%

The movements in deferred tax balances are as follows:

2019	***Note***	**Net Balance at January 1**	**Recognized In Profit or Loss**	**Recognized In OCI**	**December 31 Deferred Tax Assets**	**Deferred Tax Liabilities**	**Net**
Port concession rights payable related to fixed government share		**P398,845**	**P33,337**	**P -**	**P432,182**	**P -**	**P432,182**
Unrealized foreign exchange loss - net		**428,426**	**(51,912)**	**-**	**376,514**	**-**	**376,514**
Provisions for claims		**61,528**	**12,052**	**-**	**73,580**	**-**	**73,580**
Pension liability	*21*	**20,382**	**(1,326)**	**39,905**	**58,961**	**-**	**58,961**
Excess of cost over current replacement cost of spare parts and supplies		**17,469**	**8,766**	**-**	**26,235**	**-**	**26,235**
Accrued expenses		**-**	**16,845**	**-**	**16,845**	**-**	**16,845**
Accrued operating lease		**4,142**	**(4,142)**	**-**	**-**	**-**	**-**
Impairment losses on receivables		**3,510**	**(783)**	**-**	**2,727**	**-**	**2,727**
Rental deposit		**1,243**	**-**	**-**	**1,243**		**1,243**
Right-of-use and lease liablity		**-**	**(1,359)**	**-**	**-**	**(1,359)**	**(1,359)**
Unamortized capitalized borrowing costs and custom duties		**(23,321)**	**1,585**	**-**	**-**	**(21,736)**	**(21,736)**
Net tax assets (liabilities)		**P912,224**	**P13,063**	**P39,905**	**P988,287**	**(P23,095)**	**P965,192**

2018	*Note*	Net Balance at January 1	Recognized In Profit or Loss	Recognized In OCI	December 31 Deferred Tax Assets	Deferred Tax Liabilities	Net
Unrealized foreign exchange loss - net		P257,757	P170,669	P -	P428,426	P -	P428,426
Port concession rights payable related to fixed government share		361,791	37,054	-	398,845	-	398,845
Provisions for claims		58,889	2,639	-	61,528	-	61,528
Pension liability	*21*	34,389	(421)	(13,586)	20,382	-	20,382
Excess of cost over current replacement cost of spare parts and supplies		11,469	6,000	-	17,469	-	17,469
Accrued operating lease		4,343	(201)	-	4,142	-	4,142
Impairment losses on receivables		5,295	(1,785)	-	3,510	-	3,510
Rental deposit		1,585	(342)	-	1,243	-	1,243
Unamortized capitalized borrowing costs and custom duties		(24,995)	1,674	-	-	(23,321)	(23,321)
Cash flow hedge		88,979	-	(88,979)	-	-	-
Net tax assets (liabilities)		P799,502	P215,287	(P102,565)	P935,545	(P23,321)	P912,224

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

14. Trade and Other Payables

	Note	2019	2018
Accrued expenses:			
Marketing, commercial and promotion		**P674,858**	P516,588
Professional fees		**150,387**	144,784
Personnel costs		**147,371**	194,547
Finance costs		**131,416**	140,039
Repairs and maintenance		**60,111**	46,709
Trucking expense		**31,296**	30,790
Security expenses		**22,828**	18,149
Corporate social responsibility		**12,726**	11,154
Utilities		**10,507**	10,760
Rental	*22*	**3,888**	27,431
Safety and environment		**3,082**	2,055
Miscellaneous		**100,758**	74,501
Due to government agencies	*22*	**663,653**	681,994
Equipment acquisitions		**518,247**	1,133,236
Trade		**276,624**	275,364
Shippers' and brokers' deposits		**77,454**	110,403
Due to related parties	*20*	**15,488**	18,887
Other payables		**121,980**	83,314
	23, 24	**P3,022,674**	P3,520,705

Following are the terms and conditions of the liabilities:

- Trade payables are noninterest-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 noninterest-bearing and are normally settled within twelve months from inception date.

Rental pertains to short-term leases entered during the period. The Company has elected not to recognize right-of-use assets and lease liabilities for these leases.

15. Provisions for Claims

	Note	2019	2018
Balance at beginning of year		**P205,090**	P196,293
Provisions during the year	*18*	**107,712**	14,587
Payments during the year		**(67,535)**	(5,790)
Balance at end of year		**P245,267**	P205,090

Provisions relate to property and 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.

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 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 Company and may be offered for sale at an offer price of P1.00 per common share. As at December 31, 2019, the Company has a total of 2 billion issued and outstanding common shares and 823 stockholders.

Capital Stock - P1 Par Value
The Company has 2.0 billion issued and fully paid capital stock, from its 4.0 billion authorized common shares, as at December 31, 2019 and 2018.

Retained Earnings
On April 25, 2019, the BOD approved the declaration of cash dividends amounting to P1,125.0 million or P0.56 per share payable on June 18, 2019 to common shareholders of record as at May 24, 2019.

On April 26, 2018, the BOD approved the declaration of cash dividends amounting to P900.0 million or P0.45 per share payable on June 18, 2018 to common shareholders of record as at May 22, 2018.

On December 20, 2019, the Company's BOD approved the reversal to the unappropriated retained earnings of the amount of P3.6 billion out of the already approved appropriation of P10.5 billion, for capital expenditures for 2017 and 2018. Furthermore, the Company's BOD approved an appropriation of the retained earnings amounting to P6.0 billion for capital expenditures for the next 2 years. The Company's BOD also approved on the same date a budget amounting to P10.0 billion for capital expenditures which include yard and berth development as well as construction of new facilities and equipment acquisition for 2020. The capital expenditures will strengthen the Company's operations and capability to handle growth.

On December 20, 2018, the Company's BOD approved the reversal to the unappropriated retained earnings of the amount of P3.7 billion out of the already approved appropriation of P9.7 billion, for capital expenditures for 2016 and 2017. Furthermore, the Company's BOD approved an appropriation of the retained earnings amounting to P4.5 billion for capital expenditures for the next 2 years. The Company's BOD also approved on the same date a budget amounting to P9.0 billion for capital expenditures which include yard and berth development as well as construction of new facilities and equipment acquisition for 2019. The capital expenditures will strengthen the Company's operations and capability to handle growth.

Fair Value Reserve
Fair value reserve amounting to P5.8 million as at December 31, 2019 and 2018 represents unrealized loss on equity securities.

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, 2019 and 2018, the effective fair value changes of the Company's cash flow hedge that was recognized in other comprehensive income amounted to nil and P250.0 million, respectively, net of tax.

On November 30, 2018, the management voluntarily revoked the designation of hedge instrument and hedge items. The management has determined that the hedge is retrospectively effective until the date of voluntary termination, including the recognized ineffectiveness in profit or loss.

Based on the management's assessment, continuation of hedging will only lead to recognition of higher unrealized foreign exchange losses that would affect their forecasted profits in the long-run. As a result, the Company reclassified the entirety of unrealized foreign exchange losses pertaining to hedging from other comprehensive income to its profit or loss. For the year ended December 31, 2018, the amount recognized from Hedging reserve to profit or loss amounted to P254.4 million, net of tax.

17. Government Share in Revenues

This account consists of the PPA's share in revenues of the Company as stipulated in the agreements discussed in Notes 2 and 22. The PPA's share in gross revenues includes variable government share amounting to P2.3 billion and P2.2 billion in 2019 and 2018 respectively (see Note 22).

18. Costs and Expenses Excluding Government Share in Revenues

	Note	**2019**	2018
Labor costs	*21*	**P1,401,754**	P1,324,511
Depreciation and amortization	*10, 11, 22*	**1,309,803**	1,011,784
Equipment running		**797,587**	785,229
Taxes and licenses		**310,131**	257,375
Management fees	*20*	**229,821**	176,083
Facilities-related expenses		**165,489**	156,106
Security, health, environment and safety		**127,830**	118,571
Provision for claims	*15*	**107,712**	14,587
Insurance		**100,975**	77,825
General transport		**96,442**	46,113
Marketing, commercial and promotion		**49,918**	78,153
Professional fees		**23,770**	73,987
Rental	*22*	**14,518**	46,163
Entertainment, amusement and recreation		**8,172**	7,227
Others		**245,021**	193,955
		P4,988,943	P4,367,669

Labor costs include salaries, benefits and pension expense.

Spare parts and supplies used and included under equipment running amounted to P307.3 million and P296.2 million in 2019 and 2018, respectively.

Provision for inventory obsolescence included under other costs and expenses amounted to P29.2 million and P20.0 million in 2019 and 2018, respectively.

19. Other Income and Expenses

Finance income is broken down as follows:

	Note	2019	2018
Interest on cash in banks and short-term investments	*6*	**P145,244**	P101,128
Accretion of rental deposits	*12*	**-**	2,122
		P145,244	P103,250

Finance cost is broken down as follows:

	Note	2019	2018
Interest on port concession rights payable		**P487,361**	P499,752
Interest on lease liability	*22*	**23,440**	-
Interest component of pension expense - net	*21*	**2,149**	6,557
Interest on bank loans/credit facilities		**210**	366
		P513,160	P506,675

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).

Others consist of the following:

	Note	2019	2018
Dividend income from subsidiaries and an associate	*9, 20*	**P154,678**	P132,110
Lease and other income - net	*20*	**39,611**	42,115
Foreign exchange gains (losses) - others		**(94,430)**	35,558
Foreign exchange gains (losses) - port concession rights payable		**184,487**	(136,851)
Foreign exchange losses - cash flow hedge	*22*	**-**	(603,374)
Income from insurance claims		**44,046**	-
Gain on disposal of equipment and intangible assets		**12,428**	5,189
		P340,820	(P525,253)

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

Foreign exchange gains (losses) - cash flow hedge in 2018 includes the amount reclassified from other comprehensive income resulting from the voluntary revocation by management of the designation of the hedge instrument and hedge items (see Note 16).

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

Category/Transaction	Ref	Year	Amount of the Transaction	Outstanding Balance: Due from Related Parties	Outstanding Balance: Due to Related Parties	Outstanding Balance: Lease liability	Terms	Conditions
Subsidiaries								
ATIB								
▪ Management income	*A*	**2019**	**P24,225**	**P -**	**P -**	**P -**	**Payable on demand**	**Unsecured; No imoairment**
		2018	28,921	-	-	-	Payable on demand	Unsecured; no impairment
▪ Dividend income	*A*	**2019**	**69,420**	**-**	**-**	**-**	**Payable on demand**	**Unsecured; No impairment**
		2018	69,420	-	-	-	Payable on demand	Unsecured; No impairment
▪ Rental income	*A*	**2019**	**1,106**	**-**	**-**	**-**	**Payable on demand**	**Unsecured; No impairment**
		2018	1,106	-	-	-	Payable on demand	Unsecured; No impairment
▪ Advances	*A*	**2019**	**388,792**	**380,394**	**-**	**-**	**Payable on demand**	**Unsecured; no impairment**
		2018	64,871	-	8,398	-	Payable on demand	Unsecured; no impairment
TCTI								
▪ Advances	*E*	**2019**	**66,617**	**79,853**	**-**	**-**	**Payable on demand**	**Unsecured; no impairment**
		2018	16,361	13,236	-	-	Payable on demand	Unsecured; no impairment
Associate								
▪ Management income	*B*	**2019**	**9,672**	**891**	**-**	**-**	**Payable on demand**	**Unsecured; no impairment**
		2018	10,285	957	-	-	Payable on demand	Unsecured; no impairment
▪ Dividend income	*B*	**2019**	**85,258**	**-**	**-**	**-**	**Payable on demand**	**Unsecured;** No impairment
		2018	62,690	-	-	-	Payable on demand	Unsecured; No impairment
Post-employment Benefit Plan								
▪ Retirement fund	*C*	**2019**	**71,912**	**30,302**	**-**	**-**	**Payable on demand**	**Unsecured; no impairment**
		2018	37,897	9,424	-	-	Payable on demand	Unsecured; no impairment
Others								
▪ Management fees	*D*	**2019**	**229,821**	**-**	**15,488**	**-**	**Payable within ten (10) days of the following month**	**Unsecured**
		2018	176,083	-	10,489	-	Payable within ten (10) days of the following month	Unsecured
▪ Advances	*F*	**2019**	**2,207**	**422**	**-**	**-**	**Payable on demand**	**Unsecured; no impairment**
		2018	2,456	273	-	-	Payable on demand	Unsecured; no impairment
▪ Lease	*G*	2019	**16,672**	**-**	**-**	**99,767**	**Payable within five (5) days of the following month**	**Unsecured**
		2018	-	-	-	-	-	-
TOTAL		**2019**		**P491,862**	**P15,488**	**P99,767**		
TOTAL		2018		P23,890	P18,887	P -		

a. The Company has a management agreement with ATIB for a period of five years until August 31, 2022. The terms of the agreement provide for a monthly management fee calculated using a pre-agreed rate applied to ATIB's income before income tax. Management fees earned are included under lease and other income (see Note 19).

   The Company rents out cargo handling equipment to ATIB on an annual basis. Total rent income is included under lease and other income (see Note 19).

The Company received dividend income from ATIB in 2019 and 2018 (see Notes 9 and 19).

The Company collects certain receivables and pays certain expenses on behalf of ATIB.

b. Amount owed by SCIPSI pertains to management fees equivalent of 6% of gross revenue. Management fees earned are included under lease and other income (see Note 19).

   The Company also received dividend income from SCIPSI (see Notes 9 and 19).

c. The Company has a noncontributory, defined benefit retirement plan 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 made in 2019 and 2018 amounted to P44.7 million and P58.0 million, respectively (see Note 21). Certain payments to retired employees were paid directly by the Company to be subsequently paid by the retirement fund.

d. P & O Management Services Phils., Inc. (POMS), a related party which is 40.00% owned by POAL, manages the Company by virtue of a management agreement. The Company's management agreement with POMS was further renewed on August 20, 2015 for another five years until August 31, 2020. The terms of the agreement provide for the payment of a monthly management fee equivalent to 5% of the Company's income before income tax of the immediately preceding month (see Note 18).

e. The Company shouldered expenses in behalf for TCTI for the latter's pre-operating working capital requirements, particularly its rental.

f. Amount owed by DP World Asia Holdings Limited-Regional Operating Headquarters pertains to reimbursements for expenses paid by the Company.

g. The Company has entered a 5-year lease contract with a company controlled by the Company's director commencing on May 1, 2019 for a parcel of land located at Barangay Lawa, Calamba, Laguna, with a monthly lease rental of P40 per square meter, subject to an escalation of 8% beginning May 1, 2021 and every 2 years thereafter. The contract terms are based on market rates for this type of arrangement and amounts are payable on a monthly basis for the duration of the contract. The leased premises shall be used for its off-dock container yard and cargo support requirements, including but not limited to warehousing and logistics (see Note 22).

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

	2019	2018
Short-term employee benefits	**P202,850**	P179,929
Post-employment benefits	**8,569**	9,276
	P211,419	P189,205

The outstanding related party balances are expected to be settled in cash.

21. Pension

The Company's latest actuarial valuation report is dated December 31, 2019. Valuations are obtained on a periodic basis. The following tables summarize the components of pension expense recognized in the separate statements of income and the funded status and amounts recognized in the separate statements of financial position.

Pension Expense

	Note	**2019**	2018
Current service cost		**P27,719**	P33,874
Interest cost on defined benefit obligation	*19*	**31,529**	28,809
Interest income on plan assets	*19*	**(29,380)**	(22,252)
Net pension expense		**P29,868**	P40,431

Current service cost is charged under "Labor cost" account included in "Costs and expenses excluding government share in revenues" in the separate statements of income (see Note 18). Interest cost on defined benefit obligation and interest income on plan asset are included in "Finance cost" account in the separate statements of income (see Note 19).

Pension Liability as at December 31

	2019	2018
Present value of pension obligations	**(P602,339)**	(P474,061)
Fair value of plan assets	**432,407**	422,308
Pension liability	**(P169,932)**	(P51,753)

Changes in the Present Value of Pension Obligations

	Note	**2019**	2018
Present value of pension obligations at beginning of year		**P474,061**	P527,936
Current service cost		**27,719**	33,874
Interest cost	*19*	**31,529**	28,809
Benefits paid		**(71,520)**	(41,747)
Actuarial gain		**140,550**	(74,811)
Present value of pension obligations at end of year		**P602,339**	P474,061

Changes in the Fair Value of Plan Assets

	2019	2018
Fair value of plan assets at beginning of year	**P422,308**	P413,305
Actual return on plan assets:		
Interest income	**29,380**	22,252
Actual contributions	**44,705**	58,024
Remeasurement loss on plan assets	**12,776**	(29,526)
Benefits paid	**(76,762)**	(41,747)
Fair value of plan assets at end of year	**P432,407**	P422,308

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

	2019	2018
Actuarial gain due to:		
Changes in financial assumptions	**(P107,477)**	P47,701
Changes in demographic assumptions	**-**	29,153
Experience adjustment	**(38,315)**	(2,043)
Remeasurement loss on plan assets	**12,776**	(29,525)
	(P133,016)	P45,286

The cumulative amount of actuarial loss recognized in the separate statements of changes in equity included in the "Retained earnings" account is P37.5 million as at December 31, 2019 and actuarial gain P95.5 million as at December 31, 2018.

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 pension plan expose the Company 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 report.

The Company's plan assets consist of the following:

	2019	2018
Investment in government securities	**P326,024**	P286,797
Equity instruments	**62,563**	66,383
Cash and cash equivalents	**5,574**	38,840
Debt instruments	**13,909**	7,801
Investment in UITF	**5,776**	5,343
Other receivables	**18,561**	17,144
	P432,407	P422,308

All equity instruments and government securities have quoted price 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 Company's plan are shown below:

	2019	2018
Discount rate at end of year	**4.9%**	7.3%
Salary increase rate	**3.5%-6.0%**	4.0%-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:

	2019	2018
Average expected future service years	**11**	11

Maturity analysis of the benefit payments:

	2019
	Expected Benefit Payments
Within 1 Year	**P70,504**
Within 1 - 5 Years	**181,396**
More than 5 Years	**2,291,590**

	2018
	Expected Benefit Payments
Within 1 Year	P85,502
Within 1 - 5 Years	181,043
More than 5 Years	1,737,962

Sensitivity Analysis

As at December 31, 2019 and 2018, the reasonably possible changes to the relevant actuarial assumptions holding other assumptions constant, would have affected the defined benefit obligation by the amounts below:

2019

	1% Increase	**1% Decrease**
Discount rate	**(P555,087)**	**P657,178**
Salary increase rate	**659,080**	**(552,537)**

2018

	1% Increase	1% Decrease
Discount rate	(P444,594)	P507,485
Salary increase rate	510,301	(441,626)

The Company expects to pay P44.2 million in contributions to the defined benefit pension plan in 2020.

22. Commitments and Contingencies

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

a. The 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 (see Note 2).

   i. In accordance with the Investment Plan which was revised in December 2014 pursuant to the Third Supplement to the Cargo Handling Contract, the 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 Company the opportunity of a fair return on investment.

   ii. Government Share

      - For storage operations, the 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 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 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 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 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 Company shall pay an annual fixed government share of US$2.26 million for the first 2 years, US$4.68 million for the 3rd year, US$5.08 million for the 4th-7th year, and US$5.33 million for the 8th-25th year. The 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. A lump-sum fee of P400 million was paid to the PPA in December 2019 as advance consideration in the event of renewal of the contracts for Port of Batangas Phase 1 and Container Terminal “A-1,” Phase 2 beyond year 2035.

Upon recognition of the fair value of the fixed fees representing the government share under the concession agreements as discussed above, the Company also recognized the corresponding port concession rights payable (see Note 2). The movements in the port concession rights payable are as follows:

	Note	**2019**	2018
Balance as at January 1		**P8,130,080**	P8,003,780
Accretion of port concession rights payable		**484,173**	192,017
Payments during the year		**(657,280)**	(669,091)
Effects of exchange rate changes	*19*	**(314,971)**	603,374
Balance as at December 31	*24*	**P7,642,002**	P8,130,080

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

a. The Company has a 5-year lease agreement with PPA effective April 3, 2017 covering a land adjacent to the Container Freight Station area of the Container Terminal "A-1" with a monthly lease rental of P1.7 million, subject to a yearly escalation of 5%.

   Operating lease commitments preceding the date of the application of PFRS 16 under the above operating lease is as follows:

	2018
Within one year	P20,403
After one year but not more than five years	66,310
	P86,713

b. The 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 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 monthly rate amounted to P1.3 million and P1.2 million in 2019 and 2018, respectively.

   Operating lease commitments preceding the date of the application of PFRS 16 under the above operating lease is as follows:

	2018
Within one year	P14,396
After one year but not more than five years	31,096
	P45,492

c. The 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.

Operating lease commitments preceding the date of the application of PFRS 16 under the above operating lease is as follows:

	2018
Within one year	P7,164
After one year but not more than five years	15,511
	P22,675

d. The Company has entered a 25-year lease contract commencing on February 15, 2018 for a parcel of land located at barangay Calibuyo, Tanza, Cavite, with a monthly lease rental of P35 per square meter, subject to an escalation of 5% beginning February 15, 2020 and every 2 years thereafter. The lease premises shall be used exclusively as a port terminal, inland clearance depot, warehouse, and for other activities related or ancillary thereto.

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

	2018
Within one year	P16,517
After one year but not more than five years	90,011
After more than five years	433,811
	P540,339

e. The Company 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 Company's financial position and financial performance.

   Majority of the Company's leased properties pertain to land. The leases typically run for a period of 1-25 years, with an option to renew the lease after that date. Previously, these leases were classified as operating leases under PAS 17. Information about leases for which the Company is a lessee is presented below.

   i. Right-of-Use Assets

      Right-of-use assets related to leased properties whose lease terms are more than 12 months.

	Note	**Total**
Balance at January 1, 2019		**P228,610**
Additions to right-of-use assets		**216,933**
Depreciation during the year	*18*	**(98,436)**
Balance at December 31, 2019		**P347,107**

   ii. Lease Liabilities

	Note	**Total**
Balance at January 1, 2019		**P245,541**
Additions to lease liabilities		**216,933**
Payments made		**(139,426)**
Interest expense during the year	*19*	**23,440**
Balance at December 31, 2019	*20, 24*	**P346,488**

iii. Amounts to be Recognized in Profit or Loss

	Note	2019
2019 - Leases under PFRS 16		
Expenses relating to short-term and/or low value leases	*18*	**P14,518**
Depreciation expense	*18*	**98,436**
Interest on lease liability	*19*	**23,440**
2018 - Operating Leases under PAS 17		
Rent expense	*18*	**46,163**
Total cash outflow of leases for 2019		**P153,944**

23. Financial Risk and Capital Management Objectives and Policies

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

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

As at December 31, 2019 and 2018, the interest rate profile of the Company's interest bearing financial instruments is as follows:

	2019	2018
Fixed Rate Instruments		
Cash and cash equivalents*	**P5,281,695**	P6,546,604

**Excluding cash on hand amounting to P0.7 million and P0.5 million as at December 31, 2019 and 2018, respectively*

Fair Value Sensitivity Analysis for Fixed Rate Instruments

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

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

As at December 31, 2019	Carrying Amount	Contractual Cash Flows On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	> 5 Years	Total
Trade and other payables*	**P2,359,021**	**P304,105**	**P342,372**	**P1,712,544**	**P -**	**P -**	**P2,359,021**
Port concession rights payable	**7,642,002**	**-**	**167,273**	**501,818**	**3,345,455**	**7,596,968**	**11,611,514**
Lease liabilities	**346,488**	**12,507**	**22,513**	**129,551**	**260,788**	**-**	**425,359**
Total	**P10,347,511**	**P316,612**	**P532,158**	**P2,343,913**	**P3,606,243**	**P7,596,968**	**P14,395,894**

**Excluding due to government agencies amounting to P663.7 million*

As at December 31, 2018	Carrying Amount	Contractual Cash Flows On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	> 5 Years	Total
Trade and other payables*	P2,838,711	P203,138	P454,383	P2,181,190	P -	P -	P2,838,711
Port concession rights payable	8,130,080	-	167,273	501,818	3,345,455	8,266,059	12,280,605
Total	P10,968,791	P203,138	P621,656	P2,683,008	P3,345,455	P8,266,059	P15,119,316

**Excluding due to government agencies amounting to P682.0 million*

Credit Risk

Credit risk on trade and other receivables represents the risk of loss the Company would incur if credit customers and counterparties fail to perform their contractual obligations.

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

The Company does not require collateral in respect of trade and other receivables. The Company does not have trade and other receivables for which no loss allowance is recognized because of collateral. The carrying amounts of trade and other receivables represent the maximum credit exposure.

With respect to credit risk arising from the other financial assets of the Company, which comprise cash in bank and cash equivalents, deposits, and FVOCI - equity, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Company trades only with reputable banks and recognized third parties.

Exposure to credit risk is monitored on an ongoing basis. Credit checks are being performed on all clients requesting credit over certain amounts. Credit is not extended beyond authorized limits, established where appropriate through consultation with a professional credit vetting organization. Credit granted is subject to regular review, to ensure it remains consistent with the clients' current credit worthiness and appropriate to the anticipated volume of business.

Financial information on the Company's maximum exposure to credit risk as at December 31, 2019 and 2018, without considering the effects of other risk mitigation techniques, is presented below.

	Note	**2019**	2018
Cash and cash equivalents*	*6*	**P5,281,695**	P6,546,604
Trade and other receivables - net	*7*	**1,032,895**	701,370
Deposits	*12*	**55,428**	38,600
Equity securities	*12*	**2,652**	2,652
		P6,372,670	P7,289,226

**excluding cash on hand amounting to P0.7 million and P0.5 million as at December 31, 2019 and 2018, respectively.*

The table below shows the credit quality of the Company's financial assets based on their historical experience with the corresponding debtor.

	As at December 31, 2019			
	Grade A	**Grade B**	**Grade C**	**Total**
Cash in banks and cash equivalents*	**P5,281,695**	**P -**	**P -**	**P5,281,695**
Trade and other receivables - net	**740,587**	**292,308**	**-**	**1,032,895**
Deposits	**55,428**	**-**	**-**	**55,428**
Equity securities	**2,652**	**-**	**-**	**2,652**
	P6,080,362	**P292,308**	**P -**	**P6,372,670**

**excluding cash on hand amounting to P0.7 million as at December 31, 2019.*

	As at December 31, 2018			
	Grade A	Grade B	Grade C	Total
Cash in banks and cash equivalents*	P6,546,604	P -	P -	P6,546,604
Trade and other receivables - net	392,326	309,044	-	701,370
Deposits	38,600	-	-	38,600
Equity securities	2,652	-	-	2,652
	P6,980,182	P309,044	P -	P7,289,226

**excluding cash on hand amounting to P0.5 million as at December 31, 2018.*

Grade A receivables pertain to those receivables from customers that always pay on time or even before the maturity date. Grade B includes receivables that are collected on their due dates provided that they were reminded or followed up by the Company. Those receivables which are collected consistently beyond their due dates and require persistent effort from the Company are included under Grade C.

Cash in banks is considered good quality (Grade A) as this pertains to deposits in reputable banks.

<u>Trade and Other Receivables</u>
The exposure to credit risk for trade and other receivables by industry is as follows:

	Note	**2019**	2018
Shipping lines		**P346,350**	P451,716
Others		**686,545**	249,654
	7	**P1,032,895**	P701,370

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

Expected Credit Loss Assessment
The Company allocates each exposure to a credit risk grade based on data that is determined to be predictive of the risk of loss (including but not limited to external ratings, audited financial statements, management accounts and cash flow projections and available press information about customers) and applying expected credit judgment. Credit risk grades are defined using qualitative and quantitative factors that are indicative of the risk of default.

Exposures within each credit risk grade are segmented by industry classification and an ECL rate is calculated for each segment based on delinquency and actual credit loss experience.

The following table provides information about the exposure to credit risk for trade and other receivables as at December 31, 2019:

	Gross Carrying Amount	**Impairment Loss Allowance**	**Credit-impaired**
Current (not past due)	**P940,410**	**P -**	**No**
1 - 30 days past due	**19,461**	**-**	**No**
31 - 60 days past due	**2,528**	**-**	**No**
61- 90 days past due	**69,906**	**-**	**No**
More than 90 days past due	**7,560**	**6,970**	**Yes**
Balance at December 31, 2019	**P1,039,865**	**P6,970**	
Current (not past due)	P693,405	P -	No
1 - 30 days past due	3,915	-	No
31 - 60 days past due	3,057	-	No
61- 90 days past due	877	-	No
More than 90 days past due	11,818	11,702	Yes
Balance at December 31, 2018	P713,072	P11,702	

Loss rates are based on actual credit loss experience over three years considering circumstances at the reporting date. Any adjustment to the loss rates for forecasts of future economic conditions are not expected to be material. The Company applies the simplified approach in providing for expected credit losses prescribed by PFRS 9, which permits the use of the lifetime expected loss provision and applies a provision matrix. The application of the expected loss rates to the receivables of the Company does not have a material impact on the financial statements.

The maturity of the Company’s trade and other receivables is less than one year so the lifetime expected credit losses and the 12-month expected credit losses are similar.

Movement in the Allowance for Impairment in Respect of Trade and Other Receivables

	2019	**Individually Impaired**	**Collectively Impaired**
Balance at January 1	**P11,702**	**3,295**	**8,407**
Reversals during the year	**(2,609)**	**-**	**(2,609)**
Write-offs	**(2,123)**	**(2,123)**	**-**
Balance at December 31	**P6,970**	**P1,172**	**P5,798**

	2018	Individually Impaired	Collectively Impaired
Balance at January 1 under PAS 39	P17,652	P3,295	P14,357
Adjustment on initial application of PFRS 9	-	-	-
Balance at January 1 under PFRS 9	17,652	3,295	14,357
Reversal during the year	(5,950)	-	(5,950)
Balance at December 31	P11,702	P3,295	P8,407

The significant change in the gross carrying amount of trade receivables that contributed also to the change in the impairment loss allowance during 2019 and 2018 refers to the reversals in allowance for impairment. The reversals resulted from review of credit risks profiling of customers and upon identification of receivables with specific doubtful accounts.

Cash in Banks and Cash Equivalents

The Company held cash in banks and cash equivalents of P5.3 billion and P6.5 billion as at December 31, 2019 and 2018, respectively. The cash and cash equivalents are held with bank and financial institution counterparties, which are rated Grade A.

Impairment on cash in banks and cash equivalents has been measured on a 12-month expected loss basis and reflects the short maturities of the exposures. The Company considers that its cash in bank and cash equivalents have low credit risk based on the external credit ratings of the counterparties and any ECL is expected to be immaterial.

Foreign Currency Risk

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

The Company's policy is to manage its foreign currency risk by using a combination of natural hedges as well as buying 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 Company hedged 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 Company had assessed that 80% of the US dollar denominated stevedoring revenue for the designated period is highly probable. However, the Company had 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 Company re-designated 50% of the monthly US dollar revenue as the hedged item for the next forty-two months.

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

The Company decided to terminate the hedging instrument on November 30, 2018. A sensitivity analysis has been prepared comparing the impact on unrealized foreign exchange losses on the CRP under the fair value method and continuing the cash flow hedge. The fair value method is more beneficial to the Company.

The Company's foreign currency-denominated accounts as of December 31 are as follows:

	2019	2018
Assets		
Cash and cash equivalents	**US$55,955**	US$45,648
Liabilities		
Trade and other payables	**7,132**	2,811
Port concession rights payable	**138,805**	142,611
	145,937	145,422
Net foreign currency-denominated liabilities	**(US$89,982)**	(US$99,774)
Peso equivalent	**(P4,556,688)**	(P5,246,117)

The exchange rates applicable for US dollar as at December 31, 2019 and 2018 are P50.64 and P52.58, 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 Company's income before income tax and equity.

	Increase (Decrease) in U. S. dollar Exchange Rate	**Effect on Income Before Income Tax**	**Effect on Equity**
2019			
	+4%	**(P182,268)**	**(P127,588)**
	-4%	**182,268**	**127,588**
2018			
	+5%	(262,306)	(183,614)
	-5%	262,306	183,614

Capital Management

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

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

The Company is not subject to externally imposed capital requirements, except for the investment it has committed in accordance with the investment plan discussed in Note 22.

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

	Note	**2019**	2018
Capital stock		**P2,000,000**	P2,000,000
Additional paid-in capital		**264,300**	264,300
Retained earnings		**14,383,864**	12,000,424
Fair value reserve		**(5,820)**	(5,820)
Total	*16*	**P16,642,344**	P14,258,904

24. Financial Instruments

The table below presents a comparison by category of carrying amounts and estimated fair values of all the Company's financial instruments as at December 31, 2019 and 2018.

		2019		2018	
	Note	**Carrying Amount**	**Fair Value**	Carrying Amount	Fair Value
Financial Assets					
Cash and cash equivalents	*6*	**P5,282,406**	**P5,282,406**	P6,547,081	P6,547,081
Trade and other receivables - net	*7*	**1,032,895**	**1,032,895**	701,370	701,370
Deposits	*12*	**55,428**	**62,279**	38,600	41,857
		6,370,729	**6,377,580**	7,287,051	7,290,308
Equity securities	*12*	**2,652**	**2,652**	2,652	2,652
		P6,373,381	**P6,380,232**	P7,289,703	P7,292,960
Financial Liabilities					
Other financial liabilities:					
Trade and other payables*	*14*	**2,359,021**	**2,359,021**	2,838,711	2,838,711
Port concession rights payable	*22*	**7,642,002**	**9,095,375**	8,130,080	8,354,837
Lease liabilities	*22*	**346,488**	**384,351**	-	-
		P10,347,511	**P11,838,747**	P10,968,791	P11,193,548

**Excluding due to government agencies amounting to P663.7 million and P682.0 million in 2019 and 2018, 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.

Non-derivative Financial Instruments
Quoted market prices have been used to determine the fair values of listed equity securities. The fair values of unquoted equity securities 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 3.7% in 2019 and 7.0% in 2018.

The fair value of port concession rights payable was estimated at the present value of all future cash flows discounted using the application rates for similar types of loans ranging from 4.84% to 5.13% in 2019 and 7.34% to 7.61% in 2018.

The fair value of lease liabilities was estimated at the present value of all future cash flows discounted using the prevailing market rate on interest for a similar instrument.

Fair Value Hierarchy
The following table shows the levels in the fair value hierarchy of the Company's financial instruments:

As at December 31, 2019	***Note***	**Level 1**	**Level 2**	**Level 3**
Equity securities	*12*	**P933**	**P -**	**P1,719**
Port concession rights payable		**-**	**9,095,375**	**-**
Lease liabilities		**-**	**384,351**	**-**
		P933	**P9,479,726**	**P1,719**

As at December 31, 2018	*Note*	Level 1	Level 2	Level 3
Equity securities	*12*	P933	P -	P1,719
Port concession rights payable		-	8,354,837	-
		P933	P8,354,837	P1,719

There have been no transfers from one level to another in 2019 and 2018.

25. Revenue

The Company derives revenue from the transfer of services over time and at a point in time in the following major service lines:

	2019	2018
Revenues from Operations		
Stevedoring	**P5,820,799**	P5,100,739
Arrastre	**4,180,642**	4,194,488
Logistics	**91,289**	65,735
Special and other services	**2,254,362**	1,916,621
Total	**P12,347,092**	P11,277,583

26. Supplementary Information Required by the Bureau of Internal Revenue (BIR)

In addition to the disclosures mandated under PFRSs, and such other standards and/or conventions as may be adopted, companies are required by the BIR to provide in the notes to the separate financial statements, certain supplementary information for the taxable year. The amounts relating to such information may not necessarily be the same with those amounts disclosed in the separate financial statements which were prepared in accordance with PFRSs. The following are the tax information/disclosures required by Revenue Regulations No. 15-2010 for the taxable year ended December 31, 2019:

A. Value Added Tax (VAT)

1. Output VAT	**P702,677**
Basis of the Output VAT*:	
Vatable sales	**5,855,641**
Sales to government	**5,683**
Zero rated sales	**6,702,540**
	P12,563,864
2. Input VAT	
Beginning of the year	**P740,812**
Current year's domestic purchases:	
a. Goods other than for resale or manufacture	**96,862**
b. Capital goods subject to amortization	**29,509**
c. Services lodged under cost of goods sold	**783,511**
d. Services lodged under other accounts	**6,532**
Claims for tax credit/refund and other adjustments	**-**
Balance at the end of the year	**P1,657,226**
3. Customs Duties and Tariff Fees:	
Landed cost of imports	**P84,522**
Customs duties paid or accrued	**1,960**
	P86,482

** The base amounts are gross of PPA fees.*

B. Documentary Stamp Tax

Others (insurance policies)	**P10,734**

C. Withholding Taxes

Tax on compensation and benefits	**P149,863**
Creditable withholding taxes	**186,467**
Final withholding taxes	**59,300**
	P395,630

D. All Other Taxes (Local and National)

Other taxes paid during the year recognized under "Taxes and licenses" account under Costs and Expenses	
Real estate taxes	**P214,013**
Mayor's permit	**76,474**
Others	**8,910**
	P299,397

E. Deficiency Tax Assessments

In 2019, the Company received letters of authority (LOAs) involving the examination of book of accounts and other accounting records for the taxable periods ended December 31, 2017 and 2018.

As of December 31, 2019, the Company has settled the outstanding LOAs.

F. Tax Cases

The Company has a Civil case under investigation of the Court of Tax Appeals involving deficiency local business tax payable to the City of Manila for taxable years 2013 and 2014 amounting to P33.36 million.

Information on the excise taxes is not applicable since there are no transactions that the Company would be subject to this type of tax.

C O V E R   S H E E T

For

AUDITED FINANCIAL STATEMENTS

SEC Registration Number

1	3	3	6	5	3					

C O M P A N Y   N A M E

A S I A N   T E R M I N A L S ,   I N C .

PRINCIPAL OFFICE (No. / Street / Barangay / City / Town / Province)

A .   B o n i f a c i o   D r i v e

P o r t   A r e a ,   M a n i l a

Form Type	Department requiring the report	Secondary License Type, If Applicable
A A P C F S		

C O M P A N Y   I N F O R M A T I O N

Company's email Address	Company's Telephone Number/s	Mobile Number
asianterminals.com.ph	528-6000	

No. of Stockholders	Annual Meeting (Month / Day)	Fiscal Year (Month / Day)
823	4th Thursday of April	December 31

CONTACT PERSON INFORMATION

The designated contact person *MUST* be an Officer of the Corporation

Name of Contact Person	Email Address	Telephone Number/s	Mobile Number
Jose Tristan P. Carpio	JoseC@asianterminals.com.ph	528-6000	

CONTACT PERSON's ADDRESS

Note 1: In case of death, resignation or cessation of office of the officer designated as contact person, such incident shall be reported to the Commission within thirty (30) calendar days from the occurrence thereof with information and complete contact details of the new contact person designated.

2: All Boxes must be properly and completely filled-up. Failure to do so shall cause the delay in updating the corporation's records with the Commission and/or non-receipt of Notice of Deficiencies. Further, non-receipt of Notice of Deficiencies shall not excuse the corporation from liability for its deficiencies.

Annex A: Sustainability Report Disclosures

Contextual Information

Company Details	
Name of Organization	Asian Terminals, Inc.
Location of Headquarters	ATI Bldg. A. Bonifacio Drive, Port Area, Manila
Location of Operations	• ATI Manila – Manila South Harbor, Port Area, Manila • Batangas Container Terminal – Sta. Clara, Batangas City • ATI Batangas, Inc. (Batangas Passenger, RoRo and Gen. Cargo Port) – Sta. Clara, Batangas City • Inland Clearance Depot – Calamba, Laguna **Note: Off-dock facilities in Sta. Mesa, Manila and Tondo, Manila as well as in Calamba, Laguna are operationally linked to Manilla South Harbor and Batangas Container Terminal, respectively, hence relevant data for these facilities are captured and reported under the said units.*
Report Boundary: Legal entities (e.g. subsidiaries) included in this report*	This report only discloses material information covering the operational sites which ATI has direct management control and supervision
Business Model, including Primary Activities, Brands, Products, and Services	ATI operates, manages, and develops strategic seaports which serve as vital marine transport linkages and trade gateways in the Philippines. ATI's terminals offer arrastre, stevedoring and ancillary port services. The Company handles containerized and non-containerized vessels carrying various commodities as well as cruise vessels. Over in Batangas, ATI handles domestic passengers and vehicles traversing mainland Luzon to nearby island destinations. Batangas is also the hub for imported completely-built car units. ATI also operates off-dock container yards which are operationally linked to Manila and Batangas Ports to sustain optimum port efficiency and complement the needs of nearby customers in high growth markets.
Reporting Period	January 1 to December 31, 2019
Highest Ranking Person responsible for this report	Eusebio H. Tanco President Asian terminals Inc.

Materiality Process

Explain how you applied the materiality principle (or the materiality process) in identifying your material topics.[1]

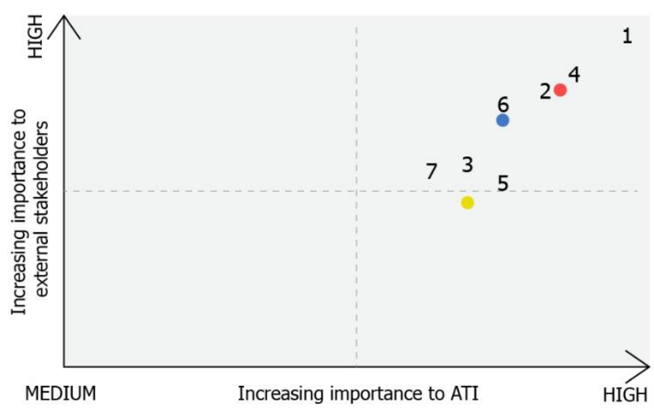
[1] See *GRI 102-46* (2016) for more guidance.

For the purpose of this report, ATI reflects on the definition of materiality under the Global Reporting Initiative (GRI): “Those topics and indicators that reflect the organization’s significant economic, environmental, and social impacts or that would substantively influence the assessments and decisions of stakeholders.”

ATI began exploring topics encompassing its business operations and stakeholders back in 2014 which resulted in its Corporate Responsibility (CR) framework: Our World, Our Future. ATI’s CR framework then was built around four pillars, namely: Community, Environment, People & Safety and Marketplace which collectively aimed to improve its social and environmental performance while adding value to the Company’s broader stakeholders *(including its employees and their dependents, customers, partners, suppliers, and the community in general).* ATI fully understood that by managing the business ethically and responsibly, it also contributed to creating a sustainable and productive future for the Philippine supply-chain.

Last year, the framework was revisited and refreshed in alignment with and in support of the UN Sustainable Development Goals. Through internal analysis and stakeholder surveys, the Company identified an initial list of sustainability issues. These were refined through stakeholder engagement to ten key areas as presented in a materiality matrix below based on importance to stakeholders and to the Company.

Materiality matrix



OUR WORLD
1 - Safety
2 - Security
3 - Wellbeing
4 - Ethics
5 - People Development
6 - Climate Change
7 - Community Engagement

OUR FUTURE
Education
Oceans
Women

The framework is split into two components. The first, ‘Our World’, focuses on ATI’s efforts to operate as a responsible business across seven priority areas. The second part, ‘Our Future’, looks at the legacy component, or areas where ATI hopes to make a positive difference for future generations as a marine terminal business, namely: Education, Women and Oceans.

In its revitalized sustainability approach, ATI likewise observes the LBG framework in measuring impact of its sustainability initiatives.

ECONOMIC

Economic Performance

Direct Economic Value Generated and Distributed

Disclosure	Amount	Units
Direct economic value generated (revenue)	13,329,441	PhP'000
Direct economic value distributed:		
a. Operating costs	3,277,713	PhP'000
b. Employee wages and benefits	1,551,941	PhP'000
c. Government share in revenues	2,329,105	Php'000
d. Payments to suppliers, other operating costs	5,618,414	Php'000
e. Dividends given to stockholders and interest payments to loan providers	1,125,000	PhP'000
f. Taxes given to government	2,280,954	PhP'000
g. Investments to community (e.g. donations, CSR)	52,188	PhP'000

Discussions:

Revenues from Operations	Stakeholders Affected	Management Approach
ATI's revenues in 2019 reached Php13.33 billion, up 8.6% from 2018 driven by record cargo volumes handled by its gateway ports in Manila and Batangas. Revenues from South Harbor international containerized cargo and Batangas Container Terminal increased from last year by 5.1% and 37.8%, respectively, on account of higher container volumes, which grew by 10.7% and 25.6%, respectively. In all, ATI handled a consolidated container volume of 1.66 million teus (twenty-foot equivalent units) in 2019. *For more information on the Company's results of operations and financial conditions, please refer to the 2019 Audited Consolidated Financial Statements and accompanying Notes to the Consolidated*	• Company • Shareholders • Customers	ATI has demonstrated a stronger balance sheet and robust cash flow, year-on-year, backed by operational discipline, diligent cost management efforts, and the careful execution of its long-term business plans. ATI continuously optimizes its facilities in Manila, Batangas and Laguna to support the growth of customers and respond to future market demand.
Operating Cost	**Stakeholders Affected**	**Management Approach**
ATI's operating cost and expenses in 2019 increased by 13.5% to Php5.60 billion, compared to 2018 on account of higher cargo volumes handled.	• Company • Shareholders • Customers	ATI optimizes resources and pursues innovation projects to continuously improve processes, increase efficiencies and manage operating cost.

For more information on the Company's results of operations and financial conditions, please refer to the 2019 Audited Consolidated Financial Statements and accompanying Notes to the Consolidated Financial Statements contained in its SEC Form 17-A.		Guided by its Asset Management Program, ATI adheres to strict operations and maintenance (predictive maintenance) schedules to ensure the operational readiness of port facilities and equipment. Replacements or spare parts are adequately stocked for the timely management of ageing equipment. Over the long-term, ATI is eyeing hybrid port equipment to reduce fuel costs and further improve its environmental performance.
Employee Wages and Benefits	**Stakeholders Affected**	**Management Approach**
Labor costs in 2019 amounting to Php1.55 billion were higher than 2018 by 6.1% due to salary rate increases and additional headcount related to higher volumes. *For more information on the Company's results of operations and financial conditions, please refer to the 2019 Audited Consolidated Financial Statements and accompanying Notes to the Consolidated Financial Statements contained in its SEC Form 17-A.*	• Company • Shareholders • Employees	ATI operates at an optimal workforce complement. The Company is committed to managing labor costs and expenses consistent with the level of its business operations. Delivering safe, efficient, and reliable port services to customers are paramount.
Government Share in Revenues	**Stakeholders Affected**	**Management Approach**
Port authorities' share in revenues in 2019 of Php2.32 billion increased by 2.6% from 2018 as a result of higher revenues subject to port authorities' share.	• Company • Government	ATI regularly remits government share in compliance to its concession agreement and in line with its commitment to good corporate governance.
Dividends to Stockholders	**Stakeholders Affected**	**Management Approach**
Cash dividends totaling Php1.12 billion in 2019 represents ATI's highest cash dividend payout in corporate history.	• Company • Shareholders	ATI provides healthy returns to its shareholders, resulting from its operational and financial performance.
Taxes to Government	**Stakeholders Affected**	**Management Approach**
Taxes given to government reached Php2.28 billion due to higher real property taxes and business taxes.	• Company • Government	ATI dutifully pays its tax obligations to government arising from its business operations in line with its commitment to good corporate governance. ATI has consistently been cited as among the top taxpayers of the City of Manila and the City of Batangas.

Community Investment	Stakeholders Affected	Management Approach
In 2019, ATI invested Php52.19 million to its communities as part of its Corporate Sustainability Initiatives	• Stakeholders in host and neighboring communities	ATI has helped its host communities and neighboring areas through its dynamic Corporate Sustainability programs anchored on Health, Education, and Environment. Through its community investments, ATI is able to: • Help improve the health and wellbeing of underprivileged communities in nearby port areas; • Equip the youth with useful and productive tools for the future through educational support programs (including academic and vocational scholarships, IT programs, port-related lectures) • Help improve community health and wellbeing through provision of sanitation infrastructure; • Improve self-resilience especially in emergency response, through the donation of portable fire engines and provisioning of necessary emergency response training • Support charitable institutions and relevant social causes

Climate-related risks and opportunities[2]

Impact: Given the nature of its business, ATI is inherently exposed to climate-related and other environmental risks. With an average of 20 typhoons frequenting the Philippines yearly, heavy rainfall, flooding, and high winds could potentially damage port facilities and infrastructure, injure port workers, and cut-off road-to-port trade routes, resulting in suspension of port operations and eventual disruption of supply-chain cycles. Earthquake is also a natural threat. All these could materially and adversely affect the Company’s business, financial condition, results of operations, and business outlook.

Strategy: Integral and central to ATI’s business operations is a strong safety culture. To maintain a safe and hazard-free industrial work environment, ATI implements stringent protocols, governing the safety and health of employees and other stakeholders consistent with international standards and compliant to

[2] Adopted from the Recommendations of the Task Force on Climate-Related Financial Disclosures. The TCFD Recommendations apply to non-financial companies and financial-sector organizations, including banks, insurance companies, asset managers and asset owners.

government policies. Proactive monitoring and coordination with authorities, customers and stakeholders are inclusive in these protocols. Business Continuity Plans are in place and are regularly reviewed and kept in check, ready for implementation as the need arises. Furthermore, ATI has been investing in climate change adaptation in and around its terminals.

Risk Management: Risk is an inherent part of doing business. ATI's approach is to identify and assess all significant risks which could adversely affect the Company's ability to achieve its business objectives and to identify management actions and internal controls which can mitigate the effects of those risks to an acceptable level.

Cognizant of this, the Company regularly undertakes a Business Risk Profile review where risks are identified by priority based on a systematic assessment of probability and impact.

The risk management process applies to all critical projects and business processes as determined in what ATI calls as a Risk Category Universe. Control strategies are identified, and action points established with the designated accountable persons. Results and developments are monitored during reviews at least quarterly.

ATI's Board of Directors establishes the control environment, sets the risk appetite, and approves the policies and delegates responsibilities under our risk management framework.

Metrics	Initiatives/Targets
Governance on Climate-Related Risks	The Company has an Integrated Management System. Part of this is its Environment Management System which is certified against ISO 14001:2015 international standards.
Risk Management and Mitigation	ATI is covered by a comprehensive insurance policies, first and excess layers, with business interruption clause, to respond to climate-risk eventualities and other forms of natural or man-made disruptions. Business Continuity Plans are in place and are regularly reviewed and updated, ready for execution as the need arises.

Procurement Practices

Proportion of spending on local suppliers

Disclosure	Quantity	Units
Percentage of procurement budget used for significant locations of operations that is spent on local suppliers	62	%

Discussions

Identification of Impact	Stakeholders Affected	Management Approach, Risk and Opportunities
Safe and Secure Procurement		
ATI considers impacts when making purchasing decisions,	• Company	In line with the Company's Integrated Management System Policy, ATI

consistent with its commitment to being an ethical and responsible port operator.	• Suppliers	considers quality, health, safety, security, and environmental factors in purchasing decisions. ATI is certified for Supply Chain Security Management or ISO 28000:2017.

Anti-corruption

Training on Anti-corruption Policies and Procedures

Disclosure	Quantity	Units
Percentage of employees to whom the organization's anti-corruption policies and procedures have been communicated to	100	%
Percentage of business partners to whom the organization's anti-corruption policies and procedures have been communicated to	100	%
Percentage of directors and management that have received anti-corruption training	100	%
Percentage of employees that have received anti-corruption training	100	%

Incidents of Corruption

Disclosure	Quantity	Units
Number of incidents in which directors were removed or disciplined for corruption	0	#
Number of incidents in which employees were dismissed or disciplined for corruption	1	#
Number of incidents when contracts with business partners were terminated due to incidents of corruption	0	#

Discussions

Identification of Impact	Stakeholders Affected	Management Approach, Risk and Opportunities
Code of Professional Conduct and Ethics		
ATI strictly adheres to a Code of Professional Conduct and Ethics which upholds professionalism and guides employee behavior in business dealings and transactions. This includes comprehensive policies governing employee conduct, procurement, relations with stakeholders, including vendors, customers, and other parties, acceptance of gifts, entertainment, among others.	• Employees • Community • Suppliers • Government	The Company recognizes that corruption, or even allegations of corruption, is a reputational risk that may significantly affect business. The Company is committed to conducting its business with honesty and integrity and expects all staff to maintain high standards in accordance with its code of conduct policy and procedure, including zero tolerance of bribery and corruption.

		The company has institutionalized strong programs and policies in support of this commitment: • Code of Professional Conduct • Table of Penalties (governing administrative and disciplinary sanctions covering employee infractions) • Policy on Anti-Bribery and Corruption • Policy on Gifts and Hospitality • Whistleblowing Policy • Regular and special audits These policies are cascaded company-wide, integrating these in the formal onboarding program of newly hired employees. Regular engagement programs are also conducted to reinforce ATI's policies to employees. Furthermore, the Company has a designated Ombudsman who oversees compliance to these programs.
Internal Measures on Corruption		
All employees of the Company are expected to behave in an ethical and professional manner	• Employees • Community • Suppliers • Government	Allegations or incidents of corruption undergo thorough investigation and are subjected to internal administrative and disciplinary process consistent with due process requirements of law. In 2019, an employee was terminated on this account. ATI has institutionalized a Whistleblowing Policy which encourages staff to report suspected wrongdoing without fear of reprisals and with reports kept in confidence through the Company Ombudsman.

ENVIRONMENT

Resource Management

Energy consumption within the organization

Disclosure	ATI MANILA	BCT	ATIB	ICD	Units
Energy consumption (renewable sources)	-	-	-	-	GJ

Energy consumption (gasoline)	558.50	-	-	-	GJ
Energy consumption (LPG)	-	-	-	-	GJ
Energy consumption (diesel)	162,966.00	46,052.63	5,238.40	23,800.50	GJ
Energy consumption (electricity)	11,282,998.00	3,035,007.00	361,053.72	104,160.00	kWh

Reduction of energy consumption

Disclosure	ATI MANILA	BCT	ATIB	ICD	Units
Energy reduction (gasoline)	-	-	-	-	GJ
Energy reduction (LPG)	-	-	-	-	GJ
Energy reduction (diesel)	-	-	724.97	-	GJ
Energy reduction (electricity)	-	-	-	-	kWh
Energy reduction (gasoline)	-	-	-	-	GJ

Except for ATIB with energy reduction recorded due to lower general cargo volume in 2019 vs 2018, no energy reduction recorded in other sites due to the following:

- Higher container volumes handled in 2019 vs 2018
- Higher total terminal moves in 2019 vs 2018 due to higher volume
- Additional lightings at pier facilities (Pier 15, Blk 143 and MDSF) to improve low light visible and enhance safety
- Increase in number of equipment due to higher volume
- Increase in reefer electricity consumption due to higher reefer dwell days

Discussion

Identification of Impact	Stakeholders Affected	Management Approach, Risk and Opportunities
Energy Efficiency		
ATI explores new technologies and innovations to reduce energy consumption and reduce its carbon footprint	• Company • Community	In line with ATI's carbon reduction measures, the following initiatives are undertaken: • Replacement of high-pressure sodium lamps with of LED lamps • Installation of energy saving apparatus on port equipment (eg. Hybrid Rubber-tired gantry cranes with Lithium-ion batteries for stored energy for hoisting operations; idling control to lower engine RPM; automatic engine shutoff for long idling; Car Tracking System for shuttle

		services to monitor idle time of shuttle services) • Initial installation of solar panels to supplement electricity requirements in Engineering Workshop, with future installation in other business units and head office

Water consumption within the organization

Disclosure	ATI MANILA	BCT	ATIB	ICD	Units
Water withdrawal	47,682.22	28,879.00	43,595.00	2,035.00	m^3
Water consumption	47,682.22	28,879.00	43,595.00	2,035.00	m^3
Water recycled and reused	237.27	19.00	11.00	-	m^3

Materials used by the organization

Disclosure	ATI Manila	BCT	ATIB	ICD	Units
Materials used by weight or volume					
Renewable	n/a	n/a	n/a	n/a	kg/L
non-renewable	n/a	n/a	n/a	n/a	kg/L
Percentage of recycled input materials used to manufacture the organization's primary products and services	n/a	n/a	n/a	n/a	%

Ecosystems and biodiversity (whether in upland/watershed or coastal/marine)

Disclosure	ATI Manila	BCT	ATIB	ICD	Units
Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	None	None	None	None	
Habitats protected or restored	Protected 2 hectares of La Mesa Nature Reserve in 2019. Since 2001, ATI has reforested and protected 24 hectares of the La Mesa Nature Reserve.	None	3-Year Monitoring Plan of transferred/ Re-Planted tress at BCT area and Brgy. Sico, Batangas City since 2016 included in the DENR Earth Balling Permit Condition. With Continuous Tree planting Program.	None	ha

IUCN[1] Red List species and national conservation list species with habitats in areas affected by operations	None	None	None	None	

Discussion

Identification of Impact	Stakeholders Affected	Management Approach, Risk and Opportunities
Managing Water Resources		
As a shared resource, ATI recognizes its responsibility to prudently manage its water consumption and monitor the water quality in its areas of its operations.	• Company • Community • Government	ATI has an Environmental Policy which governs its ecological risk identification, assessment, and mitigation measures as an impact of its operations ATI is ISO 14001:2015 certified for its Environment Management System ATI has rainwater collection system. Collected water is used for watering of plants and other cleaning purposes. Treated water form wastewater treatment facility is re-used for cleaning purposes
Managing Wastewater		
ATI strives to ensure that the environmental impact of its business operations is mitigated and/or minimized and that it strictly abides by regulatory requirements and policies.	• Company • Community • Government	ATI has wastewater treatment facilities located in Manila South Harbor which sifts out water used during cleaning of terminal mobile resources. Water is treated and re-used for other purposes. ATI's terminal facilities are installed with emergency shutoff valves to prevent spillage going to Manila Bay. Domestic wastewater is interconnected to Maynilad sewage treatment facility and some are contained in septic tank and regularly collected by siphoning service facility. Other wastewater from washing activity are treated offsite by a DENR-accredited treatment, storage and disposal (TSD) facility.

Environmental impact management

Air Emissions

GHG

Disclosure	ATI Manila	BCT	ATIB	ICD	Units
Direct (Scope 1) GHG Emissions	11,795.51	3,322.75	377.95	1,535.3	Tonnes CO_2e
Energy indirect (Scope 2) GHG Emissions	7,546.07	2,029.81	2,419.75	69.66	Tonnes CO_2e
Emissions of ozone-depleting substances (ODS)	0.0565	0	0	No available data	Tonnes

Air pollutants

Disclosure	ATI Manila	BCT	ATIB	ICD	Units
NO_x	0.9-11.7	2.6	<0.7-5.5	No available data	µg/Ncm
SO_x	<2.9-11.8	52.5	18.7-38	No available data	µg/Ncm
Persistent organic pollutants (POPs)	no available data	No available data	No available data	No available data	
Volatile organic compounds (VOCs)	no available data	No available data	No available data	No available data	
Hazardous air pollutants (HAPs)	no available data	No available data	No available data	No available data	
Particulate matter (PM)	<1.7-39.6	<1.7	<1.7-6.9	No available data	µg/Ncm

Solid and Hazardous Wastes

Solid Waste

Disclosure	ATI Manila	BCT	ATIB	ICD	Units
Total solid waste generated	618,001.00	46,659.00	407,747.00	1,683.00	kg
Reusable	-		-	-	kg
Recyclable	226,228.00	18,112.00	13,752.00	-	kg
Composted	-		-	-	kg
Incinerated	-		-	-	kg
Residuals/Landfilled	391,773.00	46,659.00	407,747.00	1,683.00	kg

Hazardous Waste

Disclosure	ÁTI Manila	BCT	ATIB	ICD	Units
Total weight of hazardous waste generated	1,062,609.00	33,561.00	17,629.00	1,194.00	kg
Total weight of hazardous waste transported	1,062,609.00	33,561.00	17,629.00	1,194.00	kg

Effluents

Disclosure	ÁTI Manila	BCT	ATIB	ICD	Units
Total volume of water discharges	-	-	-	-	m^3
Percent of wastewater recycled	0.50	0.07	0.03	-	%

Environmental compliance

Non-compliance with Environmental Laws and Regulations

Disclosure	ÁTI Manila	BCT	ATIB	ICD	Units
Total amount of monetary fines for non-compliance with environmental laws and/or regulations	0	0	0	0	PhP
No. of non-monetary sanctions for non-compliance with environmental laws and/or regulations	0	0	0	0	#
No. of cases resolved through dispute resolution mechanism	0	0	0	0	#

SOCIAL

Employee Management

Employee Hiring and Benefits

Employee data

Disclosure	Quantity				Units
	ATI-Manila	BCT	ICD	ATIB	
Total number of employees[3]	1,383	196	19	315	#
a. Number of female employees	106	25	3	15	#
b. Number of male employees	1,277	171	16	300	#
Attrition rate[4]	0.04	0.31	0.17	0.08	Rate
Ratio of lowest paid employee against minimum wage	57%				%

Employee benefits

List of Benefits	Y/N	% of female employees who availed for the year				% of male employees who availed for the year			
		ATI-Manila	BCT	ICD	ATIB	ATI-Manila	BCT	ICD	ATIB
SSS	Y	26.9%	6.34%	0.76%	13.4%	52.88%	19.54%	4.06%	39.13%
PhilHealth	Y	8.73%	0.87%	0.44%	9.09	89.96%	0	0	90.91
Pag-ibig	Y	18.76%	4.42%	0.53%	10.07	44.24%	30.27%	2.83%	49.67%

[3] Employees are individuals who are in an employment relationship with the organization, according to national law or its application (GRI Standards 2016 Glossary)
[4] Attrition are = (no. of new hires – no. of turnover)/(average of total no. of employees of previous year and total no. of employees of current year)

Parental leaves	Y	1.9%	0	0	0	0	0	0	0
Vacation leaves	Y	12.46%	24.51%	15.79%	25%	87.54%	75.49%	84.21 %	75%
Sick leaves	Y	12.46%	24.51%	15.79%	25%	87.54%	75.49%	84.21 %	75%
Medical benefits (aside from PhilHealth))	Y	36.96%	24.51%	15.79%	24.59%	63.04%	75.49%	84.21 %	75.41%
Housing assistance (aside from Pag-ibig)	N								
Retirement fund (aside from SSS)	Y	0	0	0	Only 1 availed	3.45%	0	0	2.66%
Further education support	Y	0.94%	4%	0	0	0	0	0	0
Company stock options	N								
Telecommuting	N								
Flexible-working Hours	Y	13.20%	16%	0	Only 1 availed	0.54%	0	0	0
(Others)									

Employee Training and Development

Disclosure	Quantity				Units
	ATI-Manila	BCT	ICD	ATIB	
Total training hours provided to employees					
a. Female employees	1,133	173	25	215	hours
b. Male employees	1,4610	2058	188	3371	hours
Average training hours provided to employees					
a. Female employees	10.69	6.92	8.33	11.24	hours/employee
b. Male employees	11.44	12.04	11.75	14.33	hours/employee

Labor-Management Relations

Disclosure	Quantity				Units
	ATI-Manila	BCT	ICD	ATIB	
% of employees covered with Collective Bargaining Agreements	81.12%	47.96	0	80.63%	%
Number of consultations conducted with employees concerning employee-related policies	Number not recorded	Number not recorded	Number not recorded	Number not recorded	#

Diversity and Equal Opportunity

Disclosure	Quantity				Units
	ATI-Manila	BCT	ICD	ATIB	
% of female workers in the workforce	7.66	12.76	15.79	4.76	%
% of male workers in the workforce	92.34	87.24	84.21	95.24	%
Number of employees from indigenous communities and/or vulnerable sector*	N/A	N/A	N/A	N/A	%

**Vulnerable sector includes, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E).*

Workplace Conditions, Labor Standards, and Human Rights

Occupational Health and Safety

Disclosure	Quantity	Units
Safe Man-Hours	8,536,472	Man-hours
No. of work-related injuries	52*	#
No. of work-related fatalities	0	#
No. of work-related ill-health	0	#
No. of safety drills	22	#

**Mostly first-aid cases only*

Labor Laws and Human Rights

Disclosure	Quantity	Units
No. of legal actions or employee grievances involving forced or child labor	0	#

Do you have policies that explicitly disallows violations of labor laws and human rights (e.g. harassment, bullying) in the workplace?

Topic	Y/N	If Yes, cite reference in the company policy
Forced labor	Y	ATI Recruitment Policy and ATI Corporate Responsibility Policy
Child labor	Y	ATI Recruitment Policy and ATI Corporate Responsibility Policy
Human Rights	Y	ATI Anti-Harassment and ATI Corporate Responsibility Policy

Discussion

Identification of Impact	Stakeholders Affected	Management Approach, Risk and Opportunities
Occupational Health, Safety and Security		
Safety is ATI's number one priority. This culture resonates across the organization and is embodied in programs and initiatives to ensure a safe and healthy work environment for port workers and stakeholders.	• Company • Employees • Customers • Community	ATI's institutional safety programs are anchored on the Company's Integrated Management System Policy which includes occupational health and safety practices which are compliant to international standards. As part of this policy, ATI promotes occupational health, safety, environmental, quality and security awareness among our partners, suppliers, contractors, and surrounding communities.

		The Company sustains its safety performance through proactive engagement programs and innovations with high employee and stakeholder involvement. ATI is certified for ISO45001:2018 (Occupational Health & Safety), ISO28000:2007 (Supply Chain Security Management), ISO14001:2015 (Environment Management) and ISO28000:2007 (Supply Chain Security Management).
Equal Employment Opportunity		
ATI employs a dynamic hiring strategy which opens employment opportunities to qualified individuals, including those from surrounding port communities.	• Company • Employees • Community	ATI promotes diversity and inclusion as a general employment policy, giving equal employment opportunities to qualified individuals regardless of race, gender, religion, and other demographics. ATI introduced the practice of blind CV for applicants, purposely dropping any reference to gender when pre-screening applicants. Women Empowerment is also strong in ATI through institutionalized mentoring programs and timely activities on diversity and inclusion.
People Development		
Efficient, reliable, and sustainable port operations are dependent on the skills and competencies of employees. In 2019, ATI accumulated over 21,000 training hours in the areas of operations, engineering, safety, and support services.	• Company • Employees	ATI continues to focus on skills reinforcement, leadership, innovation, and inclusion in advancing competencies and diversity through traditional and emergent platforms. Trainings are conducted internally or externally in partnership with international and local facilitators. Cross trainings are conducted internally to diversify the skillset of interested employees.
Corporate Responsibility		
ATI's business activities take to careful consideration workplace	• Company • Employees • Community	Following its Corporate Responsibility Policy, ATI conducts in business in a responsible way. It is committed to pursue

conditions, labor standards, and human rights		and maintain the highest standards in all aspects of its activities.

Supply Chain Management

Do you have a supplier accreditation policy? If yes, please attach the policy or link to the policy:

https://bit.ly/3fQnOSo___________

Do you consider the following sustainability topics when accrediting suppliers?

Topic	Y/N	If Yes, cite reference in the supplier policy
Environmental performance	Y	ATI Procurement Policy/Integrate Management System
Forced labor	Y	ATI Procurement Policy/Integrate Management System
Child labor	Y	ATI Procurement Policy/Integrate Management System
Human rights	Y	ATI Procurement Policy/Integrate Management System and ATI Corporate Responsibility Policy
Bribery and corruption	Y	ATI's Code of Professional Conduct governs the professional behavior and ethics in all business dealings and transactions of ATI employees. The Company also has relevant policies on Anti-Bribery and Corruption, Acceptance of Gifts and Hospitality, Whistleblowing, Conflict of Interest and Related Party Transactions, which can be viewed at ATI's corporate website: https://bit.ly/3fQnOSo

Discussion

Identification of Impact	Stakeholders Affected	Management Approach, Risk and Opportunities
Ethical Procurement		
ATI strictly adheres to ethical procurement processes, from supplier accreditation up to actual procurement process, including document reviews and field audit and validation of suppliers.	• Company • Employees • Community • Suppliers	ATI procurement processes are governed by the Company's Procurement Policy and other related policies. It is primarily supervised by the Procurement Committee alongside ATI's Asset Management Committee for big-ticket items such as equipment acquisition, infrastructure, and other development projects.

Relationship with Community

Significant Impacts on Local Communities

Operations with significant (positive or negative)	Location	Vulnerable groups (if applicable)*	Does the particular operation have impacts on	Collective or individual rights that have been identified that	Mitigating measures (if negative) or enhancement

impacts on local communities (exclude CSR projects; this has to be business operations)			**indigenous people (Y/N)?**	**or particular concern for the community**	**measures (if positive)**
Port Operations	• Manila South Harbor	• Surrounding underprivileged port communities	N	• Community health • Mobility issues along shared roads	• Health and wellness projects are rolled out in partnership with local community officials. • Vehicle Booking System has been instituted to ease road traffic with organized and scheduled arrival or departure of trucks transacting at the terminal

**Vulnerable sector includes children and youth, elderly, persons with disabilities, vulnerable women, refugees, migrants, internally displaced persons, people living with HIV and other diseases, solo parents, and the poor or the base of the pyramid (BOP; Class D and E)*

For operations that are affecting IPs, indicate the total number of Free and Prior Informed Consent (FPIC) undergoing consultations and Certification Preconditions (CPs) secured and still operational and provide a copy or link to the certificates if available: _____________

Certificates	Quantity	Units
FPIC process is still undergoing	N/A	#
CP secured	N/A	#

Customer Management

Customer Satisfaction

Disclosure	Score	Did a third party conduct the customer satisfaction study (Y/N)?
Customer satisfaction	Outstanding	N

Health and Safety

Disclosure	Quantity	Units
No. of substantiated complaints on product or service health and safety*	0	#
No. of complaints addressed	0	#

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

Marketing and labelling

Disclosure	Quantity	Units
No. of substantiated complaints on marketing and labelling*	0	#
No. of complaints addressed	0	#

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

Customer privacy

Disclosure	Quantity	Units
No. of substantiated complaints on customer privacy*	0	#
No. of complaints addressed	0	#
No. of customers, users and account holders whose information is used for secondary purposes	0	#

**Substantiated complaints include complaints from customers that went through the organization's formal communication channels and grievance mechanisms as well as complaints that were lodged to and acted upon by government agencies.*

Discussions

Identification of Impact	Stakeholders Affected	Management Approach, Risk and Opportunities
Customer Relationship Management		
As a customer-centric organization, ATI sustains goods relations with importers, exporters, and shipping line partners. The Company works with its customers to address issues peculiar to the port industry	• Company • Customers	ATI efficiently manages company resources such as manpower, equipment, facilities and business systems with the aim of attaining customer satisfaction in cargo handling and other port-related services in the most cost-effective way. ATI strives to be attentive and responsive to the concerns of customers, conducting regular forums as venue for stakeholder interaction. In 2019, ATI in partnership with major international shipping lines, launched ELSA or the Empty Loadout Shipping Alliance, which resolved the problem of high inventory of empty container boxes in

		the market which has triggered bottlenecks in the supply chain.

Data Security

Disclosure	Quantity	Units
No. of data breaches, including leaks, thefts, and losses of data	0	#

UN SUSTAINABLE DEVELOPMENT GOALS

Product or Service Contribution to UN SDGs

Key products and services and its contribution to sustainable development.

UN SDGs	Key Products and Services	Societal Value / Contribution to UN SDGs	Potential Negative Impact of Contribution	Management Approach to Negative Impact
3 GOOD HEALTH AND WELL-BEING	Community Medical and Dental Missions Soup Kitchen and Community Nutrition	As ATI puts health and safety as a core policy. Consistently, the Company extends assistance to surrounding port settlements esp. in improving community health and wellbeing. Annually, the company leads free medical missions to care for vulnerable members of society, especially women, children, and the elderly, including free distribution of basic medicines and hosting of soup kitchens to supplement nutritional deficiencies.		
4 QUALITY EDUCATION	ATI Scholarship Program Basic Computer Programming Literacy Program	Under ATI's Scholarship Program, the Company has already produced professionals in various sectors, including accounting, management, among others. In 2019, it has backed more than 100 students enrolled in high school, senior high or taking up college or vocational courses.		

		ATI entered a multilateral partnership in 2019 with Ayala Foundation Inc. (AFI), DepEd and the City of Manila for a unique computer literacy program called <CODE/IT>. The program developed by AFI with Microsoft Philanthropies introduces basic computer programming skills to Filipino school children to bridge the digital divide at the onset of learning. <CODE/IT> will be implemented in all of Manila's 73 public elementary schools beginning academic year 2020, with over 100,000 beneficiaries from grades 3 to 6 level.		
5 GENDER EQUALITY	Women Empowerment in PH Ports Program	ATI helps breaks barriers in the traditionally male-dominated port industry. It promotes equal employment opportunities regardless of gender, has organized a Women Empowerment Forum and hosts annual community fun run events to promote women, diversity, and inclusion		
6 CLEAN WATER AND SANITATION	La Mesa Watershed Protection Program	ATI is an institutional partner of Bantay Kalikasan which leads the protection and reforestation of La Mesa Watershed. To date, ATI has planted and protected 24 hectares of the forest reserve which contributes potable water to Metro Manila		
14 LIFE BELOW WATER	Oceans Protection Program Manila Bay Rehabilitation Program	Under its Ocean Protection Program, ATI has taken an active role in raising public awareness against plastic pollution. ATI has reached out to hundreds of students in Manila and Batangas, teaching them ways to preserve and protect this		

		vital economic resource. The Program has banked on students as advocates for plastic-free oceans. ATI has partnered with the Department of Environment and Natural Resources for the Manila Bay Rehabilitation Program. ATI has allocated significant resources for this multisectoral undertaking, including investment in sanitation infrastructures in nearby underprivileged settlements, to help revive the world-renowned bay. Apart from this, ATI supports coastal cleanup initiatives by NGOs.		

** None/Not Applicable is not an acceptable answer. For holding companies, the services and products of its subsidiaries may be disclosed.*