COVER SHEET

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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.	5286000

4th Thursday of April

0 4	1 5	**SEC FORM 17-A**	0 4	2 5
Month	*Day*	FORM TYPE	*Month*	*Day*

Annual Meeting
For 2019

Secondary License Type, If Applicable

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

8 2 4

Total No. of Stockholders
As of 03-31-2019

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.

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, 2018
2. SEC Identification Number	:	133653
3. BIR Tax Identification Code	:	000-132-413
4. Name of Issuer as Specified in its Charter	:	ASIAN TERMINALS, INC.
5. Province, Country or other jurisdiction of Incorporation or organization	:	Manila, Philippines
6. Industry Classification Code (SEC use only)	:	____________
7. Address of Principal Office	:	A. Bonifacio Drive Port Area, Manila 1018
8. Registrant's telephone number	:	(632) 528-6000
9. Former name, address and fiscal year, if changed since last report	:	N/A

10. Securities registered pursuant to Section 8 and 12 of the Code or Sections 4 and 8 of the RSA:

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding
Common	2,000,000,000 shares

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

    Yes [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, 2018	1,346,569,429
Closing price per share as of March 29, 2019 (last trading day)	P15.76
Market value of stocks held by non-affiliates as of March 31, 2019	P21.22B

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.

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

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

The ATI South Harbor facility has completed the follow-up audit for the Integrated Management Systems last October 2018 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 (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 ICD also serves as an empty container depot for shipping lines. This provides greater operational efficiency and minimizes locators' costs.

The facility is equipped with CCTV cameras for security monitoring.

The Inland Clearance Depot has completed the follow-up audit for the Integrated Management Systems last October 2018 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-terminus with the above-mentioned 10-year agreement. Pursuant to this Lease Agreement, the Passenger Terminal Building 2 was turned over to ATIB in May 2010.

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

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

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

ATI’s 5-year lease agreement with PPA effective 3 April 2012 covering a land adjacent to the CFS area of the Container Terminal “A-1” continued in 2017 and 2018. This area is being utilized as storage for completely built units (CBU) of vehicles, pending finalization of contract extension until 2023.

ATIB and Batangas Container Terminal has completed the follow-up audit for the Integrated Management Systems last October 2018 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 “Contract for the Management, Operation, Maintenance and Development of Phase I, Port of Batangas” which was renewed dated 2 October 2015 for a term of 10 years from 01 October 2015 until 30 September 2025.

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 2018 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. The initial lease term has been extended and the rental suspended until regulatory permits (primarily from PEZA) for the development of a barge terminal in an ecozone are established. 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. In June 2016, SCIPSI won the IiP Gold Employer of the Year (International) Award in London. In November 2019, SCIPSI won the IiP Excellence in Social Responsibility Award also in London.

The Port of General Santos is certified complaint with the International Ship and Port Facility Security Code issued by the Office of Transport Security (OTS) valid until 8 October 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, 2018:

	2018		**2017**		**2016**	
Service	**Amount**	**% to Total**	**Amount**	**% to Total**	**Amount**	**% to Total**
Stevedoring	5,368,521	44%	4,833,068	46%	4,041,808	44%
Arrastre	4,572,477	37%	3,715,092	35%	3,644,314	39%
Logistics	72,726	1%	104,286	1%	108,417	1%
Special/Other Services	2,262,954	18%	1,950,726	18%	1,454,623	16%
TOTAL	**12,276,678**	**100%**	**10,603,172**	**100%**	**9,249,162**	**100%**

	2018		2017		2016	
Source	**Amount**	**% to Total**	**Amount**	**% to Total**	**Amount**	**% to Total**
Domestic	406,690	3%	327,524	3%	384,976	4%
Foreign	11,869,988	97%	10,275,648	97%	8,864,186	96%
TOTAL	**12,276,678**	**100%**	**10,603,172**	**100%**	**9,249,162**	**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.

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

Effect of existing or probable governmental regulations on the business

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

Employees

ATI has a total manpower complement of 1,853 as of December 31, 2018. Of the total, 1,539 are in Operations, 191 are in Maintenance and 123 are in Management and Administration. The projected headcount for next 12 months is 2,046.

About 79% of the existing manpower is covered by collective bargaining agreements as follows:

TYPE OF WORKER	UNION	FROM	TO
Equipment operators and dockworkers	Associated Workers Union (AWU)	12/01/13	11/30/18*
Stevedores	Katipunan ng mga Mangagawa sa Daungan	12/01/13	11/30/18*
Field Supervisors	Associated Skilled and Technical Employees Union	08/16/16	08/15/21
Checkers	South Harbor Independent Port Checkers Union	09/07/16	09/07/21
Stevedores and dockworkers	Batangas Pier Stevedores and Labor Union	11/06/17	11/05/22

**ongoing negotiation for renewal of CBA*

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

Costs and Effects of Compliance with Environmental Laws

In 2018, ATI incurred approximately Php 4.4 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 9001:2015 Quality Management System, 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

The Company has outstanding leases and subleases covering land, buildings, and offshore area in Manila (Sta. Mesa), Laguna (Calamba), Batangas (Sta. Clara) and Cavite (Tanza). Rental expenses on these properties in 2018 totaled Php111.2 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 prior to 2013 and has now been brought up to 1.2m through developments since 2013. South Harbor provides optimal service through modern equipment comprising of Quay Cranes (QC), Rubber Tyred Gantries (RTG) with stacking capacity up to 6 levels, Container Stackers, Empty Handlers, Internal Transfer Vehicles and forklifts. South Harbor has a (CFS) and a Designated Examination Area with 5 x-ray machines. Since early 2014, with all domestic cargoes transferred to the domestic ports, the South Harbor facility continuously offers efficient gate access from last year's 5 to now 7 corridors connecting itself to main roadways. The Terminal Operating System is managed with Navis SPARCS (Synchronous Planning and Real Time Control System), a graphical planning software that guides proper segregation and stacking of containers, vessels berthing, loading and unloading, and equipment control. The Terminal makes use of TABS (Terminal Appointment Booking System) to have a more organized process of gate transactions.

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 has three covered warehouses and a stacking area designed for completely built units. It is equipped with annually certified lifting gears and multiple heavy forklifts rated up to 30T. GSD also provides offshore conventional cargo handling at 18 anchorage berths inside the Manila Bay breakwater.

Inland Clearance Depot (Laguna)

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.

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 m to 180 m. It has a storage area totaling 62,500 square meters (sqm) and a transit shed measuring 3,000 sqm. 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 m and a draft of five meters. It has a ferry berth 124 m long with five meters draft and six RORO berths with a total length of 680 m. The passenger terminal facility includes a 25,000 sqm. marshalling area for RORO vehicles. It can handle more than 3 million embarking passengers annually.

ATIB has a multi-level car park facility consisting of 5 levels with an area of 1.7 hectare per floor. It can accommodate up to 5,400 cars or completely built units (CBUs).

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

The Batangas Container Terminal (“A-1”, Phase 2) has an existing berth length of 660 m with a draft of 13 meters. The approximate area of the entire facility of 162,500 sqm include the container yard, working apron, maintenance and control buildings, gates and roadways. The container yard has a total of 4,144 twenty-foot ground slots and equipped with 8 units of RTGs. Ship-to-shore operations are equipped with 4 QCs. The terminal is also equipped with 10 reefer platforms, a 4,100 sqm. CFS, RFID gate management system, CCTV coverage, and back-up generator sets. The terminal Operating System is managed with Zodiac.

Batangas Supply Base

For its Batangas Supply Base (BSB) operations, ATIB allocates an open area measuring nearly 8,500 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. ATI and MAFSICOR have signed settlement documents, which includes a Release signed by Mafsicor’s authorized representative and a Joint Motion to Dismiss for the Regional Trial Court. On 21 March 2019, ATI’s handling counsel received the Regional Trial Court’s approval of the settlement through a Decision Based on Joint Motion to Withdraw and/or Dismiss dated 28 February 2019. The parties shall be moving for the dismissal of the petitions filed by ATI with the Court of Appeals and Supreme Court.

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

Not applicable.

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.

2017	High	Low
First Quarter (Jan. – Mar.)	12.40	10.26
Second Quarter (Apr. – June)	12.36	10.80
Third Quarter (July – Sept.)	11.60	10.60
Fourth Quarter (Oct. - Dec.)	12.20	10.90
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

On December 28, 2018 (last day when ATI shares were traded for 2018), ATI shares were traded at its highest for the price of Php13.88, lowest for Php13.50 and closed at Php13.88.

The number of stockholders as of December 31, 2018 was 827. Of the 2,000,000,000 common shares outstanding as of December 31, 2018, a total 772,436,586 or 38.62% are foreign-owned.

Top 20 stockholders as of December 31, 2018:

Name	No. of Shares	% to Total
DP World Australia (POAL) Ltd.	346,466,600	17.32
ATI Holdings, Inc.	291,371,231	14.57
PCD Nominee Corporation (Filipino)	241,915,569	12.10
Pecard Holdings, Inc.	198,203,968	9.91
Philippine Seaport Inc.	196,911,524	9.85
Daven Holdings, Inc	155,906,071	7.80
PCD Nominee Corporation (Non-Filipino)	133,702,612	6.69
SG Holdings, Inc.	130,000,000	6.50
Morray Holdings Inc.	100,000,000	5.00
Harbourside Holding Corp.	80,000,000	4.00
Aberlour Holding Co. Inc.	71,517,463	3.58
Rescom Developers, Inc.	26,627,884	1.33
Tanco, Eusebio, H.	15,257,663	0.76
Granite Realty Corporation	1,000,000	0.05
Luym, Douglas	800,000	0.04
Tanco, Joseph Luym	795,000	0.04
Oben, Reginaldo Oben &/or Teresa	784,266	0.04
Tangco, Joseph Agustin Eusebio L.	500,000	0.03
Chua, Willington Chua &/or Constantino W.	435,000	0.02
Tanco, Martin Khu	355,416	0.02
TOTAL	1,992,550,266	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 27, 2017	0.43	May 19, 2017
April 26, 2018	0.45	May 22, 2018

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, 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.

Plans for 2019

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

At the core of this is ATI's programed capital investments worth Php 9.0 billion for 2019 in line with its investment commitment with the Philippine Ports Authority.

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

As a forward-looking company, ATI 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 global leadership of its strategic foreign shareholder DP World and the best of Filipino talent, ATI shall continue leveraging its resources, expertise and management capabilities to bring its competencies where growth potential is high and where it could add greater value to its shareholders.

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, 0.7% 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 18.4% to P4,061.8 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 P2,494.2 million were 9.3% 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 P1,682.4 million were higher by 2.8% 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.[1]

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.
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)[2]	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.

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

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 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 P197.6 million in 2017. Intangible assets-net as of December 31, 2017 of P15,753.2 million were higher by 7.0% compared to P14,716.5 million as of December 31, 2016. Acquisitions of intangible assets which consisted of civil works and cargo handling equipment that were subject of the service concession arrangement amounted to P2,102.5 million in 2017. Deferred tax assets-net as of December 31, 2017 of P831.0 million was up by 13.3% to P733.4 million as of December 31, 2016, pertaining to additional deferred tax on concession rights payable, cash flow hedge, and unrealized foreign exchange losses. Other noncurrent assets as of December 31, 2017 decreased by 3.0% to P59.2 million from P61.0 million as of December 31, 2016.

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

Consolidated Cash Flows

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

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

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

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

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

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

- *Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to PAS 12 Income Taxes)*. The amendments clarify that:

  - the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset;

  - the calculation of future taxable profit in evaluating whether sufficient taxable profit will be available in future periods excludes tax deductions resulting from the reversal of the deductible temporary differences;

  - the estimate of probable future taxable profit may include the recovery of some of an entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this; and

  - an entity assesses a deductible temporary difference related to unrealized losses in combination with all of its other deductible temporary differences, unless a tax law restricts the utilization of losses to deduction against income of a specific type.

- *Annual Improvements to PFRSs 2014 – 2016 Cycle.* This cycle of improvements contains amendments to three standards. The following are the improvements or amendments to PFRSs effective for annual periods beginning on or after January 1, 2017:

  - *Clarification of the scope of the standard (Amendments to PFRS 12 Disclosure of Interests in Other Entities)*. The amendments clarify that the disclosure requirements for interests in other entities also apply to interests that are classified as held for sale or distribution. The amendments are applied retrospectively, with early application permitted.

Standards Issued But Not Yet Adopted

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

Effective January 1, 2018

- PFRS 9 Financial Instruments (2014). PFRS 9 (2014) replaces 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 2018 is P8.8 billion, which includes yard and berth development as well as construction of new facilities and equipment acquisition. The capital expenditure will strengthen the Company's operations and capability to handle growth.

Key Performance Indicators (KPIs)

KPIs discussed below were based on consolidated amounts as portions pertaining to the Company's subsidiary, ATI Batangas, Inc. (ATIB) were not material. As of end 2017:

- ATIB's total assets were only 10.0% of the consolidated total assets
- Income before other income and expense from ATIB was only 10.9% of consolidated income before other income and expense.[3]

Consolidated KPI	Manner of Calculation	2017	2016	Discussion
Return on Capital Employed	Percentage of income before interest and tax over capital employed	19.2%	16.2%	Increase resulted from higher income before other income (expense) during the period.
Return on Equity attributable to equity holders of the parent	Percentage of net income over equity attributable to equity holders of the parent	19.6%	16.9%	Improved due to higher increase in net income.
Current ratio	Ratio of current assets over current liabilities	2.44 : 1.00	2.85 : 1.00	Decrease due to higher current liabilities.
Asset to equity ratio	Ratio of total assets over equity attributable to equity holders of the parent	1.89 : 1.00	1.97 : 1.00	Decrease due to higher equity.
Debt to equity ratio	Ratio of total liabilities over equity attributable to equity holders of the parent	0.89 : 1.00	0.97 : 1.00	Decrease due to higher equity.
Days Sales in Receivables (DSR)	Gross trade receivables over revenues multiplied by number of days	11 days	12 days	Due to improved collection efforts.
Net Income Margin	Net income over revenues less government share in revenues	28.7%	25.3%	Increase due to higher revenues.

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

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.	0.53	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*

Years ended December 31, 2016 and 2015

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

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

Cost and expenses in 2016 of P4,301.0 million went up by P564.8 million 15.1% from P3,736,1 million in 2015. Labor costs in 2016 of P1,192.5 million were higher by 9.3% compared to P1,091.4 million in 2015 due to higher headcount and salary rate increases. Depreciation and amortization in 2016 of P1,136.5 million increased by 20.3% from P944.9 million in 2015 on account of additions to intangible assets and property and equipment. Equipment running in 2016 slightly went up by 0.5% to P485.3 million from P482.8 million in 2015. Facilities-related expenses in 2016 went up by 13.6% to P183.6 million from P161.6 million in 2015 due to higher repair and maintenance costs for wharves and IT costs. Professional fees in 2016 amounted to P174.3 million vs. P47.7 million in 2015, which mainly pertain to legal and consultancy fees. Marketing, commercial, and promotion in 2016 increased to P136.2 million from P36.7 million in 2015 due to increased marketing and communications efforts. Management fees in 2016 rose by 7.4% to P113.0 million from P105.2 million in 2015 following higher net income. Other

[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.

expenses in 2016 totaled P223.2 million, up by 20.5% from P185.2 million in 2015 due to higher general operations and CSR expenses.

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

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

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

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

Consolidated Financial Condition

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

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

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

Consolidated Cash Flows

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

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

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

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

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

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

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

- *Equity Method in Separate Financial Statements (Amendments to PAS 27).* The amendments allow the use of the equity method in separate financial statements, and apply to the accounting not only for associates and joint ventures, but also for subsidiaries.

- *Annual Improvements to PFRSs 2012 - 2014 Cycle.* This cycle of improvements contains amendments to four standards, none of which are expected to have significant impact on the Group’s consolidated financial statements.

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

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

- *Disclosure Initiative (Amendments to PAS 1)* addresses some concerns expressed about existing presentation and disclosure requirements and to ensure that entities are able to use judgment when applying PAS 1. The amendments clarify that:

  - Information should not be obscured by aggregating or by providing immaterial information.

  - Materiality considerations apply to all parts of the financial statements, even when a standard requires a specific disclosure.

  - The list of line items to be presented in the statement of financial position and statement of profit or loss and other comprehensive income can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements.

  - An entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss.

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

Effective January 1, 2017

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

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

- *Recognition of Deferred Tax Assets for Unrealized Losses (Amendments to PAS 12)*. The amendments clarify that:

  - the existence of a deductible temporary difference depends solely on a comparison of the carrying amount of an asset and its tax base at the end of the reporting period, and is not affected by possible future changes in the carrying amount or expected manner of recovery of the asset;

  - the calculation of future taxable profit in evaluating whether sufficient taxable profit will be available in future periods excludes tax deductions resulting from the reversal of the deductible temporary differences;

- the estimate of probable future taxable profit may include the recovery of some of an entity's assets for more than their carrying amount if there is sufficient evidence that it is probable that the entity will achieve this; and

- an entity assesses a deductible temporary difference related to unrealized losses in combination with all of its other deductible temporary differences, unless a tax law restricts the utilization of losses to deduction against income of a specific type.

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

Effective January 1, 2018

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

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

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

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

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

Effective January 1, 2019

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

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

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

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

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

  Originally, the amendments apply prospectively for annual periods beginning on or after January 1, 2016 with early adoption permitted. However, on January 13, 2016, the FRSC decided to postpone the effective date of these amendments until the IASB has completed its broader review of the research project on equity accounting that may result in the simplification of accounting for such transactions and of other aspects of accounting for associates and joint ventures.

Other information:

- The Company's businesses are affected by the local and global trade environment. Factors that could cause actual results of the Company to differ materially include, but are not limited to:
  - material adverse change in the Philippine and global economic and industry conditions;
  - natural events (earthquake, typhoons and other major calamities); and
  - material changes in exchange rates.
- There was no known trend, event or uncertainty that had or may have a material impact on liquidity and on revenues or income from continuing operations. There was no known event that may cause a material change in the relationships between costs and revenues.
- There was no seasonal factor that had a material effect on the financial condition and results of operations.
- There was no event that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.
- Except for the commitments and contingencies mentioned in Note 23 of the consolidated financial statements, the Company has no knowledge of any material off-balance sheet

(statement of financial position) transactions, arrangements, obligations and other relationships of the Company with unconsolidated entities or other persons created during the reporting period that would address the past and would have material impact on future operations.

- Projected capital expenditures for 2017 is P4.6 billion, which includes yard and berth development as well as equipment acquisition. The capital expenditure will strengthen the Company's operations and capability to handle growth and will be sourced from internal funds.

Key Performance Indicators (KPIs)

KPIs discussed below were based on consolidated amounts as portions pertaining to the Company's subsidiary, ATI Batangas, Inc. (ATIB) were not material. As of end 2016:

- ATIB's total assets were only 9.6% of the consolidated total assets
- Income before other income and expense from ATIB was only 14.1% of consolidated income before other income and expense.[5]

Consolidated KPI	Manner of Calculation	2016	2015	Discussion
Return on Capital Employed	Percentage of income before interest and tax over capital employed	16.2%	15.5%	Increase resulted from higher income before other income (expense) during the period.
Return on Equity attributable to equity holders of the parent	Percentage of net income over equity attributable to equity holders of the parent	16.9%	17.0%	Decrease due to higher equity.
Current ratio	Ratio of current assets over current liabilities	2.85 : 1.00	2.82 : 1.00	Increase due to higher current asset.
Asset to equity ratio	Ratio of total assets over equity attributable to equity holders of the parent	1.97 : 1.00	1.99 : 1.00	Decrease due to higher equity.
Debt to equity ratio	Ratio of total liabilities over equity attributable to equity holders of the parent	0.97 : 1.00	0.99 : 1.00	Decrease due to higher equity.
Days Sales in Receivables (DSR)	Gross trade receivables over revenues multiplied by number of days	12 days	8 days	Due to higher trade receivables.
Net Income Margin	Net income over revenues less government share in revenues	25.3%	26.2%	Decrease due to higher expenses.
Reportable Injury Frequency Rate (RIFR)[6]	Number of reportable injuries within a given accounting period relative to the total number of hours worked in the same accounting period.	1.05	1.63	Improved as a result of extensive safety campaign and strict implementation of HSES policies.

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

[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.

Summary of Selected Financial Data (in millions)

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

Information on Independent Accountant and External Audit Fees

The appointment of R.G. Manabat & Co. as the external auditors of Asian Terminals, Inc. for 2018 was approved by the shareholders during the annual meeting held on April 26, 2018. 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. Emerald Anne Bagnes was appointed as the Partner-in-Charge beginning 2018 replacing Mr. Enrico Baluyut who served as ATI's Partner-in-Charge since 2013. However, last November 2018, Ms. Bagnes was replaced by Ms. Alicia S. Columbres when the former assumed the position of Head of Audit at R.G. Manabat & Co.

The aggregate fees for audit services rendered were as follows:

	2018 (P'000)	2017 (P'000)
Audit Fees	3,038.0	2,950.0

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

There was no engagement for tax or other services with R.G. Manabat & Co. in 2018 and 2017.

Audit Committee Pre-Approval Policy

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

Financial Statements

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

Changes in and Disagreements with Accountants on Accounting and Financial Disclosures

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

PART III-CONTROL AND COMPENSATION INFORMATION

Item 9. Directors and Executive Officers of the Issuer

As of December 31, 2018, the following were the directors and executive officers of Asian Terminals Inc.

Name	Age	Position
Andrew R. Hoad	52	Chairman
Eusebio H. Tanco	70	Director/President
Matthew Wells Leech	54	Director
Ahmad Yousef Ahmad Alhassan Al Simreen	39	Director
Roberto C. O. Lim	61	Director
Monico V. Jacob	73	Director
Felino A. Palafox, Jr.	69	Director
Artemio V. Panganiban	82	Director
William Wassaf Khoury Abreu	40	Executive Vice President
Sean James L. Perez	53	Senior Vice President for Commercial and Outports
Rodolfo G. Corvite, Jr.	59	Corporate Secretary and Vice President for Business Support Services
Jose Tristan P. Carpio	50	Treasurer/ Vice President for Finance/CFO
Christopher Joe Styles	49	Vice President for Engineering
Chi Wai Chan	44	Vice President for Group 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, 52, British, joined the Board last February 22, 2018 and became the Chairman in April 1, 2018. He was the former Executive Vice President of ATI from February 1, 2012 until March 17, 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), STI West Negros University (since 2013) , Mactan Electric Company (since 1988), DLS-STI College (since 2003), Eximious Holdings, Inc. (formerly Capital Managers and Advisors, Inc.,since 1995), GROW Vite (since 2014), Venture Securities, Inc.(since 1980), 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), and CEO of Classic Finance, Inc. (since 2004). He is also the president of Philippines First Insurance Co. (since 1973), Global Resource for Outsourced Workers, Inc. (GROW, Inc.) (since 2002), Bloom with Looms Logistics, Inc. (formerly STMI Logistics, Inc., since 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), 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, 73, 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, 82, Filipino. He served as Chief Justice of the Supreme Court from 2005 to 2006 and as Associate Justice from 1995 to 2005. Prior to his appointment to the Supreme Court, he was a senior partner at Panganiban Benitez Parlade Africa and Barinaga Law Offices from 1963 to 1995. He is a recipient of over 250 prestigious awards and recognitions from various associations and groups for his role as a jurist, lawyer, civic leader, Catholic lay worker, 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.

Matthew Leech, 54, American, is Chief Operating Officer (COO) for DP World's Ports & Terminals Division. Prior to his current role, Matt was Senior Vice President (SVP) and Managing Director, DP World Americas Region and SVP Global Business Development. Matt has over 25 years' experience in the finance and container transportation industries. Earlier in his career, he served as Vice President, Operations and Development at CSX World Terminals (CSX WT), where he led key expansion initiatives including a key role in the acquisition of the company by DP World in 2005. At CSX WT he also held the positions of Director, Strategic Planning and Infrastructure Development, where he was responsible for leading the global strategic planning and infrastructure development activities and Director, Project Analysis for CSX WT. He joined Sea-Land Service in 1995 and held various international positions in the Strategic Planning Group focusing on network planning, alliance management and business analysis. Mr. Leech is an MBA graduate from The University of Maryland's Robert H. Smith School of Business and holds a B.A. from Georgetown University.

Roberto C.O. Lim, 61, Filipino and is a lawyer. He was elected as independent director in a special board meeting last December 20, 2018, replacing Atty. Teodoro L. Locsin,Jr.[7] He was the former Undersecretary for Aviation and Airports at the Department of Transportation up to 2017. Prior to this, 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. He also teaches Transportation Law and Administrative Law at De La Salle University and Far Eastern University. 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, 39, 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, 40**,** a national of Dominican Republic. He is the Executive Vice President of ATI since March 2018. He was formerly the Vice-President and Director at PT Terminal Petikemas Surabaya (TPS) Indonesia (from 2014 to 2018), the CEO of DP World-Saigon Premier Container Terminal from 2010 to 2014, the Operations Director of DP World Korea from 2009 to 2010 and held various management positions at DP World Caucedo, Dominican Republic from 2003 to 2009 and CSX World Terminals (Caucedo) from 2001 to 2003. He obtained a degree in Industrial Engineering from Universidad Nacional Pedro Henriquez Ureña in 2000 and Post Graduate Diploma in Port Mangement from IMTA-STC in Rotterdam in 2001.

Sean James L. Perez, 53, 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**.**

[7]Atty. Teodoro L. Locsin Jr. ceased to be an independent director of ATI last November 29, 2018, when he was appointed as Secretary of Foreign Affairs.

Jose Tristan P. Carpio, 50, 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., 59**,** 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, 44, Chinese, joined ATI last November 2017 as the Vice President for Group Operations. Prior to this, he was the former Operations Director (from 2012 to 2017) and Senior Manager for Business Process and Design (from 2008 to 2012) of DPWorld Asia Pacific. He holds a Bachelor's Degree in Business Administration and Management from the Chinese University of Hong Kong.

Christopher Joe Styles, 49, 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.

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 P66 million in 2018 and P76 million in 2017. The projected annual compensation in 2019 is P76 million.

   The total annual compensation of all other officers and directors in 2018 amounted to P138 million and in 2017 amounted to P105 million. The projected annual compensation in 2019 is P125 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					
Sean James L. Perez SVP for Commercial and Outports					
Chi Wai Chan Vice President for Group Operations					
Christopher Joe Styles Vice President for Engineering					
CEO and 4 most highly compensated officers	2019 (Projected)	59	17	0	76
All other officers* and directors as a group unnamed	2019 (Projected)	100	25	0	125

**Managers and above*

		(in millions of pesos)			
Name and Principal Position	**Year**	**Salary**	**Bonus**	**Other Annual Compensation**	**Total**
Eusebio H. Tanco President					
Sean James L. Perez SVP Commercial & Outports					
Christopher Joe Styles Vice President for Engineering					
Rodolfo G. Corvite, Jr. Vice President for Business Support Services					
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*

		(in millions of pesos)			
Name and Principal Position	Year	Salary	Bonus	Other Annual Compensation	Total
Eusebio H. Tanco President					
Andrew R. Hoad Executive Vice 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					
CEO and most highly compensated officers	2017 (Actual)	59	17	0	76
All other officers* and directors as a group unnamed	2017 (Actual)	80	25	0	105

Managers and above

2) The Directors do not receive compensation for services provided as a director other than reasonable per diems[8] for attendance at meetings of the Board and the Board Committees. This is in accordance with Article IV, Section 14 of the Company's By-Laws which states that "Except for reasonable per diems, directors, as such shall be entitled to receive only such compensation as may be granted to them by the vote of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock at a regular or a special meeting of the stockholders. In no case the total yearly compensation of the directors, as such, exceed ten percent (10%) of the net income before income tax of the Corporation during the preceding year.

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

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

Item 11. Security Ownership of Certain Beneficial Owners and Management

1. Security Ownership of Certain Record and Beneficial Owners

   As of December 31, 2018, the Company knows of no one who owns in excess of 5% of its common stock except as set forth in the following table:

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%

[8] Directors' per diem amounted to Php 3,035,000 (for 2018) and Php 2,400,000 (for 2017).The Chairman receives Php60,000.00 per diem, for every board meeting attended, while members of the Board receive Php50,000.00.

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	ATI Holdings, Inc. 3rd Floor SSHG Law Centre, 105 Paseo de Roxas Makati City (Stockholder)	ATI Holdings, Inc.	Australian	291,371,231	14.57%
Common	PCD Nominee Corp. (Filipino.) G/F MKSE Bldg. 6767 Ayala Ave., Makati City	(Beneficial Owners unknown to Issuer) *(**AsiaSec Equities, Inc.** 8/F Chatham House 116 Valero cor. V. A. Rufino Sts. Salcedo Village, Makati City)*	Filipino	241,915,569 *(116,991,033)*	12.10% *(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	139,426,279 *(122,906,000)*	6.97% *(6.15%)*
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, 2018, 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-	Matthew W. Leech	1/direct	American	.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-	Teodoro L. Locsin, Jr. (independent director)	1/direct	Filipino	.00%
--do-	Rodolfo G. Corvite, Jr.	222,398/direct	Filipino	.01%
	TOTAL	53,007,351		2.65%

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 DP World Australia (POAL) Pty. Ltd. As of December 31, 2018, DPWorld Australia (POAL) Pty. Ltd. owns 17.32% of the total outstanding capital stock of ATI. In addition, ATI Holdings, Inc. (majority-owned by DPWorld Australia (POAL) Pty. Ltd.) owns 14.57% (as of December 31, 2018) 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. 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. On April 27, 2017, the Board in its regular meeting amended the Manual on Corporate Governance in substantial compliance to the provisions of the Memorandum Circular No. 19 series of 2016 or the Code of Corporate Governance for Publicly Listed Companies.

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

The Company has not deviated from its Manual. Last November 2018, 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, 2018.The Audit Committee separately conducted its self-assessment last August 9, 2018.[9]

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 May 30, 2019.

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

(A) Exhibits

Exhibit 1*	Quarterly Report (SEC Form 17-Q) As of September 30, 2018
Exhibit 2	Financial Statements and Schedules

*Please refer to the September 30, 2018 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
January 22, 2018	Resignation of Director (Mohammad Ali Mohammad Ahmad)
January 30, 2018	Election of Mr. Matthew W. Leech as director replacing Mr. Mohammad Ali Mohammad Ahmad

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

Date Reported	**Item(s) Reported**
February 5, 2018	Resignation of Mr. Rashed Ali Hassan Abdulla as director and Chairman effective April 1, 2018; Resignation of Mr. Andrew Hoad as Executive Vice President effective March 17, 2018; Appointment of Mr. William Wassaf Khoury Abreu as Executive Vice President effective March 17, 2018, replacing Mr. Hoad.
February 20, 2018	Notice of Guidelines for Nominations for Election to the Board of Directors
February 21, 2018	Resignation of Mr. Kwok Leung Law as director.
February 23, 2018	Setting the date, venue, agenda and record date of the 2018 Annual Stockholders' Meeting and closing of stock and transfer book; Approval of the 2017 Audited Financial Statements; Appointment of the independent auditors for 2018; Election of Mr. Andrew R. Hoad as director effective immediately replacing Mr. Kwok Leung Law and as Chairman effective April 1, 2018 replacing Mr. Rashed Ali Hassan Abdulla; Election of Mr. Ahmad Yousef Ahmad Alhassan Al Simreen as director effective April 1, 2018, replacing Mr. Kwok Leung Law.
April 27, 2018	Results of the 2018 Annual Stockholders' Meeting, Declaration of Cash Dividends, Record and Payment Dates and Results of the Organizational Meeting
August 10, 2018	Audit Committee Self-Assessment for 2017
November 9, 2018	Change in external auditor's signing partner
December 3, 2018	Cessation as independent director (Atty. Teodoro L. Locsin, Jr.)
December 21, 2018	Election of Atty. Roberto C.O. Lim as independent director with attached Certification (replacing Atty. Locsin Jr.)

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 15th day of April 2019.

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 15th day of April 2019 affiants exhibiting to me their respective government issued IDs.:

Name	ID, Date and Place of Issue
William Wassaf Khoury Abreu	[redacted]
Jose Tristan P. Carpio	[redacted]
Rodolfo G. Corvite, Jr.	[redacted]
Marissa R. Pinca	[redacted]

Notary Public

Doc. No. 457
Page No. 96
Book No. 10
Series of 2019.

ATTY. GILBERTO B. PASIMANERO
Notary Public Until Dec. 31, 2019
Notarial Commission 2018-015 Mla.
IBP# 012434 Pasig 7-27-17 until 2019
PTR# Mla 8008955 - 1-3-2019
Roll 25473, TIN# 103-098-346
MCLE Compl. No. VI-0011418 until 4-14-2022

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 A SUBSIDIARY (the "Group") is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, as at December 31, 2018 and 2017 and for each of the three years in the period ended December 31, 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 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 26th of February, 2019

MAR 01 2019

SUBSCRIBED AND SWORN TO before me this ____ day of _____ 2019, the signatories exhibiting to me their respective Passports/Driver's License Nos., as follows:

Name	ID Nos.	Date/Place Issued
1. Andrew R. Hoad	Passport No.	; HMPO
2. Eusebio H. Tanco	TIN No.	; PHILS.
3. Jose Tristan P. Carpio	Passport No.	; Manila

Notary Public

Doc. No. 491;
Page No. 179;
Book No. 3;
Series of 2019.

ATTY. GILBERTO B. PASIMANERO
Notary Public Until Dec. 31, 2019
Notarial Commission 2018-015 Mla.
IBP# 012434 Pasig 7-27-17 until 2019
PTR# Mla 8008955 - 1-3-2019
Roll# 25473, TIN# 103-098-346
MCLE Compl. No. V-0006269 until 4-14-19

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 . A N D I T S S U B S I D I A R I E S

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

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)
827	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, 2018, 2017 and 2016

KPMG

R.G. Manabat & Co.
The KPMG Center, 9/F
6787 Ayala Avenue, Makati City
Philippines 1226
Telephone +63 (2) 885 7000
Fax +63 (2) 894 1985
Internet www.kpmg.com.ph
Email ph-inquiry@kpmg.com.ph

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, 2018 and 2017, 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, 2018, 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, 2018 and 2017, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2018, in accordance with Philippine Financial Reporting Standards (PFRS).

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.

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 (P12,276,678 - 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, 2018, 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, 2018 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 PFRS, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the 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 matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

R.G. MANABAT & CO.

ALICIA S. COLUMBRES
Partner
CPA License No. 069679
SEC Accreditation No. 1590-A, Group A, valid until September 29, 2019
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 7333613
Issued January 3, 2019 at Makati City

February 28, 2019
Makati City, Metro Manila

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

	Note	December 31 2018	2017
ASSETS			
Current Assets			
Cash and cash equivalents	*6, 24, 25*	**P6,868,485**	P6,945,189
Trade and other receivables - net	*7, 24, 25*	**742,027**	490,466
Spare parts and supplies	*18*	**507,538**	403,701
Prepaid expenses	*8*	**962,362**	629,872
Total Current Assets		**9,080,412**	8,469,228
Noncurrent Assets			
Investment in an associate	*9*	**83,636**	87,027
Property and equipment - net	*10*	**883,945**	565,618
Intangible assets - net	*11*	**17,962,561**	15,753,157
Deferred tax assets - net	*13*	**951,305**	831,026
Other noncurrent assets	*12*	**161,291**	59,181
Total Noncurrent Assets		**20,042,738**	17,296,009
		P29,123,150	P25,765,237
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	*14, 24, 25*	**P3,797,432**	P2,690,212
Provisions for claims	*15*	**219,359**	204,544
Port concession rights payable - current portion	*23, 24, 25*	**296,234**	258,060
Income and other taxes payable		**330,873**	315,287
Total Current Liabilities		**4,643,898**	3,468,103
Noncurrent Liabilities			
Port concession rights payable - net of current portion	*23, 24, 25*	**8,570,648**	8,548,520
Pension liability	*21*	**54,753**	113,073
Total Noncurrent Liabilities		**8,625,401**	8,661,593
		13,269,299	12,129,696

Forward

	Note	December 31 2018	2017
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		**13,585,013**	11,575,652
Hedging reserve		**-**	(207,620)
Fair value reserve		**(5,820)**	(5,820)
		15,843,493	13,626,512
Non-controlling Interest		**10,358**	9,029
Total Equity		**15,853,851**	13,635,541
		P29,123,150	P25,765,237

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	**2018**	2017	2016
REVENUES FROM OPERATIONS	*2, 26*	**P12,276,678**	P10,603,172	P9,249,162
GOVERNMENT SHARE IN REVENUES	*17, 23*	**(2,270,116)**	(1,914,439)	(1,711,551)
		10,006,562	8,688,733	7,537,611
COSTS AND EXPENSES EXCLUDING GOVERNMENT SHARE IN REVENUES	*18, 20, 21*	**(4,940,862)**	(4,436,203)	(4,300,952)
OTHER INCOME AND EXPENSES				
Finance income	*19*	**113,188**	85,604	61,994
Finance cost	*19*	**(540,426)**	(567,733)	(581,216)
Others - net	*19*	**(627,781)**	(335,885)	(112,936)
		(1,055,019)	(818,014)	(632,158)
CONSTRUCTION REVENUES	*11*	**3,222,423**	2,102,478	832,918
CONSTRUCTION COSTS	*11*	**(3,222,423)**	(2,102,478)	(832,918)
		-	-	-
INCOME BEFORE INCOME TAX		**4,010,681**	3,434,516	2,604,501
INCOME TAX EXPENSE	*13*			
Current		**1,348,499**	1,148,001	835,875
Deferred		**(221,207)**	(203,167)	(136,367)
		1,127,292	944,834	699,508
NET INCOME		**P2,883,389**	P2,489,682	P1,904,993
Income Attributable to				
Equity holders of the Parent Company		**P2,881,448**	P2,486,993	P1,902,391
Non-controlling interest		**1,941**	2,689	2,602
		P2,883,389	P2,489,682	P1,904,993
Basic/Diluted Earnings per Share Attributable to Equity Holders of the Parent Company	22	**P1.44**	P1.24	P0.95

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	**2018**	2017	2016
NET INCOME FOR THE YEAR		**P2,883,389**	P2,489,682	P1,904,993
OTHER COMPREHENSIVE INCOME				
Item that will never be reclassified to profit or loss				
Actuarial gains on pension liability	*21*	**39,830**	55,135	81,525
Tax on item taken directly to equity	*13*	**(11,949)**	(16,541)	(24,458)
		27,881	38,594	57,067
Items that are or may be reclassified to profit or loss				
Cash flow hedge - effective portion		**(357,154)**	(31,479)	(384,327)
Cash flow hedge - reclassified to profit or loss		**653,753**	328,312	200,292
Tax on items taken directly to equity	*13*	**(88,979)**	(89,050)	55,210
	16	**207,620**	207,783	(128,825)
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR - Net of tax		**235,501**	246,377	(71,758)
TOTAL COMPREHENSIVE INCOME		**P3,118,890**	P2,736,059	P1,833,235
Total Comprehensive Income Attributable to				
Equity holders of the Parent Company		**P3,116,981**	P2,733,340	P1,830,571
Non-controlling interest		**1,909**	2,719	2,664
		P3,118,890	P2,736,059	P1,833,235

See Notes to the Consolidated Financial Statements.

ASIAN TERMINALS, INC. AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
YEARS ENDED DECEMBER 31, 2018, 2017 AND 2016
(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, 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		-	-	-	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
Balance at January 1, 2017		P2,000,000	P264,300	P7,900,000	P2,010,095	(P415,403)	(P5,820)	P11,753,172	P6,890	P11,760,062
Cash dividends - P0.43 a share	16	-	-	-	(860,000)	-	-	(860,000)	(580)	(860,580)
Reversal of appropriation of retained earnings	16	-	-	(1,100,000)	1,100,000	-	-	-	-	-
Appropriations during the year	16	-	-	2,900,000	(2,900,000)	-	-	-	-	-
Net income for the year		-	-	-	2,486,993	-	-	2,486,993	2,689	2,489,682
Other comprehensive income:							-			
Actuarial gain - net of tax		-	-	-	38,564	-	-	38,564	30	38,594
Cash flow hedge - effective portion - net of tax	16	-	-	-	-	(22,035)	-	(22,035)	-	(22,035)
Cash flow hedge - reclassified to profit or loss - net of tax	16	-	-	-	-	229,818	-	229,818	-	229,818
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

Forward

		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, 2016		P2,000,000	P264,300	P6,100,000	P2,670,700	(P286,578)	(P5,820)	P10,742,602	P5,024	P10,747,626
Cash dividends - P0.41 a share	*16*	-	-	-	(820,000)	-	-	(820,000)	(580)	(820,580)
Purchase of shares of subsidiary	*3*	-	-	-	-	-	-	-	(219)	(219)
Reversal of appropriation of retained earnings	*16*	-	-	(800,000)	800,000	-	-	-	-	-
Appropriations during the year	*16*	-	-	2,600,000	(2,600,000)	-	-	-	-	-
Net income for the year		-	-	-	1,902,391	-	-	1,902,391	2,602	1,904,993
Other comprehensive income:										
Actuarial gain - net of tax		-	-	-	57,004	-	-	57,004	63	57,067
Cash flow hedge - effective portion - net of tax	*16*	-	-	-	-	(269,029)	-	(269,029)	-	(269,029)
Cash flow hedge - reclassified to profit or loss - net of tax	*16*	-	-	-	-	140,204	-	140,204	-	140,204
Balance at December 31, 2016		P2,000,000	P264,300	P7,900,000	P2,010,095	(P415,403)	(P5,820)	P11,753,172	P6,890	P11,760,062

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	**2018**	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		**P4,010,681**	P3,434,516	P2,604,501
Adjustments for:				
Depreciation and amortization	*10, 11*	**1,130,882**	1,180,724	1,136,532
Net unrealized foreign exchange losses		**565,357**	325,848	210,264
Finance cost	*19*	**540,426**	567,733	581,216
Provisions for inventory obsolescence		**20,000**	-	-
Amortization of noncurrent prepaid rental		**984**	984	984
Finance income	*19*	**(113,188)**	(85,604)	(61,994)
Contributions to retirement funds	*21*	**(60,469)**	(21,941)	(18,388)
Equity in net earnings of an associate	*9*	**(59,299)**	(46,701)	(47,170)
Reversal of allowance for impairment losses on trade and other receivables	*7*	**(5,950)**	-	(13,301)
Gain on disposals of:				
Property and equipment		**(4,724)**	(255)	(220)
Intangible assets		**(532)**	-	(3,557)
Loss on retirement of:				
Property and equipment		**-**	197	69
Intangible assets		**-**	-	144
Provisions for allowance for impairment losses on trade and other receivables		**-**	-	8,301
Operating income before working capital changes		**6,024,168**	5,355,501	4,397,381
Decrease (increase) in:				
Trade and other receivables		**(231,848)**	(65,542)	(69,982)
Spare parts and supplies		**(123,837)**	(89,106)	(51,822)
Prepaid expenses		**(332,490)**	(161,933)	35,737
Increase (decrease) in:				
Trade and other payables		**(53,006)**	733,010	631,320
Provisions for claims		**14,815**	153,600	(2,595)
Income and other taxes payable		**(65,560)**	3,059	(4,506)
Cash generated from operations		**5,232,242**	5,928,589	4,935,533
Finance income received		**97,303**	85,330	61,341
Finance cost paid		**(366)**	(365)	(9,993)
Income tax paid		**(1,267,353)**	(1,033,660)	(828,511)
Net cash provided by operating activities		**4,061,826**	4,979,894	4,158,370

Forward

	Note	2018	2017	2016
		Years Ended December 31		
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of:				
Intangible assets	*11*	**(P2,295,504)**	(P2,102,478)	(P832,918)
Property and equipment	*10*	**(165,649)**	(197,628)	(81,711)
Proceeds from disposals of:				
Property and equipment		**4,724**	335	1,175
Intangible assets		**534**	-	6,172
Dividends received	*9*	**62,690**	14,328	45,853
Increase in other noncurrent assets		**(95,899)**	(281)	(765)
Decrease (increase) in deposits		**(5,073)**	2,929	(516)
Net cash used in investing activities		**(2,494,177)**	(2,282,795)	(862,710)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments of:				
Cash dividends	*16*	**(900,000)**	(860,000)	(820,000)
Cash dividends to non-controlling interest		**(580)**	(580)	(580)
Port concession rights payable	*23*	**(781,790)**	(776,075)	(714,008)
Purchase of shares of subsidiary		**-**	-	(219)
Net cash used in financing activities		**(1,682,370)**	(1,636,655)	(1,534,807)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(114,721)**	1,060,444	1,760,853
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**38,017**	3,538	1,593
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	*6*	**6,945,189**	5,881,207	4,118,761
CASH AND CASH EQUIVALENTS AT END OF YEAR	*6*	**P6,868,485**	P6,945,189	P5,881,207

See Notes to the Consolidated Financial Statements.

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 (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 consolidated financial statements in which PFRS 15, *Revenue from Contracts with Customers* and PFRS 9, *Financial Instruments* have 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 26, 2019.

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	Fair value of plan assets less the present value of the defined benefit obligation

Functional and Presentation Currency
The consolidated financial statements are presented in Philippine peso, which is the Group's 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, 2018 and 2017. TCTI is incorporated on January 18, 2018, and 100% owned subsidiary as at December 31, 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, 2018.

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, 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.

Standards Issued But Not Yet Adopted
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.

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), 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
Financial assets - Policy applicable from January 1, 2018

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 assets - Policy applicable before January 1, 2018

The Group classifies financial assets into one of the following categories:

- loans and receivables;
- held-to-maturity;
- available-for-sale; and
- at FVTPL

The Group does not have held-to-maturity investments and financial assets at FVTPL.

Financial assets - Subsequent measurement and gains and losses: Policy applicable before January 1, 2018

- Loans and receivables - Measured at amortized cost using the effective interest method.
- Available-for-sale - Measured at fair value and changes therein, other than impairment losses, interest income and foreign currency differences on debt instruments, were recognized in OCI and accumulated in the fair value reserve. When these assets were derecognized, the gain or loss accumulated in equity was reclassified to profit or loss.

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.

PFRS 9 largely retains the existing requirements in PAS 39 for the classification and measurement of financial liabilities. The adoption of PFRS 9 does not have an effect on the Group's accounting policies related to financial liabilities.

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

<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
- 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
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 and intangible assets other than goodwill are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable. If any such indication exists, and if the carrying amount exceeds the estimated recoverable amount, the assets or cash-generating units are written down to their recoverable amounts. The recoverable amount of the asset is the greater of fair value less costs to sell or value in use. The fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's-length transaction less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Impairment losses of continuing operations are recognized in profit or loss in those expense categories consistent with the function of the impaired asset.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognized impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognized. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation and amortization, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in profit or loss. After such reversal, the depreciation and amortization charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

Provisions
Provisions are recognized when the Group has: (a) a present obligation (legal or constructive) as a result of past event; (b) it is probable (i.e., more likely than not) that an outflow of resources embodying economic benefits will be required to settle the obligation; and (c) a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and those risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as interest expense. Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement shall be recognized when, and only when, it is virtually certain that reimbursement will be received if the entity settles the obligation. The reimbursement shall be treated as a separate asset. The amount recognized for the reimbursement shall not exceed the amount of the provision. Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate.

Share Capital

Capital Stock

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

Additional Paid-in Capital

The amount of contribution in excess of par value is accounted for as "Additional paid-in capital." 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 transactions with shareholders and dividends declared, if any.

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

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

Revenue, Cost and Expense Recognition

Revenue 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. 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 the comparative period, 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, 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

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

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

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

Operating Lease

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

Employee Benefits

a. *Short-term Employee Benefits*

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

b. *Pensions*

ATI and ATIB have funded, defined benefit pension plans, administered by a common pension trustee, covering their permanent employees. The cost of providing benefits under the defined benefit 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.

<u>Earnings Per Share (EPS)</u>
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.

<u>Operating Segments</u>
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, 2018 and 2017 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.

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

Rent expense charged in the consolidated statements of income amounted to P148.1 million, P139.9 million and P152.5 million in 2018, 2017 and 2016, respectively (see Note 18).

Estimates and Assumptions

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

Hedging of Highly Probable Forecast Transaction using a Non-derivative Instrument. Estimates and assumptions are required on the determination of the Group's highly probable dollar denominated stevedoring revenue to determine the Group's exposure on spot rate changes that will be hedged using a non-derivative financial instrument which is the Group port concession rights payable which is denominated in US Dollars (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 P219.4 million and P204.5 million as at December 31, 2018 and 2017, respectively (see Note 15).

6. Cash and Cash Equivalents

	Note	2018	2017
Cash on hand and in banks		**P436,917**	P355,108
Short-term investments		**6,431,568**	6,590,081
	24, 25	**P6,868,485**	P6,945,189

Cash in banks earns 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 P111.1 million and P83.8 million in 2018 and 2017, respectively (see Note 19).

7. Trade and Other Receivables

	Note	2018	2017
Trade receivables		**P658,794**	P427,867
Advances to officers and employees		**19,546**	23,294
Receivable from insurance		**19,357**	-
Interest receivable		**16,661**	2,898
Receivable from escrow fund		**13,635**	13,635
Due from related parties	*20*	**11,246**	19,015
Other receivables		**15,440**	22,359
		754,679	509,068
Allowance for impairment losses		**(12,652)**	(18,602)
	24, 25	**P742,027**	P490,466

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

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

	Individually Impaired	Collectively Impaired	Total
Balance at January 1, 2017	P4,160	P14,442	P18,602
Provisions during the year	-	864	864
Reversals during the year	(864)	-	(864)
Balance at December 31, 2017	3,296	15,306	18,602
Reversals during the year	-	(5,950)	(5,950)
Balance at December 31, 2018	**P3,296**	**P9,356**	**P12,652**

8. Prepaid Expenses

	Note	2018	2017
Taxes		**P871,283**	P545,647
Rental	*12, 23*	**49,118**	5,926
Advances to contractors		**10,790**	9,352
Insurance		**2,598**	45,937
Advances to government agencies		**101**	101
Others		**28,472**	22,909
		P962,362	P629,872

Taxes pertain to the Group's input VAT credits.

9. Investment in an Associate

ATI has a 35.71% interest in SCIPSI, which is engaged in arrastre, stevedoring and other related cargo handling services, except 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	**2018**	2017
Acquisition cost		**P11,222**	P11,222
Accumulated equity in net earnings:			
Balance at beginning of year		**75,805**	43,432
Equity in net earnings for the year	*19*	**59,299**	46,701
Dividends received during the year		**(62,690)**	(14,328)
		72,414	75,805
		P83,636	P87,027

The following table shows the summarized financial information of SCIPSI:

	2018	2017
Current assets	**P202,871**	P187,757
Noncurrent assets	**64,180**	79,988
Total assets	**P267,051**	P267,745
Current liabilities	**P45,064**	P153,719
Noncurrent liabilities	**2,611**	2,318
Total liabilities	**P47,675**	P156,037
Revenues	**P385,924**	P330,018
Expenses	**(219,867)**	(199,455)
Net income	**P166,057**	P130,563

Based on unaudited financial statements

Dividend income of P62.7 million and P14.3 million was received in 2018 and 2017, respectively.

10. Property and Equipment - net

The movements in this account are as follows:

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						
Balance at beginning of year	124,575	372,489	316,694	122,324	-	936,082
Depreciation	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

2017

	Port Facilities and Equipment	Leasehold Improvements	Furniture, Fixtures and Equipment	Transportation and Other Equipment	Construction in-progress	Total
Cost						
Balance at beginning of year	P143,972	P553,924	P424,413	P170,310	P18,687	P1,311,306
Additions	7,701	5,605	77,211	26,071	81,040	197,628
Disposals	-	-	(767)	(5,548)	-	(6,315)
Reclassifications	411	966	12,970	883	(15,230)	-
Retirements	-	-	(166)	(753)	-	(919)
Balance at end of year	152,084	560,495	513,651	190,963	84,497	1,501,700
Accumulated Depreciation						
Balance at beginning of year	116,034	356,260	247,575	108,265	-	828,134
Depreciation	8,541	16,229	69,952	20,183	-	114,905
Disposals	-	-	(687)	(5,548)	-	(6,235)
Retirements	-	-	(146)	(576)	-	(722)
Balance at end of year	124,575	372,489	316,694	122,324	-	936,082
Carrying Amount	P27,509	P188,006	P196,967	P68,639	P84,497	P565,618

The Group has non-cash additions as at December 31, 2018 which amounted to P270.5 million.

11. Intangible Assets - net

The movements in this account are as follows:

2018

	Port Concession Rights					
	Upfront Fees	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

2017

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

The unamortized capitalized borrowing costs as at December 31, 2018 and 2017 amounted to P73.5 million and P78.3 million, respectively. No borrowing costs were capitalized in 2018 and 2017.

The Group has non-cash additions as at December 31, 2018 which amounted to P926.9 million.

As at December 31, 2018 and 2017, the contract asset under Port Infrastructure amounted to P2.8 billion and P2.3 billion, respectively. Movement in the contract assets represents only the construction of port facilities and eventual putting into service in accordance with the Investment Plan (see Note 23).

Goodwill

Key Assumptions

In testing impairment of goodwill, the recoverable amount of ATIB is the value in use, which has been determined by calculating the present value of cash flow projections from the operations of ATIB. The average revenue growth rate assumption used was 8.0%. The discount rate applied to cash flow projections is 7.9% in 2018 and 5.8% in 2017 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 P1.7 billion and P2.2 billion in 2018 and 2017, 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	**2018**	2017
Taxes		**P116,286**	P20,387
Deposits	*24, 25*	**41,040**	33,845
Rental		**1,313**	2,297
Equity securities	*24, 25*	**2,652**	2,652
		P161,291	P59,181

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

Deposits mainly represent payments related to property leases and utilities. This account includes noninterest-bearing rental deposits on a lease agreement that was carried at fair value as of initial recognition determined based on the present value of future cash flows discounted using effective interest rate of 3.70%. The carrying amounts of these deposits at amortized cost amounted to P14.8 million and P12.6 million as at December 31, 2018 and 2017, respectively.

The difference between the original amount of noninterest-bearing rental deposits and their present values at "Day 1" qualified for recognition as prepaid rental. The prepaid rental (included in current and noncurrent prepayment) amounted to P2.3 million and P3.3 million as at December 31, 2018 and 2017, respectively.

The current portion of such prepaid rental, presented under "Prepaid expenses - rental" account amounted to P49.1 million and P5.9 million as at December 31, 2018 and 2017, respectively (see Note 8).

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:

	2018	2017	2016
Statutory income tax rate	**30.00%**	30.00%	30.00%
Changes in income tax rate resulting from:			
Income subjected to final tax	**(0.94)**	(0.84)	(0.89)
Others	**(0.95)**	(1.65)	(2.25)
Effective income tax rate	**28.11%**	27.51%	26.86%

The movements in deferred tax balances are as follows:

					December 31		
2018	*Note*	Net Balance at January 1	Recognized in Profit or Loss	Recognized in OCI	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
Pension liability	*21*	33,392	(794)	(11,949)	20,649	-	20,649
Provisions for claims		61,364	4,445	-	65,809	-	65,809
Excess of cost over net realizable value of spare parts and supplies		11,469	6,000	-	17,469	-	17,469
Impairment losses on receivables	*7*	5,298	(1,785)	-	3,513	-	3,513
Accrued operating lease		4,343	(201)	-	4,142	-	4,142
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

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

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	2018	2017
Trade		**P370,635**	P379,642
Accrued expenses:			
Marketing, commercial and promotion		**518,798**	446,945
Personnel costs		**222,876**	165,279
Finance costs		**151,091**	152,744
Professional fees		**147,924**	153,683
Repairs and maintenance		**86,111**	122,147
Rental	*23*	**65,089**	70,693
Security expenses		**45,344**	44,037
Trucking expense		**30,790**	28,774
Utilities		**14,210**	12,104
Corporate social responsibility		**11,842**	14,712
Safety and environment		**4,723**	4,314
Miscellaneous		**61,638**	40,159
Equipment acquisitions		**1,133,236**	214,012
Due to government agencies	*23*	**696,023**	610,006
Shippers' and brokers' deposits		**110,403**	84,433
Management fee payable	*20*	**10,489**	7,881
Other payables		**116,210**	138,647
	24, 25	**P3,797,432**	P2,690,212

Following are the terms and conditions of the above liabilities:

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

15. Provisions for Claims

	2018	2017
Balance at beginning of year	**P204,544**	P50,944
Provisions during the year	**25,738**	154,090
Payments during the year	**(10,923)**	(490)
Balance at end of year	**P219,359**	P204,544

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, 2018, the Parent Company has a total of 2 billion issued and outstanding common shares and 827 stockholders.

Capital Stock - P1 Par Value
The Parent Company has 2.0 billion issued and fully paid capital stock, from its 4.0 billion authorized common shares, as at December 31, 2018 and 2017.

Retained Earnings
The Group's unappropriated retained earnings includes the subsidiaries' unappropriated net earnings of P4.8 million and P15.3 million and the Group's accumulated equity in the net earnings of an associate amounting to P72.4 million and P75.8 million as at December 31, 2018 and 2017, 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.

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.

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

On December 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.

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

Fair Value Reserve

Fair value reserve amounting to P5.8 million as at December 31, 2018 and 2017 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, 2018, 2017 and 2016, the effective fair value changes of the Group's cash flow hedge that was recognized in other comprehensive income amounted to P250.0 million, P22.0 million and P269.0 million, respectively, net of tax.

For the years ended December 31, 2018, 2017 and 2016, the Group's cash flow hedge that was reclassified to profit or loss from other comprehensive income amounted to P457.6 million, P229.8 million and P140.2 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 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, P1.9 billion and P1.7 billion in 2018, 2017 and 2016, respectively (see Note 23).

18. Costs and Expenses Excluding Government Share in Revenues

	Note	**2018**	2017	2016
Labor costs		**P1,462,559**	P1,282,910	P1,192,514
Depreciation and amortization	*10, 11*	**1,130,882**	1,180,724	1,136,532
Equipment running		**797,971**	595,449	485,263
Taxes and licenses		**272,084**	256,132	254,873
Security, health, environment and safety		**205,407**	181,801	161,277
Facilities-related expenses		**200,520**	151,910	183,602
Management fees	*20*	**176,083**	149,706	112,965
Rental	*23*	**148,134**	139,905	152,469
Insurance		**87,280**	66,295	66,942
Marketing, commercial and promotion		**86,450**	45,740	136,226
Professional fees		**80,469**	24,460	174,313
General transport		**46,128**	41,133	14,894
Provision for claims	*15*	**25,738**	154,090	5,814
Entertainment, amusement and recreation		**7,787**	5,170	5,921
Others		**213,370**	160,778	217,347
		P4,940,862	P4,436,203	P4,300,952

Labor costs include salaries, benefits and pension expense.

Spare parts and supplies used and included under equipment running amounted to P296.3 million, P227.3 million and P165.7 million in 2018, 2017 and 2016, respectively.

Provision for inventory obsolescence included in profit or loss amounted to P20.0 million in 2018 and nil in 2017 and 2016.

19. Other Income and Expenses

Finance income is broken down as follows:

	Note	**2018**	2017	2016
Interest on cash in banks and short-term investments	*6*	**P111,066**	P83,787	P60,438
Accretion of rental deposits	*12, 23*	**2,122**	1,817	1,556
		P113,188	P85,604	P61,994

Finance cost is broken down as follows:

	Note	2018	2017	2016
Interest on port concession rights payable		**P533,664**	P559,779	P573,110
Interest component of pension expense	*21*	**6,396**	7,589	7,953
Interest on bank loans/credit facilities		**366**	365	153
		P540,426	P567,733	P581,216

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	2018	2017	2016
Equity in net earnings of an associate	*9*	**P59,299**	P46,701	P47,170
Foreign exchange gains - others		**35,461**	10,243	91
Management income	*20*	**10,285**	8,806	9,184
Income from insurance claims		**-**	264	74,167
Foreign exchange losses - port concession rights payable		**(136,851)**	(107,169)	(60,277)
Foreign exchange losses - cash flow hedge		**(603,374)**	(329,386)	(211,856)
Other income - net		**7,399**	34,656	28,585
		(P627,781)	(P335,885)	(P112,936)

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

Foreign exchange 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 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	Terms	Conditions
Associate							
▪ Management income	*A*	**2018**	**P10,285**	**P957**	**P -**	**Payable on demand**	**Unsecured; no impairment**
		2017	8,806	1,032	-	Payable on demand	Unsecured; no impairment
Post-Employment Benefit Plan							
▪ Retirement fund	*B*	**2018**	**39,221**	**10,016**	**-**	**Payable on demand**	**Unsecured; no impairment**
		2017	39,354	17,721	-	Payable on demand	Unsecured; no impairment
Others							
▪ Management fees	*C*	**2018**	**176,083**	**-**	**10,489**	**Payable within ten (10 days) of the following month**	**Unsecured**
		2017	149,706	-	7,881	Payable within ten (10) days of the following month	Unsecured
▪ Advances	*D*	**2018**	**2,456**	**273**	**-**	**Payable on demand**	**Unsecured; no impairment**
		2017	2,622	262	-	Payable on demand	Unsecured; no impairment
TOTAL		**2018**		**P11,246**	**P10,489**		
TOTAL		2017		P19,015	P7,881		

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, a related party under common control, Headquarters pertains to reimbursements for expenses paid by the Group.

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

	2018	2017
Short-term employee benefits	**P179,929**	P164,256
Post-employment benefits	**9,276**	10,884
	P189,205	P175,140

21. Pensions

The Group's latest actuarial valuation reports are dated December 31, 2018. 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		
	2018	2017	2016	2018	2017	2016	2018	2017	2016
Current service cost	**P33,874**	P36,651	P41,983	**P1,708**	P2,052	P3,241	**P35,582**	P38,703	P45,224
Interest cost on defined benefit obligation	**28,809**	28,144	28,808	**1,652**	1,685	2,012	**30,461**	29,829	30,820
Interest income on plan assets	**(22,252)**	(20,587)	(21,288)	**(1,813)**	(1,653)	(1,579)	**(24,065)**	(22,240)	(22,867)
Net pension expense	**P40,431**	P44,208	P49,503	**P1,547**	P2,084	P3,674	**P41,978**	P46,292	P53,177

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. 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	
	2018	2017	2018	2017	2018	2017
Present value of pension obligations	**(P474,061)**	(P527,936)	**(P33,941)**	(P29,298)	**(P508,002)**	(P557,234)
Fair value of plan assets	**422,308**	413,305	**30,941**	30,856	**453,249**	444,161
Pension asset (liability)	**(P51,753)**	(P114,631)	**(P3,000)**	P1,558	**(P54,753)**	(P113,073)

Changes in the Present Value of Pension Obligations

	ATI		ATIB		TOTAL	
	2018	2017	2018	2017	2018	2017
Present value of pension obligations at beginning of year	**P527,936**	P553,235	**P29,298**	P31,330	**P557,234**	P584,565
Current service cost	**33,874**	36,651	**1,708**	2,052	**35,582**	38,703
Interest cost	**28,809**	28,144	**1,653**	1,685	**30,462**	29,829
Benefits paid	**(41,747)**	(30,093)	**(2,249)**	(498)	**(43,996)**	(30,591)
Actuarial loss (gain)	**(74,811)**	(60,001)	**3,531**	(5,271)	**(71,280)**	(65,272)
Present value of pension obligations at end of year	**P474,061**	P527,936	**P33,941**	P29,298	**P508,002**	P557,234

Changes in the Fair Value of Plan Assets

	ATI		ATIB		TOTAL	
	2018	2017	2018	2017	2018	2017
Fair value of plan assets at beginning of year	P413,305	P411,724	P30,856	P28,984	P444,161	P440,708
Actual return on plan assets:						
Interest income	22,252	20,587	1,813	1,653	24,065	22,240
Actual contributions	58,024	21,050	2,445	891	60,469	21,941
Remeasurement loss on plan assets	(29,526)	(9,963)	(1,924)	(174)	(31,450)	(10,137)
Benefits paid	(41,747)	(30,093)	(2,249)	(498)	(43,996)	(30,591)
Fair value of plan assets at end of year	P422,308	P413,305	P30,941	P30,856	P453,249	P444,161

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

	ATI			ATIB			TOTAL		
	2018	2017	2016	2018	2017	2016	2018	2017	2016
Actuarial gain (loss) due to:									
Changes in financial assumptions	P47,701	P16,666	P63,446	P5,894	P938	P5,360	P53,595	P17,604	P68,806
Changes in demographic assumptions	29,153	(1,068)	24,308	(3,669)	3,919	4,513	25,484	2,851	28,821
Experience adjustment	(2,043)	44,403	(6,093)	(5,756)	414	3,801	(7,799)	44,817	(2,292)
Remeasurement loss on plan assets	(29,526)	(9,963)	(11,185)	(1,924)	(174)	(2,625)	(31,450)	(10,137)	(13,810)
	P45,285	P50,038	P70,476	(P5,455)	P5,097	P11,049	P39,830	P55,135	P81,525

The cumulative amount of actuarial gains recognized in the consolidated statements of changes in equity is P110.1 million and P70.2 million as at December 31, 2018 and 2017, 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	
	2018	2017	2018	2017	2018	2017
Cash and cash equivalents	P38,840	P28,745	P3,419	P1,514	P42,259	P30,259
Investment in UITF	5,343	56,590	381	2,400	5,724	58,990
Equity instruments	66,383	65,691	4,643	4,924	71,026	70,615
Investment in government securities	286,797	238,536	20,567	20,148	307,364	258,684
Debt instruments	7,801	7,634	702	701	8,503	8,335
Other receivables	17,144	16,109	1,229	1,169	18,373	17,278
	P422,308	P413,305	P30,941	P30,856	P453,249	P444,161

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	
	2018	2017	**2018**	2017
Discount rate at end of year	**7.3%**	5.7%	**7.4%**	5.8%
Salary increase rate	**4.0%-5.0%**	3.0%-5.0%	**4.0%-5.0%**	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	
	2018	2017	**2018**	2017
Average expected future service years	**11**	14	**13**	11

Maturity analysis of the benefit payments:

	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**

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

<u>Sensitivity Analysis</u>

As at December 31, 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:

	ATI		ATIB	
	1% Increase	**1% Decrease**	**1% Increase**	**1% Decrease**
Discount rate	**(P444,594)**	**P507,485**	**(P31,107)**	**P37,221**
Salary increase rate	**510,301**	**(441,626)**	**37,440**	**(30,877)**

The Group expects to pay P48.8 million in contributions to defined benefit pension plans in 2019.

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

Basic EPS is computed as follows:

	2018	2017	2016
(a) Net income attributable to Equity Holders of the Parent Company (in thousands)	**P2,881,448**	P2,486,993	P1,902,391
(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)	**P1.44**	P1.24	P0.95

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. ATI 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, ATI and ATIB shall pay a fixed government share amount of P112.7 million for the first 3 years, which shall escalate by 5% and 4% on the 4th and 5th years and 3% for the remaining 5 years. In addition, ATI and ATIB shall remit annual volume-triggered government share of 10% and 20% for domestic cargoes and passenger terminal fees and for foreign cargoes, respectively, once defined threshold volumes are met.

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:

	2018	2017
Balance as at January 1	**P8,806,580**	P8,985,870
Accretion of port concession rights payable	**238,718**	267,399
Payments during the year	**(781,790)**	(776,075)
Effects of exchange rate changes	**603,374**	329,386
Balance as at December 31	**P8,866,882**	P8,806,580

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

a. The Parent Company has a 5-year lease agreement with PPA effective April 3, 2012 covering a land adjacent to the Container Freight Station (CFS) area of the Container Terminal "A-1" with a monthly lease rental of P0.4 million, subject to a yearly escalation of 5%. As of December 31, 2018, the lease agreement indicating a monthly rental of P1.7 million until 2023 is pending finalization.

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

	2018	2017
Within one year	**P20,403**	P6,357
After one year but not more than five years	**66,310**	22,904
	P86,713	P29,261

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 P1.2 million, P1.1 million and P1.1 million in 2018, 2017 and 2016, respectively.

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

	2018	2017
Within one year	**P14,396**	P14,396
After one year but not more than five years	**31,096**	45,492
	P45,492	P59,888

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

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

	2018	2017
Within one year	**P7,164**	P6,732
After one year but not more than five years	**15,511**	23,073
	P22,675	P29,805

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 under operating leases as at December 31 are as follows:

	2018	2017
Within one year	P16,517	P -
After one year but not more than five years	90,011	-
After more than five years	433,811	-
	P540,339	P -

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

24. Financial Risk and Capital Management Objectives and Policies

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

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, 2018 and 2017, the interest rate profile of the Group's interest bearing financial instrument is as follows:

	2018	2017
Fixed Rate Instruments		
Cash and cash equivalents*	P6,867,826	P6,944,580

**Excluding cash on hand amounting to P0.7 million and P0.6 million as at December 31, 2018 and 2017, 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:

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*	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 P696.0 million*

As at December 31, 2017	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*	P2,080,206	P269,094	P764,116	P1,046,996	P -	P -	P2,080,206
Port concession rights payable	8,806,580	-	195,800	587,400	3,983,707	9,181,705	13,948,612
Total	P10,886,786	P269,094	P959,916	P1,634,396	P3,983,707	P9,181,705	P16,028,818

**excluding due to government agencies amounting to P610.0 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, 2018 and 2017, without considering the effects of collaterals and other risk mitigation techniques, is presented below.

	Note	**2018**	2017
Cash and cash equivalents*	*6*	**P6,867,826**	P6,944,580
Trade and other receivables - net	*7*	**742,027**	490,466
Deposits	*12*	**41,040**	33,845
Equity securities	*12*	**2,652**	2,652
		P7,653,545	P7,471,543

**excluding cash on hand amounting to P0.7 million and P0.6 million as at December 31, 2018 and 2017, 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, 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**

	As at December 31, 2017			
	Grade A	Grade B	Grade C	Total
Cash in banks and cash equivalents	P6,944,580	P -	P -	P6,944,580
Trade and other receivables - net	322,594	167,872	-	490,466
Deposits	33,845	-	-	33,845
Equity securities	2,652	-	-	2,652
	P7,303,671	P167,872	P -	P7,471,543

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	**2018**	2017
Shipping lines		**P459,388**	P343,124
Others		**282,639**	147,342
	7	**P742,027**	P490,466

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.

An analysis of the credit quality of trade receivables and other receivables that were neither past due nor impaired and the ageing of trade receivables that were past due but not impaired as at December 31, 2017 is as follows:

2017

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

Impaired trade and other receivables as at December 31, 2017 had a gross carrying amount of P18.6 million. As at December 31, 2017, the impairment loss relates to several customers that have indicated that they are not expecting to be able to pay their outstanding balances, mainly due to economic circumstances.

Expected Credit Loss Assessment as at December 31, 2018
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, 2018:

	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

	2018	Individually Impaired	Collectively Impaired
Balance at January 1 under PAS 39	**P18,602**	P4,160	P14,442
Adjustment on initial application of PFRS 9	-	-	-
Balance at January 1 under PFRS 9	**18,602**	4,160	14,442
Reversals during the year	**(5,950)**	-	(5,950)
Balance at December 31	**P12,652**	P4,160	P8,492

The significant change in the gross carrying amount of trade receivables that contributed also to the change in the impairment loss allowance during 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 P6.9 billion as at December 31, 2018 and 2017, 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 US dollar 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 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 was designated as cash flow hedge.

The Group had assessed that 80% of the US dollar denominated stevedoring revenue for the designated period is highly probable. However, the Group 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 Group re-designated 50% of the monthly US dollar revenue as the hedged item for the next forty-two months.

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

The Group 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 Group.

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

	2018	2017
Assets		
Cash and cash equivalents	**US$45,648**	US$386
Trade and other receivables	-	190
	45,648	576
Liabilities		
Trade and other payables	**2,998**	2,860
Port concession rights payable	**142,611**	146,156
	145,609	149,016
Net foreign currency-denominated liabilities	**(US$99,961)**	(US$148,440)
Peso equivalent	**(P5,255,949)**	(P7,411,609)

The exchange rates applicable for US dollar as at December 31, 2018 and 2017 are P52.58 and P49.93, respectively.

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

Increase (Decrease) in U.S. dollar Exchange Rate	Effect on Income Before Income Tax	Effect on Equity
2018		
+5%	**(P262,797)**	**(P183,958)**
-5%	**262,797**	**183,958**
2017		
+5%	(370,580)	(259,406)
-5%	370,580	259,406

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	2018	2017
Capital stock		**P2,000,000**	P2,000,000
Additional paid-in capital		**264,300**	264,300
Retained earnings		**13,585,013**	11,575,652
Hedging reserve		**-**	(207,620)
Fair value reserve		**(5,820)**	(5,820)
Total	*16*	**P15,843,493**	P13,626,512

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, 2018 and 2017.

		2018		2017	
	Note	**Carrying Amount**	**Fair Value**	Carrying Amount	Fair Value
Financial Assets					
Cash and cash equivalents	*6*	**P6,868,485**	**P6,868,485**	P6,945,189	P6,945,189
Trade and other receivables - net	*7*	**742,027**	**742,027**	490,466	490,466
Deposits	*12*	**41,040**	**44,298**	33,845	39,589
		7,651,552	**7,654,810**	7,469,500	7,475,244
Equity securities	*12*	**2,652**	**2,652**	2,652	2,652
		P7,654,204	**P7,657,462**	P7,472,152	P7,477,896
Financial Liabilities					
Other financial liabilities:					
Trade and other payables*	*14*	**P3,101,409**	**P3,101,409**	P2,080,206	P2,080,206
Port concession rights payable		**8,866,882**	**9,060,531**	8,806,580	9,895,597
		P11,968,291	**P12,161,940**	P10,886,786	P11,975,803

* *excluding due to government agencies amounting to P696.0 million and P610.0 million in 2018 and 2017, respectively.*

Fair Value of Financial Instruments

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

Nonderivative Financial Instruments

Quoted market prices have been used to determine the fair values of listed 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 7.0% in 2018 and 4.3% in 2017.

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 7.06% to 7.61% in 2018 and 5.42% to 5.78% in 2017.

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

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**

As at December 31, 2017	*Note*	Level 1	Level 2	Level 3
Equity securities	*12*	P933	P -	P1,719
Port concession rights payable		-	9,895,597	-
		P933	P9,895,597	P1,719

There have been no transfers from one level to another in 2018 and 2017.

26. Revenues From Operations

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

	2018	2017	2016
Revenues from Operations			
Stevedoring	**P5,368,521**	P4,833,068	P4,041,808
Arrastre	**4,572,477**	3,715,092	3,644,314
Logistics	**72,726**	104,286	108,417
Special and other services	**2,262,954**	1,950,726	1,454,623
	P12,276,678	P10,603,172	P9,249,162

KPMG

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REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY INFORMATION

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 separate financial statements of Asian Terminals, Inc. (the "Company"), as at December 31, 2018 and 2017 and for the years then ended, and have issued our report thereon dated February 28, 2018.

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

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

R.G. MANABAT & CO.

ALICIA S. COLUMBRES
Partner
CPA License No. 069679
SEC Accreditation No. 1590-A, Group A, valid until September 29, 2019
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 7333613
Issued January 3, 2019 at Makati City

February 28, 2018
Makati City, Metro Manila

ASIAN TERMINALS, INC.
SCHEDULE OF RECONCILIATION OF RETAINED EARNINGS AVAILABLE FOR DIVIDEND DECLARATION
As at December 31, 2018

Unappropriated Retained Earnings, beginning		**P455,597**
Adjustments:		
Unrealized foreign exchange loss - cash flow hedge		**329,386**
Deferred tax benefit		**(695,466)**
Unrealized actuarial gain		**(35,027)**
Unappropriated Retained Earnings, as adjusted, beginning		**54,490**
Net Income based on the face of AFS	P2,713,127	
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	-	
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	215,287	
Other unrealized gains or adjustments to the retained earnings as a result of certain transactions accounted for under the PFRS	-	
Subtotal	2,497,840	
Add: Non-actual losses		
Depreciation on revaluation increment (after tax)	-	
Unrealized foreign exchange loss - net (except those attributable to Cash and Cash Equivalents)	603,374	
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		**3,101,214**
Add (Less):		
Dividend declarations during the period		**(900,000)**
Appropriations of Retained Earnings during the period		**(4,500,000)**
Reversals of appropriations		**3,700,000**
Effects of prior period adjustments		-
Treasury shares		-
Unappropriated Retained Earnings, as adjusted, ending		**P1,455,704**

KPMG

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REPORT OF INDEPENDENT AUDITORS ON SUPPLEMENTARY INFORMATION

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 separate financial statements of Asian Terminals, Inc. (the "Company"), as at December 31, 2018 and 2017 and for the years then ended, and have issued our report thereon dated February 28, 2019.

Our audits were made for the purpose of forming an opinion on the basic separate financial statements of the Company taken as a whole. The supplementary information included in Schedule of Philippine Financial Reporting Standards is the responsibility of the Company's management.

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

R.G. MANABAT & CO.

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February 28, 2019
Makati City, Metro Manila

ASIAN TERMINALS, INC.

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
Framework for the Preparation and Presentation of Financial Statements Conceptual Framework Phase A: Objectives and qualitative characteristics		✔		
PFRSs Practice Statement Management Commentary				✔
Philippine Financial Reporting Standards				
PFRS 1 (Revised)	First-time Adoption of Philippine Financial Reporting Standards			✔
	Amendments to PFRS 1 and PAS 27: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate	✔		
	Amendments to PFRS 1: Additional Exemptions for First-time Adopters			✔
	Amendment to PFRS 1: Limited Exemption from Comparative PFRS 7 Disclosures for First-time Adopters	✔		
	Amendments to PFRS 1: Severe Hyperinflation and Removal of Fixed Date for First-time Adopters			✔
	Amendments to PFRS 1: Government Loans			✔
	Annual Improvements to PFRSs 2009 - 2011 Cycle: First-time Adoption of Philippine Financial Reporting Standards - Repeated Application of PFRS 1			✔
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Borrowing Cost Exemption			✔
	Annual Improvements to PFRSs 2011 - 2013 Cycle: PFRS version that a first-time adopter can apply			✔
	Annual Improvements to PFRSs 2014 - 2016 Cycle: Deletion of short-term exemptions for first-time adopters		✔	
PFRS 2	Share-based Payment			✔
	Amendments to PFRS 2: Vesting Conditions and Cancellations			✔
	Amendments to PFRS 2: Group Cash-settled Share-based Payment Transactions			✔
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Meaning of 'vesting condition'			✔
	Amendments to PFRS 2: Classification and Measurement of Share-based Payment Transactions		✔	
PFRS 3 (Revised)	Business Combinations			✔
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Classification and measurement of contingent consideration			✔
	Annual Improvements to PFRSs 2011 - 2013 Cycle: Scope exclusion for the formation of joint arrangements			✔
PFRS 4	Insurance Contracts			✔
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✔
	Amendments to PFRS 4: Applying PFRS 9, Financial Instruments with PFRS 4, Insurance Contracts			✔

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
PFRS 5	Non-current Assets Held for Sale and Discontinued Operations			✔
	Annual Improvements to PFRSs 2012 - 2014 Cycle: Changes in method for disposal			✔
PFRS 6	Exploration for and Evaluation of Mineral Resources			✔
PFRS 7	Financial Instruments: Disclosures	✔		
	Amendments to PFRS 7: Transition	✔		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✔		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✔		
	Amendments to PFRS 7: Improving Disclosures about Financial Instruments	✔		
	Amendments to PFRS 7: Disclosures - Transfers of Financial Assets	✔		
	Amendments to PFRS 7: Disclosures - Offsetting Financial Assets and Financial Liabilities	✔		
	Amendments to PFRS 7: Mandatory Effective Date of PFRS 9 and Transition Disclosures	✔		
	Annual Improvements to PFRSs 2012 - 2014 Cycle: 'Continuing involvement' for servicing contracts			✔
	Annual Improvements to PFRSs 2012 - 2014 Cycle: Offsetting disclosures in condensed interim financial statements			✔
PFRS 8	Operating Segments	✔		
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Disclosures on the aggregation of operating segments	✔		
PFRS 9	Financial Instruments	✔		
	Hedge Accounting and Amendments to PFRS 9, PFRS 7 and PAS 39		✔	
PFRS 9 (2014)	Financial Instruments	✔		
PFRS 10	Consolidated Financial Statements	✔		
	Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance			✔
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities			✔
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture			✔
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			✔

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
PFRS 11	Joint Arrangements			✔
	Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance			✔
	Amendments to PFRS 11: Accounting for Acquisitions of Interests in Joint Operations			✔
PFRS 12	Disclosure of Interests in Other Entities	✔		
	Amendments to PFRS 10, PFRS 11, and PFRS 12: Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	✔		
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities			✔
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			✔
	Annual Improvements to PFRSs 2014 - 2016 Cycle: Clarification of the scope of the standard	✔		
PFRS 13	Fair Value Measurement	✔		
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Measurement of short-term receivables and payables	✔		
	Annual Improvements to PFRSs 2011 - 2013 Cycle: Scope of portfolio exception			✔
PFRS 14	Regulatory Deferral Accounts			✔
PFRS 15	Revenue from Contracts with Customers	✔		
PFRS 16	Leases		✔	
Philippine Accounting Standards				
PAS 1 (Revised)	Presentation of Financial Statements	✔		
	Amendment to PAS 1: Capital Disclosures	✔		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✔
	Amendments to PAS 1: Presentation of Items of Other Comprehensive Income	✔		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Presentation of Financial Statements - Comparative Information beyond Minimum Requirements	✔		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Presentation of the Opening Statement of Financial Position and Related Notes	✔		
	Amendments to PAS 1: Disclosure Initiative	✔		
PAS 2	Inventories	✔		
PAS 7	Statement of Cash Flows	✔		
	Amendments to PAS 7: Disclosure Initiative	✔		
PAS 8	Accounting Policies, Changes in Accounting Estimates and Errors	✔		
PAS 10	Events after the Reporting Period	✔		
PAS 11	Construction Contracts			✔

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
PAS 12	Income Taxes	✔		
	Amendment to PAS 12: Deferred Tax: Recovery of Underlying Assets	✔		
	Amendments to PAS 12: Recognition of Deferred Tax Assets for Unrealized Losses	✔		
PAS 16	Property, Plant and Equipment	✔		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Property, Plant and Equipment - Classification of Servicing Equipment	✔		
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Restatement of accumulated depreciation (amortization) on revaluation (Amendments to PAS 16 and PAS 38)			✔
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	✔		
	Amendments to PAS 16 and PAS 41: Agriculture: Bearer Plants			✔
PAS 17	Leases	✔		
PAS 18	Revenue	✔		
PAS 19 (Amended)	Employee Benefits	✔		
	Amendments to PAS 19: Defined Benefit Plans: Employee Contributions			✔
	Annual Improvements to PFRSs 2012 - 2014 Cycle: Discount rate in a regional market sharing the same currency - e.g. the Eurozone			✔
PAS 20	Accounting for Government Grants and Disclosure of Government Assistance			✔
PAS 21	The Effects of Changes in Foreign Exchange Rates	✔		
	Amendment: Net Investment in a Foreign Operation			✔
PAS 23 (Revised)	Borrowing Costs	✔		
PAS 24 (Revised)	Related Party Disclosures	✔		
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Definition of 'related party'	✔		
PAS 26	Accounting and Reporting by Retirement Benefit Plans	✔		
PAS 27 (Amended)	Separate Financial Statements	✔		
	Amendments to PFRS 10, PFRS 12, and PAS 27 (2011): Investment Entities			✔
	Amendments to PAS 27: Equity Method in Separate Financial Statements			✔
PAS 28 (Amended)	Investments in Associates and Joint Ventures	✔		
	Amendments to PFRS 10 and PAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture			✔
	Amendments to PFRS 10, PFRS 12 and PAS 28: Investment Entities: Applying the Consolidation Exception			✔
	Annual Improvements to PFRSs 2014 - 2016 Cycle: Measuring an associate or joint venture at fair value			✔

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
PAS 29	Financial Reporting in Hyperinflationary Economies			✔
PAS 32	Financial Instruments: Disclosure and Presentation	✔		
	Amendments to PAS 32 and PAS 1: Puttable Financial Instruments and Obligations Arising on Liquidation			✔
	Amendment to PAS 32: Classification of Rights Issues			✔
	Amendments to PAS 32: Offsetting Financial Assets and Financial Liabilities	✔		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Financial Instruments Presentation - Income Tax Consequences of Distributions			✔
PAS 33	Earnings per Share	✔		
PAS 34	Interim Financial Reporting	✔		
	Annual Improvements to PFRSs 2009 - 2011 Cycle: Interim Financial Reporting - Segment Assets and Liabilities	✔		
	Annual Improvements to PFRSs 2012 - 2014 Cycle: Disclosure of information "elsewhere in the interim financial report'	✔		
PAS 36	Impairment of Assets	✔		
	Amendments to PAS 36: Recoverable Amount Disclosures for Non-Financial Assets	✔		
PAS 37	Provisions, Contingent Liabilities and Contingent Assets	✔		
PAS 38	Intangible Assets	✔		
	Annual Improvements to PFRSs 2010 - 2012 Cycle: Restatement of accumulated depreciation (amortization) on revaluation (Amendments to PAS 16 and PAS 38)			✔
	Amendments to PAS 16 and PAS 38: Clarification of Acceptable Methods of Depreciation and Amortization	✔		
PAS 39	Financial Instruments: Recognition and Measurement	✔		
	Amendments to PAS 39: Transition and Initial Recognition of Financial Assets and Financial Liabilities	✔		
	Amendments to PAS 39: Cash Flow Hedge Accounting of Forecast Intragroup Transactions			✔
	Amendments to PAS 39: The Fair Value Option			✔
	Amendments to PAS 39 and PFRS 4: Financial Guarantee Contracts			✔
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets	✔		
	Amendments to PAS 39 and PFRS 7: Reclassification of Financial Assets - Effective Date and Transition	✔		
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✔
	Amendment to PAS 39: Eligible Hedged Items	✔		
	Amendment to PAS 39: Novation of Derivatives and Continuation of Hedge Accounting			✔

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
PAS 40	Investment Property			✔
	Annual Improvements to PFRSs 2011 - 2013 Cycle: Inter-relationship of PFRS 3 and PAS 40 (Amendment to PAS 40)			✔
	Amendments to PAS 40: Transfers of Investment Property			✔
PAS 41	Agriculture			✔
	Amendments to PAS 16 and PAS 41: Agriculture: Bearer Plants			✔
Philippine Interpretations				
IFRIC 1	Changes in Existing Decommissioning, Restoration and Similar Liabilities			✔
IFRIC 2	Members' Share in Co-operative Entities and Similar Instruments			✔
IFRIC 4	Determining Whether an Arrangement Contains a Lease	✔		
IFRIC 5	Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds			✔
IFRIC 6	Liabilities arising from Participating in a Specific Market - Waste Electrical and Electronic Equipment			✔
IFRIC 7	Applying the Restatement Approach under PAS 29 Financial Reporting in Hyperinflationary Economies			✔
IFRIC 9	Reassessment of Embedded Derivatives			✔
	Amendments to Philippine Interpretation IFRIC-9 and PAS 39: Embedded Derivatives			✔
IFRIC 10	Interim Financial Reporting and Impairment	✔		
IFRIC 12	Service Concession Arrangements	✔		
IFRIC 13	Customer Loyalty Programmes			✔
IFRIC 14	PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction			✔
	Amendments to Philippine Interpretations IFRIC- 14, Prepayments of a Minimum Funding Requirement			✔
IFRIC 16	Hedges of a Net Investment in a Foreign Operation			✔
IFRIC 17	Distributions of Non-cash Assets to Owners			✔
IFRIC 18	Transfers of Assets from Customers			✔
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments			✔
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine			✔
IFRIC 21	Levies			✔
IFRIC 22	Foreign Currency Transactions and Advance Consideration	✔		
IFRIC 23	Uncertainty over Income Tax Treatments		✔	
SIC-7	Introduction of the Euro			✔
SIC-10	Government Assistance - No Specific Relation to Operating Activities			✔
SIC-15	Operating Leases - Incentives	✔		
SIC-25	Income Taxes - Changes in the Tax Status of an Entity or its Shareholders			✔

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
SIC-27	Evaluating the Substance of Transactions Involving the Legal Form of a Lease	✔		
SIC-29	Service Concession Arrangements: Disclosures.	✔		
SIC-31	Revenue - Barter Transactions Involving Advertising Services			✔
SIC-32	Intangible Assets - Web Site Costs			✔
Philippine Interpretations Committee Questions and Answers				
PIC Q&A 2006-01	PAS 18, Appendix, paragraph 9 - Revenue recognition for sales of property units under pre-completion contracts			✔
PIC Q&A 2006-02	PAS 27.10(d) - Clarification of criteria for exemption from presenting consolidated financial statements			✔
PIC Q&A 2007-01-Revised	PAS 1.103(a) - Basis of preparation of financial statements if an entity has not applied PFRSs in full			✔
PIC Q&A 2007-02	PAS 20.24.37 and PAS 39.43 - Accounting for government loans with low interest rates [see PIC Q&A No. 2008-02]			✔
PIC Q&A 2007-03	PAS 40.27 - Valuation of bank real and other properties acquired (ROPA)			✔
PIC Q&A 2007-04	PAS 101.7 - Application of criteria for a qualifying NPAE			✔
PIC Q&A 2008-01-Revised	PAS 19.78 - Rate used in discounting post-employment benefit obligations	✔		
PIC Q&A 2008-02	PAS 20.43 - Accounting for government loans with low interest rates under the amendments to PAS 20			✔
PIC Q&A 2009-01	Framework.23 and PAS 1.23 - Financial statements prepared on a basis other than going concern	✔		
PIC Q&A 2009-02	PAS 39.AG71-72 - Rate used in determining the fair value of government securities in the Philippines	✔		
PIC Q&A 2010-01	PAS 39.AG71-72 - Rate used in determining the fair value of government securities in the Philippines	✔		
PIC Q&A 2010-02	PAS 1R.16 - Basis of preparation of financial statements	✔		
PIC Q&A 2010-03	PAS 1 Presentation of Financial Statements - Current/non-current classification of a callable term loan			✔
PIC Q&A 2011-01	PAS 1.10(f) - Requirements for a Third Statement of Financial Position	✔		
PIC Q&A 2011-02	PFRS 3.2 - Common Control Business Combinations			✔
PIC Q&A 2011-03	Accounting for Inter-company Loans			✔
PIC Q&A 2011-04	PAS 32.37-38 - Costs of Public Offering of Shares			✔
PIC Q&A 2011-05	PFRS 1.D1-D8 - Fair Value or Revaluation as Deemed Cost			✔
PIC Q&A 2011-06	PFRS 3, Business Combinations (2008), and PAS 40, Investment Property - Acquisition of Investment properties - asset acquisition or business combination?			✔

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
PIC Q&A 2012-01	PFRS 3.2 - Application of the Pooling of Interests Method for Business Combinations of Entities Under Common Control in Consolidated Financial Statements			✔
PIC Q&A 2012-02	Cost of a New Building Constructed on the Site of a Previous Building			✔
PIC Q&A 2013-01	Applicability of SMEIG Final Q&As on the Application of IFRS for SMEs to Philippine SMEs			✔
PIC Q&A 2013-02	Conforming Changes to PIC Q&As - Cycle 2013			✔
PIC Q&A 2013-03 (Revised)	PAS 19 - Accounting for Employee Benefits under a Defined Contribution Plan subject to Requirements of Republic Act (RA) 7641, The Philippine Retirement Law	✔		
PIC Q&A 2015-01	Conforming Changes to PIC Q&As - Cycle 2015			✔
PIC Q&A 2016-01	Conforming Changes to PIC Q&As - Cycle 2016			✔
PIC Q&A 2016-02	PAS 32 and PAS 38 - Accounting Treatment of Club Shares Held by an Entity	✔		
PIC Q&A 2016-04	Application of PFRS 15 "Revenue from Contracts with Customers" on Sale of Residential Properties under Pre-Completion Contracts		✔	
PIC Q&A 2017-01	Conforming Changes to PIC Q&As - Cycle 2017			✔
PIC Q&A 2017-02	PAS 2 and PAS 16 - Capitalization of operating lease cost as part of construction costs of a building			✔
PIC Q&A 2017-03	PAS 28 - Elimination of profits and losses resulting from transactions between associates and/or joint ventures	✔		
PIC Q&A 2017-04	PAS 24 - Related party relationships between parents, subsidiary, associate and non-controlling shareholder	✔		
PIC Q&A 2017-05	PFRS 7 - Frequently asked questions on the disclosure requirements of financial instruments under PFRS 7, Financial Instruments: Disclosures	✔		
PIC Q&A 2017-06	PAS 2, 16 and 40 - Accounting for Collector's Items			✔
PIC Q&A 2017-07	PFRS 10 - Accounting for reciprocal holdings in associates and joint ventures			✔
PIC Q&A 2017-08	PFRS 10 - Requirement to prepare consolidated financial statements where an entity disposes of its single investment in a subsidiary, associate or joint venture			✔
PIC Q&A 2017-09	PAS 17 and Philippine Interpretation SIC-15 - Accounting for payments between and among lessors and lessees	✔		
PIC Q&A 2017-10	PAS 40 - Separation of property and classification as investment property			✔
PIC Q&A 2017-11	PFRS 10 and PAS 32 - Transaction costs incurred to acquire outstanding non-controlling interest or to sell non-controlling interest without a loss of control			✔
PIC Q&A 2017-12	Subsequent Treatment of Equity Component Arising from Intercompany Loans			✔
PIC Q&A 2018-01	Voluntary changes in accounting policy	✔		

PHILIPPINE FINANCIAL REPORTING STANDARDS AND INTERPRETATIONS Effective as of December 31, 2018		Adopted	Not Adopted	Not Applicable
PIC Q&A 2018-02	Non-controlling interests and goodwill impairment test	✔		
PIC Q&A 2018-03	Fair value of PPE and depreciated replacement cost		✔	
PIC Q&A 2018-04	Inability to measure fair value reliably for biological assets within the scope of PAS 41		✔	
PIC Q&A 2018-05	Maintenance requirement of an asset held under lease		✔	
PIC Q&A 2018-06	Cost of investment in subsidiaries in SFS when pooling is applied		✔	
PIC Q&A 2018-07	Cost of an associate, joint venture, or subsidiary in separate financial statements	✔		
PIC Q&A 2018-08	Accounting for the acquisition of non-wholly owned subsidiary that is not a business		✔	
PIC Q&A 2018-09	Classification of deposits and progress payments as monetary or non-monetary items		✔	
PIC Q&A 2018-10	Scope of disclosure of inventory write-down		✔	
PIC Q&A 2018-11	Classification of land by real estate developer		✔	
PIC Q&A 2018-12	PFRS 15 - Implementation issues affecting the real estate industry		✔	
PIC Q&A 2018-13	Conforming changes to PIC Q&As - Cycle 2018		✔	
PIC Q&A 2018-14	PFRS 15 - Accounting for cancellation of real estate sales		✔	
PIC Q&A 2018-15	PAS 1 - Classification of advances to contractors in the nature of prepayments		✔	
PIC Q&A 2018-16	PFRS 13 - Level of Fair Value Hierarchy of Government Securities using Bloomberg's standard rule on fair value hierarchy		✔	

Legend:

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

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

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

R.G. Manabat & Co.
The KPMG Center, 9/F
6787 Ayala Avenue, Makati City
Philippines 1226
Telephone +63 (2) 885 7000
Fax +63 (2) 894 1985
Internet www.kpmg.com.ph
Email ph-inquiry@kpmg.com.ph

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, 2018 and 2017 and for each of the three years in the period ended December 31, 2018, included in this Form 17-A, and have issued our report thereon dated February 28, 2019.

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-E

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

R.G. MANABAT & CO.

ALICIA S. COLUMBRES
Partner
CPA License No. 069679
SEC Accreditation No. 1590-A, Group A, valid until September 29, 2019
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 7333613
Issued January 3, 2019 at Makati City

February 28, 2019
Makati City, Metro Manila

ASIAN TERMINALS, INC. AND ITS SUBSIDIARIES

INDEX TO FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULES

FORM 17-A, Item 7

December 31, 2018

ASIAN TERMINALS, INC. AND ITS SUBSIDIARIES

Schedule A. **Financial Assets**
December 31, 2018
(in thousands)

Financial assets	Name of issuing entity and association of each issue	Number of shares or principal amount of bonds and notes	Amount shown in the balance sheet	Valued based on market quotation at end of reporting period	Income received and accrued
Cash and cash equivalents	N/A	N/A	₱6,868,485	₱6,868,485	₱97,303
Trade and other receivables - net	N/A	N/A	742,027	742,027	-
Deposits	N/A	N/A	41,040	44,298	-
Equity Securities					
Quoted Equity Shares		N/A	933	933	-
Unquoted Equity Shares		N/A	1,719	1,719	-
			₱7,654,204	₱7,657,462	₱97,303

Schedule B. **Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)**
December 31, 2018
(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	₱23,293	₱20,251	(₱23,998)	₱0	₱0	₱0	₱19,546
Related Parties	1,294	12,386	(12,451)	0	0	0	1,229
	₱24,587	₱32,637	(₱36,449)	₱0	₱0	₱0	₱20,775

Schedule C. **Amounts Payable from Related Parties which are Eliminated during the Consolidation of Financial Statements**
December 31, 2018
(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.	₱56,473	450,267	(₱515,138)	₱0	₱0	₱0	(₱8,398)
Tanza Container Terminal, Inc.	0	16,361	-	-	-	-	16,361
	₱56,473	₱466,628	(₱515,138)	₱0	₱0	₱0	₱7,963

Schedule D. **Intangible Assets - Other Assets**
December 31, 2018
(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, 2018
(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, 2018
(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.	₱10,489	₱10,489

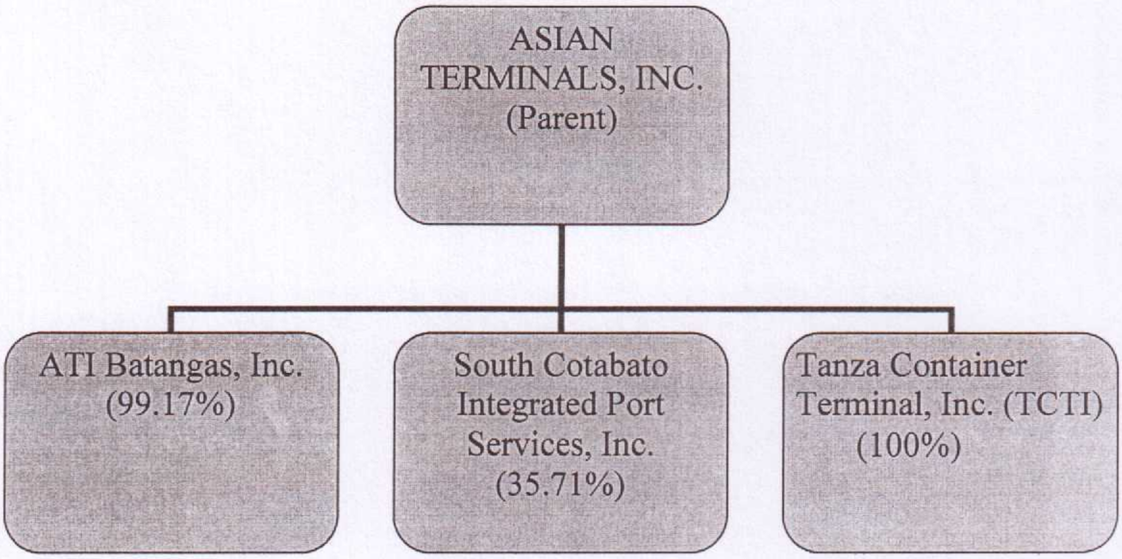
Schedule G. **Guarantees of Securities of Other Issuers**
December 31, 2018
(in thousands)

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, 2018
(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	15,593	1,346,569

Asian Terminals, Inc.
Subsidiaries and an Associate
December 31, 2018



Asian Terminals Inc. and its Subsidiaries
Schedule of Financial Soundness Indicators
For the Years Ended December 31, 2018, 2017 and 2016

Consolidated KPI	Manner of Calculation	2018	2017	2016	Discussion
Return on Capital Employed*	Percentage of income before interest and tax over capital employed	20.7%	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%	19.6%	16.9%	Increase resulted from higher net income.
Current ratio	Ratio of current assets over current liabilities	1.96 : 1.00	2.44 : 1.00	2.85 : 1.00	Decrease due to higher current liabilities.
Asset to equity ratio	Ratio of total assets over equity attributable to equity holders of the parent	1.84 : 1.00	1.89 : 1.00	1.97 : 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	0.97 : 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	12 days	Increase due to higher accrued revenues.
Net Income Margin	Net income over revenues less government share in revenues	28.8%	28.7%	25.3%	Increase due to higher revenues.
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.	0.73	0.53	1.05	Due to higher number of injuries.

*Income before other income and expense is defined as income before net financing costs, 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.

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)
827	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, 2018 and 2017

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 separate financial statements including the schedules attached therein, as at December 31, 2018 and 2017 and for the years then ended December 31, 2018 and 2017, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 separate 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 26th of February, 2019

MAR 01 2019

SUBSCRIBED AND SWORN TO before me this ____ day of _____ 2019, the signatories exhibiting to me their respective Passports/Driver's License Nos., as follows:

Name	ID Nos.	Date/Place Issued
1. Andrew R. Hoad	Passport No. 538803908	6/22/17; HMPO
2. Eusebio H. Tanco	TIN No. 141-978-255-000	7/15/1998; PHILS
3. Jose Tristan P. Carpio	Passport No. P0175912B	1/9/19; Manila

Notary Public

Doc. No. 193;
Page No. 134;
Book No. 3;
Series of 2019.

ATTY. GILBERTO B. PASIMANERO
Notary Public Until Dec. 31, 2019
Notarial Commission 2018-015 Mla.
IBP# 012434 Pasig 7-27-17 until 2019
PTR# Mla 8008955 - 1-3-2019
Roll# 25473, TIN# 103-098-346
MCLE Compl. No. V-0006269 until 4-14-19

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) 759-5090 | Fax: (632) 887-6180
Email: aocheadoffice@alasoplascpas.com
www.alasoplascpas.com

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, 2018, 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 January 1, 2017 to December 31, 2019
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
SEC A.N. (Firm) 0321-FR-1, issued on February 7, 2019; effective until February 6, 2022
TIN 132-466-039-000
BIR A.N. 08-001026-002-2018, issued on January 25, 2018; effective until January 24, 2021
PTR No. 7333596, issued on January 3, 2019, Makati City

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date APR 12 2019 TSIS
RECEIVED
MELINA PRISCA S. RANJO

February 28, 2019
Makati City, Philippines

KPMG

R.G. Manabat & Co.
The KPMG Center, 9/F
6787 Ayala Avenue, Makati City
Philippines 1226
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Fax +63 (2) 894 1985
Internet www.kpmg.com.ph
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REPORT OF INDEPENDENT AUDITORS

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

Report on the Financial Statements

Opinion

We have audited the accompanying separate financial statements of Asian Terminals, Inc. (the "Company"), which comprise the separate statements of financial position as at December 31, 2018 and 2017, 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, 2018 and 2017, 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 audit of the financial statements in the Philippines, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 PFRS, 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.

KPMG

- 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 audit was 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-A, Group A, valid until September 29, 2019
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 7333613
Issued January 3, 2019 at Makati City

February 28, 2019
Makati City, Metro Manila

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date APR 12 2019 TSIS
RECEIVED
MELINA PRISCA S. RANJO

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

	Note	December 31 2018	2017
ASSETS			
Current Assets			
Cash and cash equivalents	*6, 23, 24*	**P6,547,081**	P6,288,607
Trade and other receivables - net	*7, 20, 23, 24*	**701,370**	467,932
Spare parts and supplies		**506,784**	402,912
Prepaid expenses	*8*	**902,089**	550,921
Total Current Assets		**8,657,324**	7,710,372
Noncurrent Assets			
Investments in subsidiaries and an associate	*9*	**165,064**	161,939
Property and equipment - net	*10*	**651,010**	494,915
Intangible assets - net	*11*	**15,976,586**	14,062,501
Deferred tax assets - net	*13*	**912,224**	799,502
Other noncurrent assets	*12*	**121,806**	56,571
Total Noncurrent Assets		**17,826,690**	15,575,428
		P26,484,014	P23,285,800
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	*14, 20, 23, 24*	**P3,520,705**	P2,477,736
Provisions for claims	*15*	**205,090**	196,293
Port concession rights payable - current portion	*22, 23, 24*	**218,102**	189,663
Income and other taxes payable		**317,482**	286,903
Total Current Liabilities		**4,261,379**	3,150,595
Noncurrent Liabilities			
Port concession rights payable - net of current portion	*22, 23, 24*	**7,911,978**	7,814,117
Pension liability - net	*21*	**51,753**	114,631
Total Noncurrent Liabilities		**7,963,731**	7,928,748
		12,225,110	11,079,343
Equity			
Capital stock		**2,000,000**	2,000,000
Additional paid-in capital		**264,300**	264,300
Retained earnings		**12,000,424**	10,155,597
Hedging reserve		**-**	(207,620)
Fair value reserve		**(5,820)**	(5,820)
Total Equity	*16, 23*	**14,258,904**	12,206,457
		P26,484,014	P23,285,800

See Notes to the Separate Financial Statements.

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

		Years Ended December 31	
	Note	**2018**	2017
REVENUES FROM OPERATIONS	*2, 25*	**P11,277,583**	P9,570,352
GOVERNMENT SHARE IN REVENUES	*17*	**(2,205,300)**	(1,852,671)
		9,072,283	7,717,681
COSTS AND EXPENSES EXCLUDING GOVERNMENT SHARE IN REVENUES	*18, 20, 21*	**(4,367,669)**	(3,968,770)
OTHER INCOME AND EXPENSES			
Finance income		**103,250**	68,618
Finance cost		**(506,675)**	(519,055)
Others - net		**(525,253)**	(260,125)
	19	**(928,678)**	(710,562)
CONSTRUCTION REVENUES	*11*	**2,832,241**	1,202,013
CONSTRUCTION COSTS	*11*	**(2,832,241)**	(1,202,013)
		-	-
INCOME BEFORE INCOME TAX		**3,775,936**	3,038,349
INCOME TAX EXPENSE			
Current		**1,278,096**	1,060,558
Deferred		**(215,287)**	(194,139)
	13	**1,062,809**	866,419
NET INCOME		**P2,713,127**	P2,171,930

See Notes to the Separate Financial Statements.

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

		Years Ended December 31	
	Note	**2018**	2017
NET INCOME FOR THE YEAR		**P2,713,127**	P2,171,930
OTHER COMPREHENSIVE INCOME			
Item that will never be reclassified to profit or loss			
Actuarial gains on pension liability	*21*	**45,286**	50,038
Tax on item taken directly to equity	*13*	**(13,586)**	(15,011)
		31,700	35,027
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 FOR THE YEAR - net of tax		**239,320**	242,810
TOTAL COMPREHENSIVE INCOME		**P2,952,447**	P2,414,740

See Notes to the Separate Financial Statements.

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date APR 12 2019 TSIS
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ASIAN TERMINALS, INC.
SEPARATE STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017
(Amounts in Thousands, Except Per Share Data)

				Retained Earnings				
	Note	Capital Stock	Additional Paid-in Capital	Appropriated for Port Development	Unappropriated	Hedging Reserve	Fair value Reserve	Total
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**
Balance at January 1, 2017		P2,000,000	P264,300	P7,900,000	P908,640	(P415,403)	(P5,820)	P10,651,717
Cash dividends - P0.43 a share	16	-	-	-	(860,000)	-	-	(860,000)
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		-	-	-	2,171,930	-	-	2,171,930
Other comprehensive income:								
Actuarial gains - net of tax		-	-	-	35,027	-	-	35,027
Cash flow hedge - effective portion - net of tax	16	-	-	-	-	(22,035)	-	(22,035)
Cash flow hedge - reclassified to profit and loss - net of tax	16	-	-	-	-	229,818	-	229,818
Balance at December 31, 2017		P2,000,000	P264,300	P9,700,000	P455,597	(P207,620)	(P5,820)	P12,206,457

See Notes to the Separate Financial Statements.

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

	Note	Years Ended December 31 2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax		**P3,775,936**	P3,038,349
Adjustments for:			
Depreciation and amortization	*10, 11, 18*	**1,011,784**	1,068,752
Net unrealized foreign exchange losses		**565,357**	325,848
Finance cost	*19*	**506,675**	519,055
Provisions for inventory obsolescence		**20,000**	-
Amortization of noncurrent prepaid rental		**984**	984
Dividend income from a subsidiary and an associate	*9, 19*	**(132,110)**	(83,749)
Finance income	*19*	**(103,250)**	(68,618)
Contributions to retirement funds	*20, 21*	**(58,024)**	(21,050)
Reversal of allowance for impairment losses on trade and other receivables	*7*	**(5,950)**	-
Gain on disposals of:			
Property and equipment	*10*	**(4,657)**	(255)
Intangible assets	*11*	**(532)**	-
Loss on retirement of property and equipment		**-**	197
Operating income before working capital changes		**5,576,213**	4,779,513
Increase in:			
Trade and other receivables		**(214,203)**	(92,756)
Spare parts and supplies		**(123,872)**	(89,161)
Prepaid expenses		**(351,168)**	(96,630)
Increase (decrease) in:			
Trade and other payables		**(61,686)**	658,818
Provisions for claims		**8,797**	153,649
Income and other taxes payable		**(64,013)**	7,898
Cash generated from operations		**4,770,068**	5,321,331
Finance income received		**87,843**	67,396
Finance cost paid		**(366)**	(357)
Income tax paid		**(1,183,502)**	(948,665)
Net cash provided by operating activities		**3,674,043**	4,439,705
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposals of:			
Property and equipment	*10*	**4,657**	335
Intangible assets	*11*	**532**	-
Acquisitions of:			
Intangible assets		**(1,915,170)**	(1,202,013)
Property and equipment		**(39,402)**	(171,362)
Dividends received	*9, 19*	**132,110**	83,749
Decrease in other noncurrent assets		**(59,025)**	(110)
Decrease (increase) in deposits		**(5,073)**	5,402
Investment in new subsidiary		**(3,125)**	-
Net cash used in investing activities		**(1,884,496)**	(1,283,999)

Forward

BUREAU OF INTERNAL REVENUE
LARGE TAXPAYERS SERVICE
LARGE TAXPAYERS ASSISTANCE DIVISION
Date APR 12 2019
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MELINA PRISCA S. RANJO

	Note	Years Ended December 31 2018	2017
CASH FLOWS FROM FINANCING ACTIVITIES			
Payments of:			
Cash dividends	*16*	**(P900,000)**	(P860,000)
Port concession rights payable	*22*	**(669,091)**	(663,375)
Net cash used in financing activities		**(1,569,091)**	(1,523,375)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**220,456**	1,632,331
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**38,018**	3,538
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	*6*	**6,288,607**	4,652,738
CASH AND CASH EQUIVALENTS AT END OF YEAR	*6*	**P6,547,081**	P6,288,607

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).

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 15, *Revenue from Contracts with Customers*, and PFRS 9, *Financial Instruments* have 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 26, 2019.

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, 2018.

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, 2018 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 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 Company'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	P6,288,607	**P6,288,607**
Trade and other receivables	Loans and receivables	Amortized cost	467,932	**467,932**
Deposits	Loans and receivables	Amortized cost	31,406	**31,406**
Equity securities	Available for sale	FVOCI - equity	2,652	**2,652**
Total financial assets			P6,790,597	**P6,790,597**

For assets in the scope of the PFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. The Company 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 Company 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 Company's previous accounting policy.

Hedge Accounting
As permitted by the standard, the Company 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 Company 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 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 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 Company has not identified significant impacts to amounts recognized in the financial statements in the application of PFRS 15. However, the Company 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 Company has adopted consequential amendments to Philippine Interpretation IFRIC 12, *Service Concession Arrangements*, which has no significant impact to the Company's separate financial statements.

- 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.

Standards Issued But Not Yet Adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2018. 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, 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 Company 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 P662.8 million, which is not expected to be materially different from the anticipated position on December 31, 2019. Assuming the Company'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 P553.1 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 Company 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 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.

  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 Company 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 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 January 1, 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, *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), 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 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
Financial assets - Policy applicable from January 1, 2018

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 assets - Policy applicable before January 1, 2018

The Company classifies financial assets into one of the following categories:

- loans and receivables;
- held-to-maturity;
- available-for-sale; and
- at FVTPL

The Company does not have held-to-maturity investments and financial assets at FVTPL.

Financial Assets - Subsequent Measurement and Gains and Losses: Policy Applicable before January 1, 2018

- Loans and receivables - Measured at amortized cost using the effective interest method.
- Available-for-sale - Measured at fair value and changes therein, other than impairment losses, interest income and foreign currency differences on debt instruments, were recognized in OCI and accumulated in the fair value reserve. When these assets were derecognized, the gain or loss accumulated in equity was reclassified to profit or loss.

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.

PFRS 9 largely retains the existing requirements in PAS 39 for the classification and measurement of financial liabilities. The adoption of PFRS 9 does not have an effect on the Company's accounting policies related to financial liabilities.

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

<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 loss 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
- 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 probable that the receivable will not 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.

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

The Company assesses at each reporting date whether a financial asset or group of financial asset 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 Company 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 Company 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 separate 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 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.

'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 recognized 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.

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, 2018 and 2017:

	Percentage of Ownership	
	2018	2017
Subsidiaries:		
ATI Batangas, Inc. (ATIB)	**99.17%**	99.17%
Tanza Container Terminal, Inc. (TCTI)	**100.00%**	0%
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.

<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 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 and intangible 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 transactions with shareholders and 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. 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.

In the comparative period, 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 Company and the revenue can be reliably measured.

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

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

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

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

Employee Benefits
a. *Short-term Employee Benefits*
Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the 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.

<u>Foreign Currency Transactions</u>
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.

<u>Cash Flow Hedge of a Forecast Transaction using a Non-derivative Instrument</u>
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.

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

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

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

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

Employee Benefits
a. *Short-term Employee Benefits*
Short-term employee benefits are expensed as the related service is provided. A liability is recognized for the amount expected to be paid if the 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.

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, 2018 and 2017 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.

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

Rent expense charged to separate statements of income amounted to P46.2 million and P53.9 million in 2018 and 2017, respectively (see Note 18).

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.

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 P205.1 million and P196.3 million as at December 31, 2018 and 2017, respectively (see Note 15).

6. Cash and Cash Equivalents

	Note	**2018**	2017
Cash on hand and in banks		**P402,914**	P314,253
Short-term investments		**6,144,167**	5,974,354
	23, 24	**P6,547,081**	P6,288,607

Cash in banks earns 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 P101.1 million and P66.8 million in 2018 and 2017, respectively (see Note 19).

7. Trade and Other Receivables

	Note	**2018**	2017
Trade receivables		**P612,512**	P367,149
Advances to officers and employees		**18,906**	23,201
Receivable from insurance		**18,513**	-
Interest receivable		**15,590**	2,304
Due from related parties	*20*	**23,890**	73,971
Receivable from escrow fund		**13,635**	13,635
Other receivables		**10,026**	5,324
		713,072	485,584
Allowance for impairment losses		**(11,702)**	(17,652)
	23, 24	**P701,370**	P467,932

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, 2017	P4,900	P12,752	P17,652
Provisions during the year	-	864	864
Reversals during the year	(864)	-	(864)
Balance at December 31, 2017	4,036	13,616	17,652
Reversals during the year	-	(5,950)	(5,950)
Balance at December 31, 2018	**P4,036**	**P7,666**	**P11,702**

8. Prepaid Expenses

	Note	2018	2017
Taxes		**P822,215**	P479,730
Rental	*12*	**43,562**	4,071
Insurance		**2,414**	45,011
Others		**33,898**	22,109
		P902,089	P550,921

Taxes pertain to the Company's input VAT credits.

9. Investments in Subsidiaries and an Associate

	Note	2018	2017
At cost:			
Subsidiary - ATIB	*9a*	**P150,717**	P150,717
Subsidiary - TCTI	*9b*	**3,125**	-
Associate - SCIPSI	*9c*	**11,222**	11,222
		P165,064	P161,939

a. The following table illustrates summarized financial information of ATIB:

	2018	2017
Current assets	**P483,632**	P817,366
Noncurrent assets	**2,215,929**	1,752,380
Total assets	**P2,699,561**	P2,569,746
Current liabilities	**P390,915**	P373,981
Noncurrent liabilities	**661,670**	734,403
Total liabilities	**P1,052,585**	P1,108,384
Revenues	**P1,003,240**	P1,037,197
Expenses	**(743,807)**	(682,397)
Net income	**P259,433**	P354,800

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.

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

	2018
Current liabilities	**P13,236**
Total liabilities	**P13,236**
Expenses	**(P16,361)**
Net loss	**(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:

	2018*	2017*
Current assets	**P202,871**	P187,757
Noncurrent assets	**64,180**	79,988
Total assets	**P267,051**	P267,745
Current liabilities	**P45,064**	P153,719
Noncurrent liabilities	**2,611**	2,318
Total liabilities	**P47,675**	P156,037
Revenues	**P385,924**	P330,018
Expenses	**(219,867)**	(199,455)
Net income	**P166,057**	P130,563

** 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 P132.1 million and P83.8 million was received from ATIB and SCIPSI in 2018 and 2017, respectively (see Notes 19 and 20).

10. Property and Equipment - net

The movements in this account are as follows:

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

2017

	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	P514,602	P396,045	P151,661	P13,993	P1,180,715
Additions	-	2,232	71,133	24,297	73,700	171,362
Disposals	-	-	(767)	(5,548)	-	(6,315)
Reclassifications	-	-	12,900	883	(13,783)	-
Retirements	-	-	(166)	(753)	-	(919)
Balance at end of year	104,414	516,834	479,145	170,540	73,910	1,344,843
Accumulated Depreciation						
Balance at beginning of year	93,872	338,009	232,499	95,468	-	759,848
Depreciation	2,229	10,976	65,812	18,020	-	97,037
Disposals	-	-	(687)	(5,548)	-	(6,235)
Retirements	-	-	(146)	(576)	-	(722)
Balance at end of year	96,101	348,985	297,478	107,364	-	849,928
Carrying Amount	P8,313	P167,849	P181,667	P63,176	P73,910	P494,915

The Company has non-cash additions as at December 31, 2018 and 2017 which amounted to P210.3 million and P64.6 million, respectively.

11. Intangible Assets - net

The movements in this account are as follows:

2018

	Port Concession Rights			
	Upfront Fees	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

2017

	Upfront Fees	Fixed Government Share	Port Infrastructure	Total
	Port Concession Rights			
Cost				
Balance at beginning of year	P282,000	P8,342,270	P12,958,084	P21,582,354
Additions	-	-	1,202,013	1,202,013
Disposals	-	-	(141)	(141)
Balance at end of year	282,000	8,342,270	14,159,956	22,784,226
Accumulated Amortization				
Balance at beginning of year	40,814	2,282,403	5,426,934	7,750,151
Amortization	11,280	292,853	667,582	971,715
Disposals	-	-	(141)	(141)
Balance at end of year	52,094	2,575,256	6,094,375	8,721,725
Carrying Amount	P229,906	P5,767,014	P8,065,581	P14,062,501

The unamortized capitalized borrowing costs as at December 31, 2018 and 2017 amounted to P73.5 million and P78.3 million, respectively. No borrowing costs were capitalized in 2018 and 2017.

The Company has non-cash additions as at December 31, 2018 and 2017 which amounted to P917.1 million and P149.4 million, respectively.

As at December 31, 2018 and 2017, the contract asset under Port Infrastructure amounted to P2.8 billion and P1.3 billion respectively. Movement in the contract assets represents only the construction of port facilities and eventual putting into service in accordance with the Investment Plan (see Note 22).

12. Other Noncurrent Assets

	Note	**2018**	2017
Taxes		**P79,243**	P20,216
Deposits	*23, 24*	**38,600**	31,406
Rental		**1,311**	2,297
Equity securities	*23, 24*	**2,652**	2,652
		P121,806	P56,571

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

Deposits mainly represent payments related to property leases and utilities. This account includes noninterest-bearing rental deposits on a lease agreement that was carried at fair value as of initial recognition determined based on the present value of future cash flows discounted using effective interest rate of 3.70%. The carrying amounts of these deposits at amortized cost amounted to P14.8 million and P12.6 million as at December 31, 2018 and 2017, respectively.

The difference between the original amount of noninterest-bearing rental deposits and their present values at "Day 1" qualified for recognition as prepaid rental. The prepaid rental (included in current and noncurrent prepayment) amounted to P2.3 million and P3.3 million as at December 31, 2018 and 2017, respectively.

The current portion of such prepaid rental, presented under "Prepaid expenses - rental" account amounted to P43.6 million and P4.1 million as at December 31, 2018 and 2017, respectively (see Note 8).

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:

	2018	2017
Statutory income tax rate	**30.00%**	30.00%
Changes in income tax rate resulting from:		
Income subjected to final tax	**(0.80)**	(0.66)
Dividend income from a subsidiary and an associate	**(1.05)**	(0.83)
Effective income tax rate	**28.15%**	28.51%

The movements in deferred tax balances are as follows:

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

2017	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		P319,605	P42,186	P -	P361,791	P -	P361,791
Unrealized foreign exchange loss - net		159,525	98,232	-	257,757	-	257,757
Cash flow hedge		178,029	-	(89,050)	88,979	-	88,979
Provisions for claims		12,794	46,095	-	58,889	-	58,889
Pension liability	21	42,610	6,790	(15,011)	34,389	-	34,389
Excess of cost over current replacement cost of spare parts and supplies		11,469	-	-	11,469	-	11,469
Impairment losses on receivables		5,295	-	-	5,295	-	5,295
Accrued operating lease		4,971	(628)	-	4,343	-	4,343
Rental deposit		1,835	(250)	-	1,585	-	1,585
Unamortized capitalized borrowing costs and custom duties		(26,709)	1,714	-	-	(24,995)	(24,995)
Net tax assets (liabilities)		P709,424	P194,139	(P104,061)	P824,497	(P24,995)	P799,502

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	2018	2017
Trade		**P275,364**	P354,209
Accrued expenses:			
Marketing, commercial and promotion		**516,588**	446,842
Personnel costs		**194,547**	137,719
Professional fees		**144,784**	150,426
Finance costs		**140,039**	128,902
Repairs and maintenance		**46,709**	70,541
Trucking expense		**30,790**	28,751
Rental	22	**27,431**	23,254
Security expenses		**18,149**	22,431
Corporate social responsibility		**11,154**	13,774
Utilities		**10,760**	9,426
Safety and environment		**2,055**	2,102
Miscellaneous		**74,501**	67,736
Equipment acquisitions		**1,133,236**	214,012
Due to government agencies	22	**681,994**	605,435
Shippers' and brokers' deposits		**110,403**	142,509
Due to related parties	20	**18,887**	7,881
Other payables		**83,314**	51,786
	23, 24	**P3,520,705**	P2,477,736

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.

15. Provisions for Claims

	Note	**2018**	2017
Balance at beginning of year		**P196,293**	P42,644
Provisions during the year	*18*	**14,587**	154,389
Payments during the year		**(5,790)**	(740)
Balance at end of year		**P205,090**	P196,293

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, 2018, the Company has a total of 2 billion issued and outstanding common shares and 827 stockholders.

<u>Capital Stock - P1 Par Value</u>
The Company has 2.0 billion issued and fully paid capital stock, from its 4.0 billion authorized common shares, as at December 31, 2018 and 2017.

<u>Retained Earnings</u>
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.

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.

On December 19, 2017, the Company'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 Company's BOD approved an appropriation of the retained earnings amounting to P2.9 billion for capital expenditures for the next 2 years. The Company'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 Company's operations and capability to handle growth.

Fair Value Reserve
Fair value reserve amounting to P5.8 million as at December 31, 2018 and 2017 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, 2018 and 2017, the effective fair value changes of the Company's cash flow hedge that was recognized in other comprehensive income amounted to P250.0 million and P22.0 million, respectively, net of tax.

For the years ended December 31, 2018 and 2017, the Company's cash flow hedge that was reclassified to profit or loss from other comprehensive income amounted to 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 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 P2.2 billion and P1.9 billion in 2018 and 2017 respectively (see Note 22).

18. Costs and Expenses Excluding Government Share in Revenues

	Note	**2018**	2017
Labor costs	*21*	**P1,324,511**	P1,174,012
Depreciation and amortization	*10, 11*	**1,011,784**	1,068,752
Equipment running		**785,229**	583,907
Taxes and licenses		**257,375**	243,099
Management fees	*20*	**176,083**	149,706
Facilities-related expenses		**156,106**	115,245
Security, health, environment and safety		**118,571**	109,019
Marketing, commercial and promotion		**78,153**	39,638
Insurance		**77,825**	61,644
Professional fees		**73,987**	20,232
Rental	*22*	**46,163**	53,913
General transport		**46,113**	41,133
Provision for claims	*15*	**14,587**	154,389
Entertainment, amusement and recreation		**7,227**	4,729
Others		**193,955**	149,352
		P4,367,669	P3,968,770

Labor costs include salaries, benefits and pension expense.

Spare parts and supplies used and included under equipment running amounted to P293.2 million and P224.6 million in 2018 and 2017, respectively.

Provision for inventory obsolescence included in profit or loss amounted to P20.0 million in 2018 and nil in 2017.

19. Other Income and Expenses

Finance income is broken down as follows:

	Note	**2018**	2017
Interest on cash in banks and short-term investments	*6*	**P101,128**	P66,768
Accretion of rental deposits	*12*	**2,122**	1,850
		P103,250	P68,618

Finance cost is broken down as follows:

	Note	**2018**	2017
Interest on port concession rights payable		**P499,752**	P511,141
Interest component of pension expense - net	*21*	**6,557**	7,557
Interest on bank loans/credit facilities		**366**	357
		P506,675	P519,055

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	**2018**	2017
Dividend income from subsidiaries and an associate	*9, 20*	**P132,110**	P83,749
Lease and other income - net	*20*	**47,305**	83,272
Foreign exchange gain - others		**35,558**	9,146
Foreign exchange losses - port concession rights payable		**(136,851)**	(107,169)
Foreign exchange losses - cash flow hedge	*22*	**(603,374)**	(329,386)
Income from insurance claims		**-**	263
		(P525,252)	(P260,125)

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

Foreign exchange 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	Terms	Conditions
Subsidiaries							
ATIB							
• Management income	a	2018	P28,921	P -	P -	-	-
		2017	38,680	-	-	-	-
• Dividend income	a	2018	69,420	-	-	-	-
		2017	69,420	-	-	-	-
• Rental income	a	2018	1,106	-	-	-	-
		2017	1,106	-	-	-	-
• Advances	a	2018	64,871	-	8,398	Payable on demand	Unsecured; no impairment
		2017	72,038	56,473	-	Payable on demand	Unsecured
TCTI							
• Advances	e	2018	16,361	13,236	-	Payable on demand	Unsecured; no impairment
		2017	-	-	-	Payable on demand	Unsecured
Associate							
• Management income	b	2018	10,285	957	-	Payable on demand	Unsecured; no impairment
		2017	8,806	1,032	-	Payable on demand	Unsecured; no impairment
• Dividend income	b	2018	62,690	-	-	-	-
		2017	14,329	-	-	-	-
Post-employment Benefit Plan							
• Retirement fund	c	2018	37,897	9,424	-	Payable on demand	Unsecured; no impairment
		2017	37,862	16,204	-	Payable on demand	Unsecured; no impairment
Others							
• Management fees	d	2018	P176,083	-	P10,489	Payable within ten (10) days of the following month	Unsecured
		2017	149,706	-	7,881	Payable within ten (10) days of the following month	Unsecured
• Advances	f	2018	2,456	273	-	Payable on demand	Unsecured; no impairment
	f	2017	2,622	262	-	Payable on demand	Unsecured; no impairment
TOTAL		2018		P23,890	P18,887		
TOTAL		2017		P73,971	P7,881		

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 2018 and 2017.

   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 2018 and 2017 amounted to P58.0 million and P21.0 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.

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.

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

	2018	2017
Short-term employee benefits	**P179,929**	P164,256
Post-employment benefits	**9,276**	10,884
	P189,205	P175,140

21. Pension

The Company's latest actuarial valuation report is dated December 31, 2018. 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	**2018**	2017
Current service cost		**P33,874**	P36,651
Interest cost on defined benefit obligation	*19*	**28,809**	28,144
Interest income on plan assets	*19*	**(22,252)**	(20,587)
Net pension expense		**P40,431**	P44,208

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

	2018	2017
Present value of pension obligations	**(P474,061)**	(P527,936)
Fair value of plan assets	**422,308**	413,305
Pension liability	**(P51,753)**	(P114,631)

Changes in the Present Value of Pension Obligations

	Note	2018	2017
Present value of pension obligations at beginning of year		**P527,936**	P553,235
Current service cost		**33,874**	36,651
Interest cost	*19*	**28,809**	28,144
Benefits paid		**(41,747)**	(30,093)
Actuarial gain		**(74,811)**	(60,001)
Present value of pension obligations at end of year		**P474,061**	P527,936

Changes in the Fair Value of Plan Assets

	2018	2017
Fair value of plan assets at beginning of year	**P413,305**	P411,724
Actual return on plan assets:		
Interest income	**22,252**	20,587
Actual contributions	**58,024**	21,050
Remeasurement loss on plan assets	**(29,526)**	(9,963)
Benefits paid	**(41,747)**	(30,093)
Fair value of plan assets at end of year	**P422,308**	P413,305

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

	2018	2017
Actuarial gain due to:		
Changes in financial assumptions	**P47,701**	P16,666
Changes in demographic assumptions	**29,153**	(1,068)
Experience adjustment	**(2,043)**	44,403
Remeasurement loss on plan assets	**(29,525)**	(9,963)
	P45,286	P50,038

The cumulative amount of actuarial gains recognized in the separate statements of changes in equity included in the "Retained earnings" account is P95.5 million and P50.2 million as at December 31, 2018 and 2017, respectively.

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

This defined benefit 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 consists of the following:

	2018	2017
Investment in government securities	**P286,797**	P238,536
Equity instruments	**66,383**	65,691
Cash and cash equivalents	**38,840**	P28,745
Debt instruments	**7,801**	7,634
Investment in UITF	**5,343**	56,590
Other receivables	**17,144**	16,109
	P422,308	P413,305

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:

	2018	2017
Discount rate at end of year	**7.3%**	5.7%
Salary increase rate	**4.0%-5.0%**	3.0%-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:

	2018	2017
Average expected future service years	**11**	14

Maturity analysis of the benefit payments:

	2018
	Expected Benefit Payments
Within 1 Year	**P85,502**
Within 1 - 5 Years	**181,043**
More than 5 Years	**1,737,962**

	2017
	Expected Benefit Payments
Within 1 Year	P48,568
Within 1 - 5 Years	194,834
More than 5 Years	2,102,931

Sensitivity Analysis
As at December 31, 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:

	1% Increase	1% Decrease
Discount rate	**(P444,594)**	**P507,485**
Salary increase rate	**510,301**	**(441,626)**

The Company expects to pay P44.7 million in contributions to the defined benefit plan in 2019.

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.

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	**2018**	2017
Balance as at January 1		**P8,003,780**	P8,120,887
Accretion of port concession rights payable		**192,017**	216,882
Payments during the year		**(669,091)**	(663,375)
Effects of exchange rate changes	*19*	**603,374**	329,386
Balance as at December 31		**P8,130,080**	P8,003,780

<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, 2012 covering a land adjacent to the Container Freight Station area of the Container Terminal "A-1" with a monthly lease rental of P0.4 million, subject to a yearly escalation of 5%. As of December 31, 2018, the lease agreement indicating a monthly rental of P1.7 million until 2023 is pending finalization.

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

	2018	2017
Within one year	**P20,403**	P6,357
After one year but not more than five years	**66,310**	22,904
	P86,713	P29,261

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 P1.2 million and P1.1 million in 2018 and 2017, respectively.

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

	2018	2017
Within one year	**P14,396**	P14,396
After one year but not more than five years	**31,096**	45,492
	P45,492	P59,888

c. 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.

d. 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.

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

	2018	2017
Within one year	**P7,164**	P6,732
After one year but not more than five years	**15,511**	23,073
	P22,675	P29,805

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.

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 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, 2018 and 2017, the interest rate profile of the Company's interest bearing financial instruments is as follows:

	2018	2017
Fixed Rate Instruments		
Cash and cash equivalents*	**P6,546,604**	P6,288,180

**Excluding cash on hand amounting to P0.5 million and P0.4 million as at December 31, 2018 and 2017, 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:

		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*	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	12,280,606
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*

		Contractual Cash Flows					
As at December 31, 2017	Carrying Amount	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	> 5 Years	Total
Trade and other payables*	P1,872,301	P235,640	P673,282	P963,379	P -	P -	P1,872,301
Port concession rights payable	8,003,780	-	167,273	501,818	3,345,455	8,935,150	12,949,696
Total	P9,876,081	P235,640	P840,555	P1,465,197	P3,345,455	P8,935,150	P14,821,997

**Excluding due to government agencies amounting to P605.4 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, 2018 and 2017, without considering the effects of other risk mitigation techniques, is presented below.

	Note	**2018**	2017
Cash and cash equivalents*	*6*	**P6,546,604**	P6,288,180
Trade and other receivables - net	*7*	**701,370**	467,932
Deposits	*12*	**38,600**	31,406
Equity securities	*12*	**2,652**	2,652
		P7,289,226	P6,790,170

**excluding cash on hand amounting to P0.5 million and P0.4 million as at December 31, 2018 and 2017, 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, 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**

	As at December 31, 2017			
	Grade A	Grade B	Grade C	Total
Cash in banks and cash equivalents	P6,288,180	P -	P -	P6,288,180
Trade and other receivables - net	335,837	132,095	-	467,932
Deposits	31,406	-	-	31,406
Equity securities	2,652	-	-	2,652
	P6,658,075	P132,095	P -	P6,790,170

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.

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

	Note	**2018**	2017
Shipping lines		**P451,716**	P312,063
Others		**249,654**	155,869
	7	**P701,370**	P467,932

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.

An analysis of the credit quality of trade receivables and other receivables that were neither past due nor impaired and the ageing of trade receivables that were past due but not impaired as at December 31, 2017 is as follows:

	Total	Neither Past Due nor Impaired	Past Due but not Impaired <30 Days	30-60 Days	61-90 Days	Over 90 Days	Past Due and Impaired
Trade receivables	P367,149	P356,486	P1,984	P -	P -	P -	P8,679
Other receivables	118,435	64,538	4,766	12,622	5,410	22,126	8,973
	P485,584	P421,024	P6,750	P12,622	P5,410	P22,126	P17,652

Impaired trade and other receivables as at December 31, 2017 had a gross carrying amount of P17.7 million. As at December 31, 2017, the impairment loss relates to several customers that have indicated that they are not expecting to be able to pay their outstanding balances, mainly due to economic circumstances.

Expected Credit Loss Assessment as at December 31, 2018
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, 2018:

	Gross Carrying Amount	Impairment Loss Allowance	Credit-impaired
Current (not past due)	P681,959	P -	No
1 - 30 days past due	3,799	-	No
31 - 60 days past due	2,978	-	No
61- 90 days past due	848	-	No
More than 90 days past due	11,786	11,702	Yes
Balance at December 31, 2018	**P701,370**	**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

	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)	-	-
Balance at December 31	**P11,702**	**P3,295**	**P14,357**

The significant change in the gross carrying amount of trade receivables that contributed also to the change in the impairment loss allowance during 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 P6.5 billion and P6.3 billion as at December 31, 2018 and 2017, 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:

	2018	2017
Assets		
Cash and cash equivalents	**US$45,648**	US$386
Liabilities		
Trade and other payables	**2,811**	2,860
Port concession rights payable	**142,611**	146,156
	145,422	149,016
Net foreign currency-denominated liabilities	**(US$99,774)**	(US$148,630)
Peso equivalent	**(P5,246,117)**	(P7,421,096)

The exchange rates applicable for US dollar as at December 31, 2018 and 2017 are P52.58 and P49.93, 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
2018			
	+5%	**(P262,306)**	**(P183,614)**
	-5%	**262,306**	**183,614**
2017			
	+5%	(371,055)	(259,738)
	-5%	371,055	259,738

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.

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

	Note	**2018**	2017
Capital stock		**P2,000,000**	P2,000,000
Additional paid-in capital		**264,300**	264,300
Retained earnings		**12,000,424**	10,155,597
Hedging reserve		**-**	(207,620)
Fair value reserve		**(5,820)**	(5,820)
Total	*16*	**P14,258,904**	P12,206,457

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, 2018 and 2017.

	Note	2018 Carrying Amount	2018 Fair Value	2017 Carrying Amount	2017 Fair Value
Financial Assets					
Cash and cash equivalents	6	**P6,547,081**	**P6,547,081**	P6,288,607	P6,288,607
Trade and other receivables - net	7	**701,370**	**701,370**	467,932	467,932
Deposits	12	**38,600**	**41,857**	31,406	37,148
		7,287,051	**7,290,308**	6,787,945	6,793,687
Equity securities	12	**2,652**	**2,652**	2,652	2,652
		P7,289,703	**P7,292,960**	P6,790,597	P6,796,339
Financial Liabilities					
Other financial liabilities:					
Trade and other payables*	14	**2,838,711**	**2,838,711**	P1,872,301	P1,872,301
Port concession rights payable	22	**8,130,080**	**8,354,837**	8,003,780	9,080,412
		P10,968,791	**P11,193,548**	P9,876,081	P10,952,713

**Excluding due to government agencies amounting to P682.0 million and P605.4 million in 2018 and 2017, 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 7.0% in 2018 and 4.3% in 2017.

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 7.34% to 7.61% in 2018 and 5.70% to 5.78% in 2017.

Fair Value Hierarchy

The following table shows the levels in the fair value hierarchy of the Company's financial instruments:

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**

As at December 31, 2017	*Note*	Level 1	Level 2	Level 3
Equity securities	12	P933	P -	P1,719
Port concession rights payable		-	9,080,412	-
		P933	P9,080,412	P1,719

There have been no transfers from one level to another in 2018 and 2017.

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:

	Note	2018	2017
Revenues from Operations			
Stevedoring		**P5,100,739**	P4,526,831
Arrastre		**4,194,488**	3,292,985
Logistics		**65,735**	73,084
Special and other services		**1,916,621**	1,677,452
Total		**P11,277,583**	P9,570,352

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, 2018:

A. Value Added Tax (VAT)

1. Output VAT	**P612,088**
Basis of the Output VAT*:	
Vatable sales	**5,100,733**
Sales to government	**2,131**
Zero rated sales	**6,824,803**
	11,927,667

** The base amounts are gross of PPA fees.*

2. Input VAT	**P434,601**
Beginning of the year	
Current year's domestic purchases:	
a. Goods other than for resale or manufacture	**85,272**
b. Capital goods subject to amortization	**28,122**
c. Services lodged under cost of goods sold	**601,556**
d. Services lodged under other accounts	**20,266**
Claims for tax credit/refund and other adjustments	**-**
Balance at the end of the year	**P1,169,817**
3. Customs Duties and Tariff Fees:	
Landed cost of imports	**P273,528**
Customs duties paid or accrued	**5,165**
	P278,693

B. Documentary Stamp Tax

Others (insurance policies)	**P9,104**

C. **Withholding Taxes**

Tax on compensation and benefits	**P130,715**
Creditable withholding taxes	**145,554**
Final withholding taxes	**53,981**
	P330,250

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	**P182,005**
Mayor's permit	**59,927**
Others	**6,339**
	P248,271

E. **Deficiency Tax Assessments**

In 2018, 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 2016.

As of December 31, 2018, the Company has settled the outstanding LOAs.

F. **Tax Cases**

As of December 31, 2018, the Company has no pending tax court cases.

Information on the excise taxes is not applicable since there are no transactions that the Company would be subject to this type of tax.