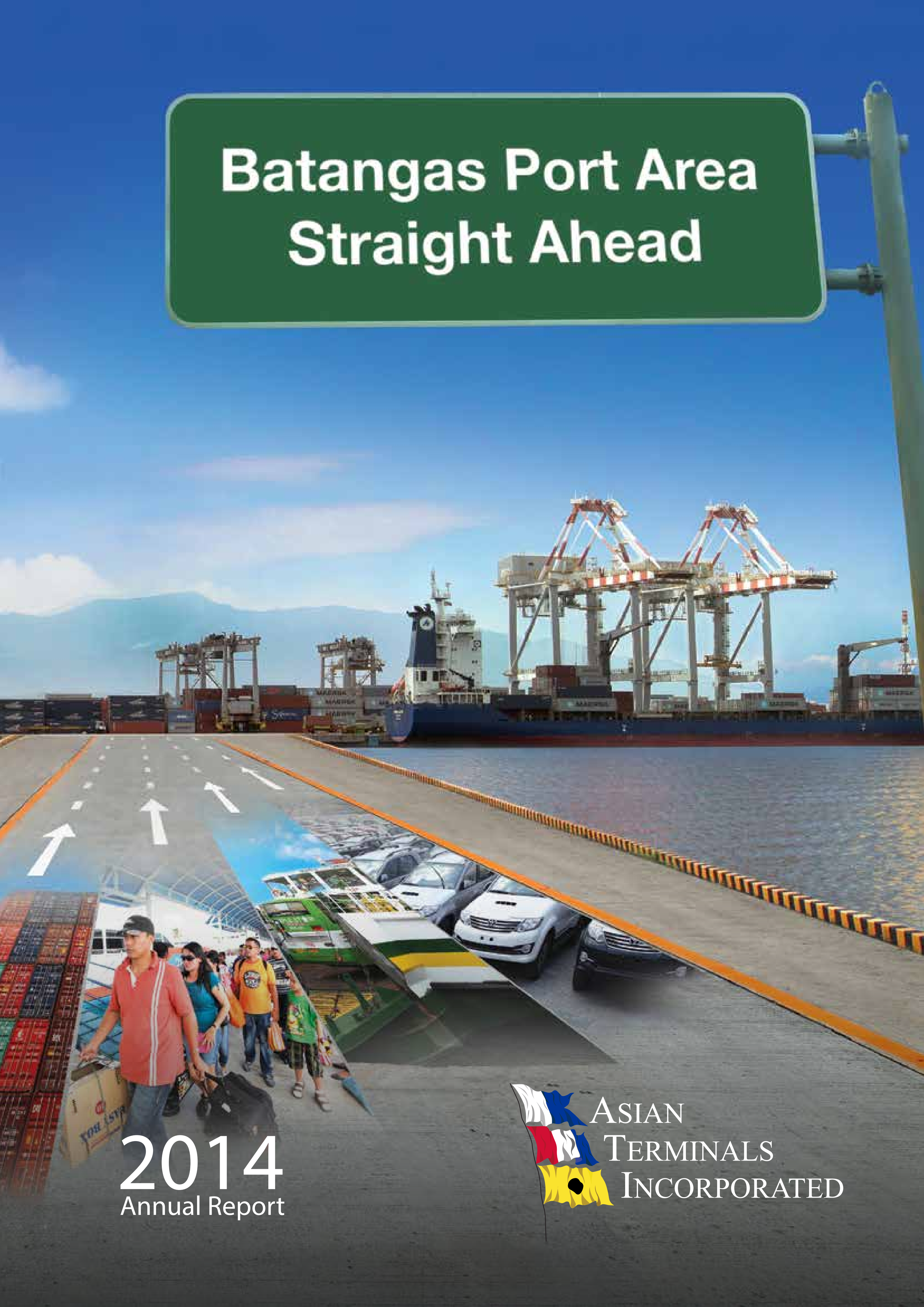

2014
Annual Report

Asian
Terminals
Incorporated

About the Cover

2014 was a breakthrough year for Asian Terminals Inc. at Batangas Port, with strong container volumes joining the traditionally strong business streams at the general stevedoring and passenger terminals.

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ASIAN TERMINALS INCORPORATED

Vision

We aim to be the country's premier port and logistics investor, developer and operator.

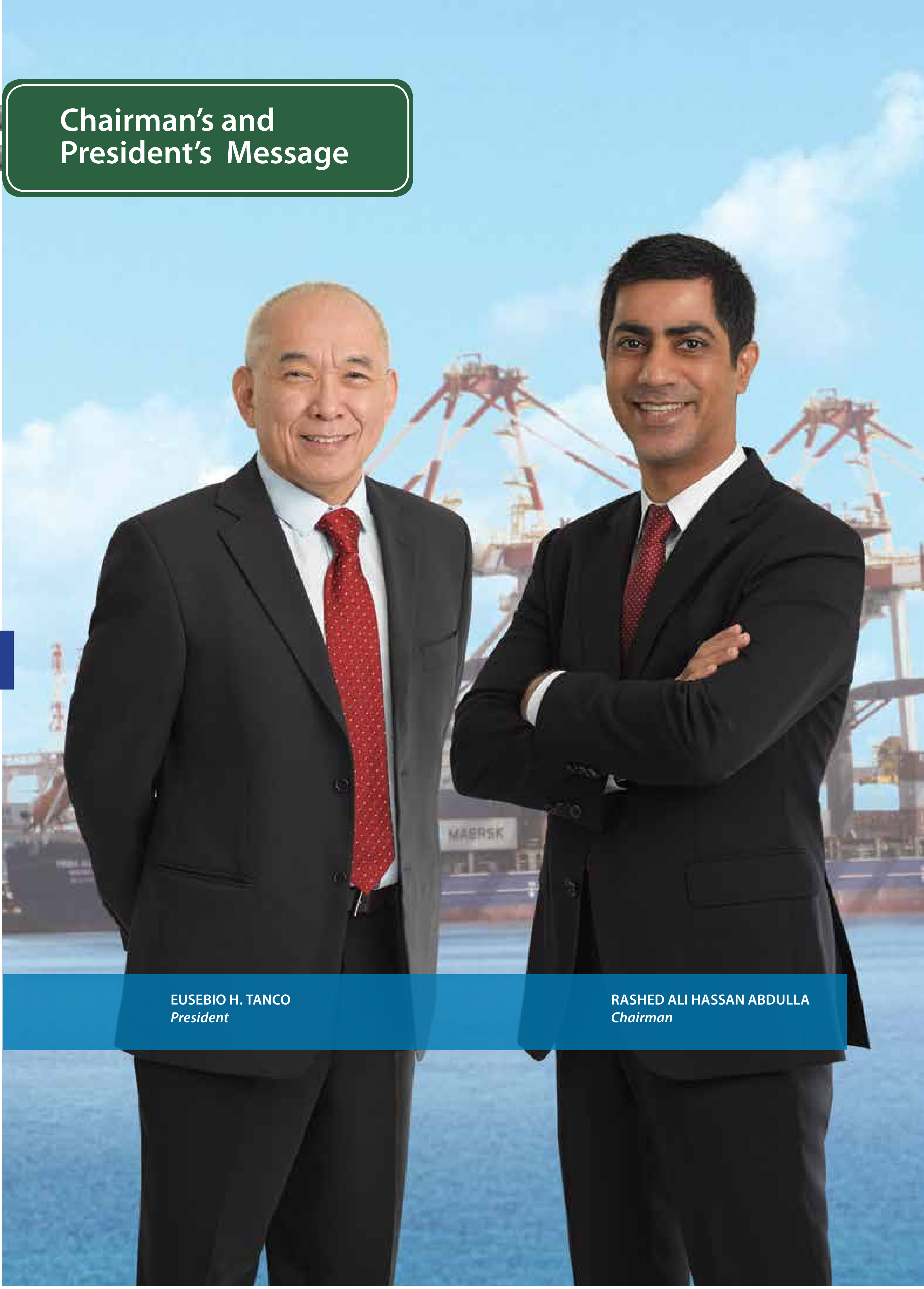
Mission

Anchored on our Balance Scorecard, ATI:
• Creates a learning and growth environment (People & Learning)
• Provides a satisfied and profitable customer experience (Customers)
• Develops efficient, safe and secure port operations methods (Operations)
• Drives sustained long-term shareholder value (Financial)

Values

• Commitment to our People and Customers
• Profitable Growth
• Responsible Personal and Corporate Behavior
• Excellence and Innovation
• Safety First, Safety Always

Chairman's and President's Message



EUSEBIO H. TANCO
President

RASHED ALI HASSAN ABDULLA
Chairman

The Philippines again demonstrated strength and resilience in 2014, maintaining its pace as the second fastest growing economy in Asia. This was achieved despite the major task of rebuilding in the aftermath of typhoon Yolanda (Haiyan) and amidst the Manila truck ban which disrupted the country's vigorous trade flow.

ATI navigated through last year's challenges by turning to our aggressively expanding asset base, our world class technologies and by innovation, while maximizing our diverse portfolio in Manila, Batangas, Laguna and South Cotabato to deliver uninterrupted ports and logistics services along the supply-chain.

Among our integrated port facilities, Batangas Port led the way. Setting the growth pace in our Company, Batangas delivered record volumes across all market segments, seeing international containerized cargoes grow by over 750 percent. This was followed by non-containerized cargoes, especially imported vehicles, which expanded by as much as 65 percent, while the number of handled passengers reached the 3.0 million mark.

Placed side-by-side with the respectable performance of our other business units, ATI successfully sustained its steady course towards greater growth and profitability.

Cognizant of this, we are proud to report that ATI continued to deliver strong financial results in 2014 bannered by Php8.2 billion in total revenues, up 25.4 percent from Php6.57 billion in 2013. The robust cash flow from our port business, along with foreign exchange gains, drove our net income to Php1.90 billion. Without the foreign exchange impact – as per accounting rules brought in from 2013 – net income would have been Php1.85 billion, up 17.8 percent from Php1.57 billion in 2013 on a like-for-like basis.

ATI's strong performance was likewise reflected in our traded stocks which hovered above Php11.0 apiece despite last year's uncertainties. Moreover, this demonstrates our capacity to consistently grow shareholder value and provide robust dividends to our stockholders, capped by releases of Php700 million in 2014.

Indeed, ATI has ended each year with a stronger balance sheet and robust cash flow backed by our operational discipline, our diligent cost management efforts and the careful execution of our business plans. This puts us on a more solid financial footing to further expand our existing facilities and target emerging local and international opportunities where we can deliver better services to customers and further grow value for our stockholders.

Aligned with this growth appetite, we are sustaining our Company's most aggressive capital spending in over three decades as we earmark a minimum of Php2.8 billion in 2015 for the acquisition of more equipment, development of additional yards and the rehabilitation of existing facilities.

2014 had been a very solid year for ATI and we thank our professional workforce for putting service quality, productivity, efficiency and safety at the core of their working lives.

We are likewise grateful to our customers, the port authority, industry federations and especially the cabinet cluster and government economic managers who worked with us tirelessly in coming up with timely and sensible interventions to improve the road environment.

We are confident of bringing ATI towards even greater heights of profitability and sustainability in the years ahead.

RASHED ALI HASSAN ABDULLA
Chairman

EUSEBIO H. TANCO
President

Message from the Executive Vice President

ANDREW R. HOAD
Executive Vice President

Asian Terminals Inc. maintained growth momentum in 2014 as our Company booked another outstanding overall performance and took steady strides towards greater sustainability and profitability.

2014 was especially a breakthrough year for our Batangas Port which saw robust international container volumes joining the traditionally strong business streams at the general stevedoring and passenger terminals. Our modern Batangas Container Terminal (BCT) stepped up its role as trade facilitator for Calabarzon (Cavite, Laguna, Batangas, Rizal and Quezon), handling a record volume of over 98,000 twenty-foot-equivalent units (TEUs), up by more than 750 percent from 2013.

We are delighted to note that to date in 2015 BCT has retained the significant majority of cargo which relocated from Manila during the prior year. This indicates importer and exporter acceptance of Batangas as South Luzon’s best alternative gateway port to open up new trade opportunities for the Calabarzon region.

Meanwhile, in Manila South Harbor, our most aggressive investment plan in Company history has delivered results. Our expanding terminal infrastructure and our fleet of rubber-tired gantries and side loaders, which have grown by 50 percent since 2012, provided greater operational capability and flexibility. Alongside continuous process improvements and the DP World Asset Management Program, this enabled us to better manage last year's tough operating circumstances.

As a result, ATI achieved solid throughput levels last year across market segments. We handled over 1.0 million TEUs of containerized cargoes, 1.4 million metric tons of non-containerized shipment, 3 million passengers, and 117,000 imported car units which make up the majority of domestic car sales. The vigorous performance of our business units translated to robust financial results capped by revenues growing to Php 8.2 billion and net income reaching Php1.85 billion, which puts us in an even firmer position to grow the business in the years ahead.

Last year's predicaments all the more underscored the importance of highly functional and free flowing trade gateways. While Manila's ports are adequately equipped and ready for future demand, external road infrastructure has continued to lag behind the country's growth pace. While awaiting ongoing road infrastructure to come online, ATI has turned to technology to develop lasting solutions for the benefit of the port industry.

Last year, we introduced our innovative container traffic light system which has since allowed our trucking partners to monitor the acceptance of empties at the port on a real-time basis, a major help for a highly import-oriented market where in every four inbound boxes, three empty containers have to be exported.

Bringing this a notch higher, ATI is moving closer to launching a comprehensive IT-powered Vehicle Booking System (VBS) which will further improve the operating environment for truckers over the long-term. Like airline booking systems, the VBS will align demand and capacity on a 24-hour basis without causing heavy traffic in Metro Manila. It will allow those who book to plan quicker, more cost-effective journeys and at the same time reduce the number of trucks on the road at any given time.

As we help keep the country's supply-chain running, we are also building our strength from within by boosting the talent stream of our growing organization. Our highly successful Graduate Management Program produced four fast-track managers last year who are now deployed and are actively contributing across ATI's portfolio. We are further expanding the program this year as we welcome more young talents into the Company's fold. Moreover, with the help of our training partners, the DP World Learning Institute, we continuously sharpened the skillset of our employees, especially in the fields of safety and leadership. We also continue to work hand-in-hand with our employees, especially our unions, in establishing a better and safer environment for our dockworkers.

Towards this end, we have worked tirelessly and passionately to maintain safe and secure terminals through the strict implementation of ATI's comprehensive Occupational Health, Safety, Environment and Security policy. As a result of this and with everybody's cooperation, our Reportable Injury Frequency Rate improved to 1.95 in 2014, as we continue to build on our safety performance which constantly aims for zero harm to people and property.

Finally, our Corporate Responsibility Programs in 2014 have contributed immensely to building more sustainable communities. This is built around the 5,400 volunteering hours of our employees last year as we helped build homes for typhoon Yolanda survivors, refurbished public schools in time for school opening, cleaned sea shores, planted trees, and participated in other advocacies. We have also sustained our highly successful Scholarship Program which now supports 152 students. Moreover, , we are helping build a bigger and safer foster home for abandoned infants cared for by the CRIBS Foundation, a leading child welfare institution.

Indeed, our organization has grown significantly in the course of the year and we thank ATI's valued customers, management, staff and stakeholders for the success of 2014. We look forward to attaining greater achievements as our Company marches forward into 2015.

ANDREW R. HOAD
Executive Vice President

Welcome to the Gateway Port of Opportunities

You are now entering ATI's most comprehensive port gateway for Southern Luzon connecting shippers to international and local markets at competitive service offerings. Welcome to your Batangas Port, where economic opportunities begin.

Batangas Container Terminal

Keeping Goods Flowing in Support of the Growing Economy

ATI's Batangas Container Terminal (BCT), the most modern international trade gateway of Southern Luzon, delivered its best performance in 2014 keeping the movement of goods flowing in support of the country's expanding economy.

Amid the logistics issues in Manila hubs due to the Manila truck ban, BCT readily stepped up its role as trade facilitator for Calabarzon (Cavite, Laguna, Batangas, Rizal and Quezon) and complemented Manila ports in efficiently linking shippers to regional and global markets.

BREAKTHROUGH VOLUME

Utilizing its two quay cranes, four rubber-tired gantries, and fleet of reach stackers, side loaders and trucks, ATI's modern terminal handled over 98,000 TEUs (twenty foot equivalent units) of international cargoes in 2014.

This represents an exponential growth of over 750 percent from 2013, sustaining the rising cargo trend which began picking up in 2012. The volume uptrend has continued into the first quarter of 2015, strongly indicating cargo stability and market acceptability for BCT from customers in Calabarzon hinterlands, the main market it strategically serves.

EXPANDING CLIENT BASE

While the marketing effort of ATI alongside ports and government authorities played its part, it was the strong locator demand that jumpstarted the phenomenal growth of BCT's volume in 2014. From a modest customer base in 2010, BCT now proudly serves numerous key accounts, representing the biggest local and multinational brands of consumer goods, industrial commodities, electronic peripherals, among others that reach the various parts of the world via Batangas.

The market connectivity provided by the international shipping line community which routed more services through BCT in 2014 was likewise instrumental. Services now reach throughout China, Northeast Asia and Southeast Asia dominated by intra-Asia shipping leader MCC Transport.

FUTURE GROWTH PLANS

Building on the momentum and looking into the future, ATI is further improving BCT's services and processes through continuous investment on equipment, facilities and technology, alongside the deployment more port personnel who bring with them exceptional international and local terminal management experience.

This was highlighted last year with the upgrade of BCT's terminal system to Navis Sparcs, the same system running the best and biggest marine terminals in the world. ATI also completed the dredging of the Batangas Port turn basin, deepening it to 13 meters, thus giving carriers the capability to optimize their loadings and maximize port rotation flexibility when planning new market connections for Batangas. More container handling equipment was likewise deployed in BCT in 2014, which will be followed through with the installation of more harbor assets, including new gantry cranes, over the next two years.

Fulfilling a complete turnaround from a terminal with sporadic activities, to one teeming with economic opportunities, BCT is well positioned to efficiently and effectively serve Calabarzon into the future while at the same time trickling down its benefits to the local community through employment, business and robust economic opportunities build around the terminal.

+98,000 TEUs
Annual Throughput

13 Meters
Batangas Port Turning Basin

Batangas Passenger and Cargo Terminal

Facilitating the Sea Transport and Trade of Southern Luzon

ATI's Batangas Port, the largest passenger and general cargo seaport outside Manila, sustained robust growth in 2014 as it continued to facilitate the sea transport and trade backbone of the Philippines.

Located at the bustling Port City of Batangas, ATI's Batangas Passenger and Cargo Terminal effectively links mainland Luzon with the rest of the country by delivering comprehensive service offerings for passengers, domestic containers, international non-containerized cargoes, vehicles, and supply base services for gas exploration companies.

BANNER PERFORMANCE

Sustaining its consistent upward trend, Batangas Port handled over 3.0 million out-bound passengers in 2014 and facilitated over 250,000 trucks, buses and other types of vehicles traversing the country's nautical highway system.

Passengers and rolling shipment are safely and conveniently served by the expanding fleet of fast crafts, Roll-on/Roll-off vessels and motorized outriggers plying the Mindoro, Marinduque, Romblon, Palawan (Mimaropa) and central Visayas routes 24/7.

Two air-conditioned passenger lounges equipped with security features, clean restrooms and food kiosks ensure the comfort and safety of passengers, while vehicles crossing to neighboring islands are securely kept and segregated from passengers in the port's dedicated staging areas.

PARTNER OF INDUSTRIES

Aside from serving the local maritime transport sector, Batangas Port reliably supports the booming industries of Batangas and nearby localities, handling their non-containerized commodities such as cars, steel and bagged cargoes, among others.

Batangas remains the biggest car-carrier port in the country. Last year, it facilitated the delivery of 117,000 units of completely-built imported vehicles for the

country's dominant car brands, accounting for more than half of the bullish car sales nationwide. This was 64 percent up from 2013. ATI will build a multi-level parking facility for imported cars in the terminal In support of the industry's robust growth.

Aside from these, Batangas Port serves as a supply base partner for the biggest natural gas producer in offshore Palawan which significantly contributes to the country's drive toward self-sufficiency in power and electricity.

Domestic containerized cargoes passing through the port likewise remained robust last year, growing by 170 percent to over 35,000 TEUs (twenty footer equivalent units) as ATI's major client continued to launch additional services covering the Batangas-Visayas route.

FUTURE PROOFING BATANGAS PORT

Encouraged by the port's promising growth, ATI has broad plans for the Batangas Port in response to emerging market demands and opportunities. In partnership with government, ATI envisions Batangas as a truly world-class port complex, aptly supporting the expanding economy of South Luzon, Mimaropa and nearby regions with strong focus on trade, transportation and tourism.

+3 Million
Domestic Passengers

117,000 CBUs
Imported Vehicles

South Harbor International Container Terminal

Sustaining Manila Port’s Momentum Amid Challenging Times

The Container Terminal Division (CTD), ATI’s operations backbone and among the country’s main trade engines, again performed well in 2014 amid the unprecedented logistics challenges brought about by the expanded Manila truck ban.

In close collaboration with port stakeholders, CTD handled nearly 900,000 TEUs (twenty-foot equivalent units) last year, almost equalling its throughput in 2013.

ASSET BUILD-UP

Since 2012, ATI has embarked on massive capital spending for CTD in preparation for future growth and by 2014 these assets have gained firm traction which proved valuable during such challenging times.

Such infrastructure that came through last year included CTD’s revitalized Pier 3 which is now equipped with three quay cranes, an extended quay rail and container backup space; expanded container yards adequately complemented by mobile container handling equipment; and the extended truck holding area which can now accommodate 250 trucks at a single time, among others.

To complement land-side developments, CTD’s container handling equipment has increased. Side-loader units have increased to 18 units, while Rubber-tired Gantry (RTG) cranes will be 23 units by the second quarter of 2015. This represents a 50 percent fleet expansion for both operations critical equipment since 2012.

TECHONOLGY ENHANCEMENT

Turning to technology, ATI developed its home-grown traffic light system for empty containers last year. Mimicking traffic lights on roads, the online system triggers green, yellow and red colors to indicate the availability of container slots for a particular shipping line. The system, which can be viewed through the Internet and on digital screens outside port gates, aids truckers in better planning trips to the port.

This is just the beginning as ATI is planning a comprehensive and highly sophisticated Vehicle Booking System (VBS) which will further improve operating environment for truckers by the end of 2015.

INNOVATIVE PRACTICES

CTD also enhanced processes within its direct operational control. As part of this, CTD improved the traffic flow of trucks inside the terminal and increased access gates to five for faster turn time. The gates which are specifically dedicated for laden, empty and export transactions also serve as ATI's contribution to improving traffic flow along roads leading to the ports mostly used by commuters.

Further, ATI maximized its terminal footprint to improve container flows. CTD's clearly delineated storage areas for empty and laden boxes allowed faster shifting of containers during vessel operations and truck-mounted deliveries. ATI's strategy was particularly effective in repositioning empty containers which overflowed in off-dock depots at the height of the truck ban. ATI evacuated over 390,000 TEUs of empty containers in 2014, a significant contribution to addressing the country's container trade imbalance where in every four laden box imports, three empty containers need to be shipped out.

900,000 TEUs
Annual Throughput

50%
increase in Container Handling Equipment since 2012

South Harbor General Stevedoring Terminal

Offering Service Versatility for Various Industries

General Stevedoring Division (GSD) demonstrates ATI's dynamic versatility in delivering world-class non-containerized cargo handling services for the construction, transport, utilities and tourism industries, which are considered among the pillars of the country's growing economy.

GSD's technical expertise plays an integral part in ATI's comprehensive service offerings in Manila South Harbor and remains the benchmark in general cargo handling services in the Philippines.

OPERATIONAL EXPERTISE

Operating in Manila South Harbor's Pier 15, GSD facilitated the safe discharge of non-containerized commodities such as steel, heavy-lifts, motorized vehicles, industrial cargoes and other essential commodities using industry compliant lifting gears, heavy-lift equipment, tractors, forklifts and its 70-ton floating crane barge. Apart from this, GSD conducted cargo operations along 18 designated anchorage areas within Manila Bay, providing operational flexibility for international freighters.

Despite the Manila expanded truck ban, GSD almost equalled its 2013 throughput, handling over 860,000 metric tons of high-valued commodities in 2014 dominated by imported steel, mining equipment and top-of-the-line vehicles.

Supporting general stevedoring activities in Manila South Harbor were GSD's revitalized terminal facilities, including two covered warehouses with more than 6,500 square meters of space for water-sensitive and high-value cargoes like copper and cold rolled steel, and open storage space of over 60,000 square meters.

SERVICE FLEXIBILITY

Further demonstrating its flexibility, GSD lent support to the growing tourism sector by ably accommodating cruise vessels docking in the Philippines. From six vessels in 2013, GSD handled 17 international cruise vessels in 2014 with liners taking full advantage of Manila South Harbor's proximity to the major historical and cultural sites within its periphery.

Aside from this, GSD also welcomed over 15 international military vessels from Canada, France, Indonesia, Japan, Korea, Australia, Vietman and the United States as they staged goodwill visits to foster stronger ties with the Philippines.

FUTURE PROJECTS

In support of the growing market for non-containerized cargoes, ATI is developing more backup spaces for use by GSD within the Manila South Harbor expanded port zone.

Additional cargo handling equipment with different load capacities are likewise scheduled for deployment soon.

All these will ensure that GSD sufficiently meets the service requirements by its industrial customers, especially as more infrastructure projects by both government and private sectors take shape in the future.

+860,000 MT
Cargo Throughput

+6,500 SQM
Covered Warehouse Space

Extending Port Excellence in Growing Markets

Beyond its main gateway in Manila and Batangas, ATI operates strategic facilities that bring quality cargo handling services conveniently closer to customers in high growth rural and urban markets.

INLAND CLEARANCE DEPOT

Located along the shoulders of the South Luzon Expressway via the Canlubang Exit, ATI's 4.2-hectare Inland Clearance Depot (ICD) in Calamba City, Laguna serves as a strategic dry port and a perfect supply-chain partner for the major industrial zones located in Cavite, Laguna and Batangas.

It is operationally linked to ATI's Manila South Harbor and the Batangas Container Terminal, just 50-kilometers north and south of the facility, hence providing neigboring consignees direct access to the country's main gateway ports.

As a duly authorized Customs-bonded facility, shipment arriving at both Manila and Batangas ports can be transferred immediately to ICD upon the request of Bureau of Customs-accredited consignees. While stored at the highly secured facility, clearances can be simultaneously processed through ICD's online release system and other shipment processes that are electronically linked to BOC's offices.

Aside from container storage, ICD provides superior logistics services from the port to the consignees' doorsteps. ICD takes care of container handling, trucking, brokerage, customs-clearing and other ancillary services, making it an ideal one-stop-shop partner for shippers. Meanwhile, in support of just-in-time production cycles, ICD can quickly deploy containers stored in its facility to manufacturing hubs upon the request of customers. These are delivered

on-board franchise trucks on stand-by 24/7. GPS systems mounted on trucks keep clients updated on the whereabouts of their shipments while in transit.

SOUTH COTABATO INTEGRATED PORT

ATI maintains its presence in southernmost Philippines through the South Cotabato Integrated Port. The port, managed and operated by the South Cotabato Integrated Port Services Inc. (SCIPSI) where ATI is a strategic investor, sits right at the heart of Saranggani Bay in the southern coast of Mindanao.

A modern multipurpose seaport with deep natural drafts and strategic location, the port serves as a pivotal marine infrastructure supporting local and international trade and bridges Mindanao into the growing market of the Southeast Asian region.

Last year, SCIPSI facilitated the delivery of more than 170,000 TEUs international and domestic containerized cargoes while it handled over 345,000 metric tons of non-containerized shipment.

STA. MESA CONTAINER YARD

The Sta. Mesa Container Yard is ATI's two-hectare off-dock facility offering valuable support for truckers and international shipping lines calling Manila South Harbor.

Located five kilometers from the port area, SMCY allows more methodical rotation for trucks letting them drop off empty containers at the facility before proceeding to Manila South Harbor to pick up laden boxes.

SMCY played a crucial role during the Manila truck ban in 2014 as it provided complementary container storage spaces for the industry amidst the limitation of commercial depots outside the ports. It also supported South Harbor's efforts in quickly repositioning and evacuating empty boxes on-board vessels.

Gearing Towards Greater Sustainability Through Asset Management

Aligned with its vision of becoming the country's premier port and logistics operator, Asian Terminals Inc. has embarked on its most aggressive capital expenditure plan in over three decades to support the robustly expanding Philippine economy.

Fuelling this investment drive is ATI's Asset Management Program (AMP), a comprehensive platform that brings together scientific and methodological world-best practices. Integrated company-wide, this ensures that ATI's high-valued assets are fully utilized and optimized, are at their peak performance to deliver the necessary service reliability and operational predictability expected by customers, and provide safe, secure and environmentally compliant working environment for its dockworkers and port users.

AMP is steered by ATI's Asset Management Committee (AMC) comprised of senior officers with local and global expertise in terminal operations, infrastructure development, financial management and engineering. Further, the program is aligned with the DP World Asset Management Centre of Excellence.

Like interlocking gears, ATI's assets function side-by-side in clock-work precision ushering the Company towards long-term sustainability.

Human Resources

Sustaining ATI's Growth Through Highly Empowered People

ATI's success story is based on its workforce, its most important asset, comprised of highly-skilled men and women crewing the waterfronts, operating world-class equipment and providing management, backroom and technical services that ultimately support a robust trade environment for the country and ensure long-term growth of the Company.

Cognizant of this, the Human Resource Department continuously endeavors to provide capability enhancement trainings, professional development opportunities and other relevant programs to sustain a safe, conducive and empowering work environment for ATI's over 1,500 personnel.

TRAININGS & EMPLOYEE ENGAGEMENT

Central to this is ATI's efforts to continually boost the talent stream of the organization. Last year, ATI's Learning and Development team logged over 23,000 training hours as internal trainers and external counterparts, including representatives from the DP World Learning Institute, supplemented employees' proficiency in the areas of leadership, safety and operations.

Training was headlined by the Bespoke Leadership and Personal Leadership Journey Training which aimed to transform high-potential employees into more proactive, assertive, adaptive and knowledgeable leaders. Other training include the Proactive Safety Training that boosted the safety leadership of frontline supervisors, the Incident Investigation Program, and others skills interventions for operations and office-based staff. More learning opportunities were made accessible to employees through DP World's expanded iLearn Program, an internet-based and self-driven facility which enables participants to train at their own pace at the convenience of their own workstations.

Meanwhile, the participation of employees in enhancing operational and administrative systems and improving safety, efficiency and financial performance for the company remained strong last year. More employees were recognized and rewarded for their innovative suggestions, excellent behavior, loyalty and safety leadership in the line of duty, values which the Company strongly espouses.

STRONG INDUSTRIAL RELATIONS

Harmonious labor relations were continuously fostered between ATI and its South Harbor unions last year as the Company further laid the groundwork for a more productive and supportive work environment. The successful conclusion of the collective bargaining agreements in 2014 between Management and AWU, ASTEU, SHIPCU and KAMADA demonstrated the commitment of the Company and its unions to work for mutually beneficial terms that would secure the long-term growth of both ATI and its workforce.

DIVERSITY AND WORK OPPORTUNITIES

Employee diversity makes good business sense for ATI as this helps the Company better understand diverse customers and develop new perspectives on ports and logistics services. This is the wisdom behind ATI's highly successful Graduate Management Training Program last year which has since produced four fast-track managers who are now deployed and are actively contributing across ATI's portfolio. Building on its positive results, ATI has launched follow through programs that are drawing some of the best and brightest young talents into the Company.

As the company has grown through the years, it has also grown in terms of providing more livelihood opportunities for the communities in which it operates. In the Port of Batangas alone, the number of employees increased by as much as 43 percent last year alongside the robust growth of ATI's most modern gateway port in Southern Luzon.

With these programs in place, ATI will continue to become a preferred employment destination which offers enriching, engaging and rewarding work environment and where professional advancement, career development and personal fulfilment thrive.

+1,500
Growing number of employees

+23,000
No. of training hours

Health, Safety Environment and Security

Managing Safe and Secure Ports for Stakeholders

Safety is the bedrock upon which ATI's port business is built upon. 2014 was particularly a strong year for Safety as ATI continuously broadened efforts and channelled considerable resources to upgrade its safety and security performance aligned with its comprehensive and world-class Occupational Health, Safety, Environment and Security (OHSES) Management Systems.

SAFETY LEADERSHIP & CULTURE

ATI knows fully that a solid safety culture springs from decisive leadership. As such, leading by example, senior management walks the talk and engages frontline dockworkers on safety performance. They take turns in conducting unannounced inspection in operational areas to observe processes and directly interact with dockworkers to reinforce safe behavior on-the-spot. Meanwhile, daily toolbox meetings or pre-flight checks which thoroughly evaluate the readiness of dockworkers and equipment before they are deployed are consistently practiced.

Part of ATI's safety culture is using the appropriate safety gears and personal protective equipment when entering port facilities. Reinforcing this safety message, huge motivational posters are displayed across the terminal showing children encouraging parents and other port users to work and come home safely.

SAFETY EQUIPMENT

Aside from regular trainings, the capability of ATI's Emergency Response Team's was further bolstered in 2014 with the acquisition of an additional fire truck equipped with advanced fire fighting apparatus and a high capacity water tanker. The team displayed its capability recently as they responded to a fire incident in a nearby port community.

Moreover, 10 new shuttle vans were acquired last year, all furnished with reflective markers, seatbelts and beacon lights to ensure the safe transit of dockworkers and customers within the terminal.

ENVIRONMENT

ATI also sustained efforts to minimize any adverse impact toward the environment. Last year, the Company acquired more fuel efficient and low emission mobile equipment in line with its Asset Management Program. These include rubber-tired gantries, side-loaders, reachstackers and

internal transfer vehicles which are equipped with backing-up warning devices.

Meanwhile, conversion of yard and equipment lights to more energy-saving lights and LED are coming through as scheduled. These produce brighter illumination with minimal electricity requirement which contribute to ATI's resource conservation efforts.

SECURITY AND ISO CERTIFICATIONS

As a testament to the stringent security measures it implements, ATI remains compliant to international standards on security, safety and environment. This includes the ISPS Code and the ISO 28000:2007 where ATI remains the only Philippine port operator to have been certified against the stringent requirements of the Supply Chain Security Management System. ATI is also certified for its Environment Management (ISO 14001:2004) and Occupational Health and Safety Management (OHSES 18001:2007) Systems.

Meanwhile, its subsidiary ATI Batangas Inc. (ATIB) achieved its Integrated Management System (IMS) certification last year in recognition for the quality, environment, health and safety management standards it implements at the Batangas Port, the busiest domestic and general cargo port gateway of South Luzon.

Altogether, these have contributed to making ATI's facilities among the safest and most secure ports in the Philippines to date. Rooted on the Company's shared and uncompromising commitment on safety, ATI maintained its zero-fatality status in 2014. The Company's Reportable Injury Frequency Rate (RIFR) improved to 1.95 in 2014 as a result of extensive safety campaign and strict implementation of ATI's comprehensive OHSES policy. This positive safety indicator was achieved through the active support, participation and cooperation of the Company's business units.

1.95
RIFR
Improved Safety Index

10
Shuttle Vans

Information Technology

Supporting Robust Growth Through Information Technology

For a business engaged in transporting high value cargoes and people 24/7, automated port systems spell the major difference in expanding operational capacity, increasing information security, and ultimately delivering quality service to customers. ATI's knows this fully and keeps upbeat to the latest technological developments to ensure that ATI's ports are able to seamlessly and uninterruptedly operate according to world-class standards while meeting the ever growing customer demand for safe, efficient and convenient shipping requirements.

Backed by its pioneering spirit, ATI sustains its port leadership in the sphere of Information Technology by introducing innovative solutions, investing in new systems and upgrading existing infrastructure to level-up it comprehensive port service offerings.

IT INNOVATION

Such leadership was best demonstrated by ATI at the height of the Manila truck ban in 2014 as it internally developed an automated container traffic light system which allows truckers to monitor the acceptance of empties at the port on a real-time basis.

Mimicking traffic lights on roads, the online system triggers green, yellow and red colors to indicate the availability of empty container slots at the port. Armed with this information, truckers can better plan turnaround trips to the port, saving on operating costs and helping ease road traffic conditions. The system can be viewed on digital boards on terminal gates or online via ATI's WebTrack facility.

Bringing this to a higher level, ATI is moving closer to launching a comprehensive IT-powered Vehicle Booking System (VBS) which would further improve operating environment for truckers over the long term. Like airport ticketing systems, the VBS gives trucks controlled 24-hour access to the ports without causing heavy traffic in Metro Manila. It will allow those who book to plan quicker, more cost-effective journeys and at the same time reduce the number of trucks on the road at any given time.

NEW SYSTEMS

Aside from these, ATI successfully completed its systems upgrade at Batangas Container Terminal (BCT) last year, equipping Southern Luzon's best port gateway with a more comprehensive operations infrastructure to support its rapidly growing container volumes. Interfaced with Navis Sparcs, the same sophisticated technology that drives leading terminals across the world, BCT's system offers an integrated platform for berth, yard, gate and customer processes resulting in faster terminal transactions.

SYSTEMS UPGRADE

Meanwhile, at Manila South Harbor, ATI continuously channelled significant resources to expand its IT infrastructure in line with the terminal's growth in capacity. Part of this is the widening of its wireless network and redundancy coverage and installation of additional Altai Wireless Access Points at the Container Terminal Division to support robust connectivity of equipment and handheld radio data transceivers with the terminal operations system.

Longer and more advanced fiber-optic cable backbone has also been laid for better connection between ATI's operational divisions and the Bureau of Customs, transitioning from the multi-mode fiber optic to single-mode fiber optic in preparation for the high speed 10-GbE standard connectivity.

Key pieces were also added into ATI's Data Center to keep Company's central nervous system fully functional 24/7. This includes the installation of new Canatal Precision Air-Conditioning Units at ATI Main and back-up data centers and space-saving uninterrupted power supply modules in critical areas throughout Manila South Harbor.

KEY IT STATISTICS

With all these upgrades in place, ATI's IT infrastructure delivered a nearly perfect 99.99 percent service availability in 2014. The fast exchange of data at a 20Gbps bandwidth from ATI's data center to end-users travels across its vast network of fiber-optic cables which has increased to 16.3 kilometers and other data infrastructure imbedded throughout ATI's ports. Meanwhile, its WiFi coverage spanning 1.82 square kilometers provides critical real-time support during ship-to-landside operations.

Put together, these form the critical and world-class IT infrastructure backbone of ATI, enabling it to deliver highly secure, reliable, and convenient solution to customers round-the-clock, 365 days a year.

99.99%
Service Availability

20 Gbps
Bandwidth Connection

Corporate Responsibility

Creating Self-Reliant Communities Through Corporate Citizenship

ATI has grown bigger in the realm of Corporate Responsibility in 2014 as it actively contributed to building sustainable communities through its programs. Well-aligned with DP World's Corporate Responsibility Framework anchored on Community, Environment, People & Safety, and Marketplace, ATI accumulated over 5,400 volunteering hours from various advocacies in 2014, the highest thus far recorded by ATI volunteers.

COMMUNITY DEVELOPMENT

Sustaining its support for post-Yolanda rehabilitation efforts, ATI sent its ATI DARES (Disaster Assistance and Reconstruction Service) volunteer corps in May last year to Tanauan, Leyte, the hardest hit coastal community in the Visayas which sustained 95 percent damages on town infrastructure. For a full week, ATI DARES – comprised of stevedores, equipment operators, supervisors and office-based personnel – traded port gears for shovels and trowels to take on manual masonry work. The team helped build 19 homes for super typhoon Yolanda survivors under Gawad Kalinga's Bayani Challenge project.

Aside from these, ATI employees also helped refurbish public schools near Manila and Batangas ports in preparation for school opening. ATI also donated ventilation systems, paints and other cleaning materials to sustain a conducive learning environment for elementary students.

Extending beyond the metropolis, ATI's CR programs has reached out to far-flung countryside communities. Together with Bahay ng Diyos Foundation, ATI has helped erect houses of worship in the far corners of the country which serve as foundation for culturally empowered and self-reliant communities.

YOUTH EMPOWERMENT

Believing in the power of education in building a nation, majority of ATI's social investments are channelled through ATI's highly successful Scholarship Program. This supports the education of qualified and deserving young dependents of ATI employees and surrounding port communities. In 2014 alone, ATI saw its number of scholars expand to 152 students from 123 the previous year. Scholars are in high school and college taking degrees in management, engineering, IT and health sciences.

As a perfect tie-in to its advocacy on youth empowerment, ATI committed last year to help build a bigger and safer foster home for abandoned and surrendered infants cared for by CRIBS Foundation, a leading child welfare institution.

From a single storey wooden structure, a new multi-level orphanage, to be named ATI DPWorld Cribs Child Welfare Center will soon rise in the suburb of Antipolo City, providing the children of CRIBS with a more conducive environment.

ENVIRONMENTAL PROTECTION

Protection and conservation of natural resources is second nature to ATI, especially as its business is dependent on the sea. As part of the zero-waste management program it espouses, ATI continues to put discarded materials into productive use, whenever and wherever possible. This is the same principle behind ATI's wastewater treatment plant, materials recovery facility, the use of water-efficient restrooms and energy efficient lights and the recycling of old vehicle batteries through accredited partners.

Aside from this, ATI employees actively take part in clean-up activities along the shores of Manila Bay and the Batangas Port in partnership with the local maritime community. ATI also sustains its commitment to reforest the La Mesa Watershed, the source of Metro Manila water, and its participation in the World Water Day, Earth Hour and other environmental advocacies.

5,400
Volunteer Hours

19 Houses
Built for Yolanda Survivors

Revenues for the year ended December 31, 2014 of ₱8,241.1 million grew by 25.4% from ₱6,573.5 million in 2013. Revenues were higher than last year due to the following: 1) higher international containerized cargo volumes in Batangas Container Terminal, up by 762.5% from last year; 2) higher volumes handled in Port of Batangas; and 3) higher revenues from Inland Clearance Depot. On the other hand, revenues from South Harbor international non-containerized cargo decreased by ₱1.4 million or 0.4% due to lower volume.

Cost and expenses in 2014 totaled ₱5,253.4 million, 29.0% higher than the ₱4,070.9 million in 2013. Port authorities' share in gross revenues increased by 48.4% to ₱1,655.2 million in 2014 from ₱1,115.6 million in 2013 following higher revenues. Labor costs went up by 12.6% to ₱978.9 million in 2014 from ₱869.1 million in 2013 due to increased manpower requirements to support higher volumes handled and salary rate increases. Depreciation and amortization in 2014 of ₱862.0 million were higher by 10.9% compared to ₱776.9 million in 2013 on account of additions to intangible assets and property and equipment. Equipment running costs grew by 12.8% to ₱541.6 million in 2014 from ₱480.1 million in 2013 due to higher repairs and maintenance and parts replacement costs for cargo handling equipment and higher fuel costs brought about by truck ban port congestion. Taxes and licenses of ₱215.6 million in 2014 went up by 27.6% from ₱169.0 million in 2013 due to higher realty tax on account of increased real property (land) valuation (Ordinance No. 8330), declaration of additional areas and equipment and higher tax rate. Security, health, environment and safety costs in 2014 increased by 57.1% to ₱152.4 million from ₱97.0 million in 2013 due to additional security posts for additional areas as part of expansion, truck ban port congestion management and increased industrial safety focus. Rentals of ₱171.0 million in 2014 rose by 85.1% from P92.4 million in 2013 due to higher equipment rentals relative to higher volumes and additional space rentals. Management fees in 2014 of ₱115.9 million were higher by 36.1% compared to ₱85.2 million in 2013 following higher net income. Facilities-related expenses in 2014 went up by 13.0% to ₱159.8 million from ₱141.5 million in 2013 due to higher utilities, lightings and building maintenance expenses, and higher IT costs. Professional fees in 2014 of ₱52.4 million were higher by 93.3% compared to ₱27.1 million in 2013 on account of higher consultancy and recruitment fees. Other expenses in 2014 totaled ₱227.7 million, up by 153.0% from ₱90.0 million last year, as last year included reversal of excess provisions for claims relating to cargo, labor, and civil cases and this year included higher expenses related to corporate responsibility and provisions for obsolescence.

On the other hand, Insurance in 2014 amounted to ₱74.9 million, 4.5% down from ₱78.5 million in 2013 due to lower property insurance premiums. General transport costs declined by 5.8% to ₱41.8 million in 2014 from ₱44.3 million in 2013 on account of lower trucking costs in Sta. Mesa Empty Depot.

Finance costs in 2014 increased by 14.8% to ₱540.5 million from ₱470.8 million in 2013 mainly due to higher interest expense on port concession rights payable. Finance income decreased by 39.7% to ₱32.2 million in 2014 from ₱53.4 million in 2013 due to lower interest rates for money market placements. Others-net amounted to ₱181.3 million while in 2013, Others-net amounted to negative ₱426.8 million. This account includes unrealized forex gains of ₱121.8 million in 2014 and unrealized forex losses of ₱524.9 million in 2013 resulting from revaluation of dollar-denominated concession rights payable. Also, this account includes fair value losses on a cash flow hedge, which commenced on July 1, 2014.

Income before income tax amounted to ₱2,660.7 million in 2014, 60.4% higher than ₱1,658.3 million in 2013. Provision for income tax in 2014 increased by 67.7% to ₱759.3 million from ₱452.8 million in 2013.

Net income for the year ended December 31, 2013 of ₱1,901.3 million was 57.7% above the ₱1,205.5 million last year. Earnings per share was up to P0.95 in 2014 from ₱0.60 in 2013. Without the foreign exchange impact – as per accounting rules brought in from 2013 – net income would have been ₱1,846.1 million, up 17.8% from ₱1,567.5 million in 2013 on a like-for-like basis.

Plans for 2015

Asian Terminals Inc. is continuously upgrading the efficiencies and capabilities of its containerized cargo, non-containerized cargo and passenger handling facilities in Manila and Batangas as it keeps these vital port assets responsive to the needs of major industries and supportive of the growth of Philippine economy.

At the core of this is ATI's programmed capital investments worth Php2.8 billion for 2015 with planned acquisition of more container-handling equipment, rehabilitation of piers, upgrade of port systems and technologies and development of new container storage areas within the Manila South Harbor expanded port zone. All these form part of ATI's investments commitments with the Philippine Ports Authority.

Aside from these, efforts in promoting the Batangas Container Terminal as the best alternative gateway to Manila ports will be continued, with keen focus on encouraging carriers to deploy network tonnage with a frequency required by shippers and appending market share in the Cavite, Laguna, Batangas, Rizal and Quezon (Calabarzon) region, for which the port was primarily built to serve.

Further, ATI is keeping its eyes open for more business growth drivers, including exploring new port operations locally or overseas, given the right opportunity. ATI shall continue to maximize its resources, its expertise and management capabilities in bringing its competencies where the growth potential is promising and where it could deliver greater value to its customers and stakeholders.

Consolidated Financial Condition

Total assets as of December 31, 2014 grew by 6.5% to ₱19,870.7 million from ₱18,649.3 million as of December 31, 2013. Total current assets as of December 31, 2014 increased by 27.5% to ₱4,723.2 million from ₱3,705.4 million as of December 31, 2013. Cash and cash equivalents of ₱3,606.9 million as of December 31, 2013 were higher by 31.2% compared to ₱2,750.1 million as of December 31, 2013. Trade and other receivables-net as of December 31, 2014 rose by 31.2% to ₱478.8 million from ₱365.0 million as of December 31, 2013 on account of higher revenues for the period. Spare parts and supplies-net as of December 31, 2014 of ₱194.3 million went up by 3.2% from ₱188.2 million as of December 31, 2013 in support of operational requirements and equipment maintenance program. Prepaid expenses of ₱443.2 million as of December 31, 2014 increased by 10.2% from ₱402.2 million as of December 31, 2013.

Total non-current assets amounted to ₱15,147.5 million as of December 31, 2014, 1.4% higher compared to ₱14,943.9 million as of December 31, 2013. Property and equipment-net grew by 33.3% to ₱455.6 million as of December 31, 2014 from ₱341.7 million as of December 31, 2013. Additions to property and equipment which were not subject of the service concession arrangement totaled ₱163.5 million. Intangible assets-net increased by 0.2% to ₱14,175.4 million as of December 31, 2014 from ₱14,153.2 million as of December 31, 2013. Acquisitions of intangible assets which consisted of civil works and cargo handling equipment that were subject of the service concession arrangement amounted to ₱853.0 million in 2014, which was partly offset by amortization for the period. Deferred tax assets-net went up by 26.6% to ₱386.9 million as of December 31, 2014 from ₱305.7 million as of December 31, 2013 resulting from the additional deferred tax on concession rights payable. Other noncurrent assets as of December 31, 2014 decreased by 18.0% to ₱70.2 million from ₱85.5 million as of December 31, 2013 due to amortization of input taxes on additions to property and equipment and intangible assets.

Total liabilities increased by 1.4% to ₱9,873.3 million as of December 31, 2014 from ₱9,734.0 million as of December 31, 2013. Trade and other payables as of December 31, 2014 totaled ₱1,861.7 million, 6.2% higher than ₱1,752.2 million as of December 31, 2013. Trade and other payables are covered by agreed payment schedules. Provision for claims went down by 2.5% to ₱50.8 million as of December 31, 2014 from ₱52.1 million as of December 31, 2013 due to settlement of claims. Income and other taxes payable went up by 23.9% to ₱209.6 million as of December 31, 2014 from ₱169.1 million as of December 31, 2013 on account of income tax for the period. Port concession rights payable (current and noncurrent) as of December 31, 2014 totaled ₱7,629.4 million, 0.8% below the ₱7,694.7 million as of December 31, 2013 due to payments of PPA fixed fees. Pension liability as of December 31, 2014 of ₱121.8 million were higher by 84.7% compared to ₱66.0 million as of December 31, 2013.

Consolidated Cash Flows

Net cash provided by operating activities amounted to ₱3,133.5 million in 2014, higher by 9.6% vs. ₱2,858.2 million in 2013 due to higher operating income.

Net cash used in investing activities in 2014 of ₱963.0 million were lower by 49.4% compared to ₱1,902.7 million in 2013. Last year included the initial recording of the concession rights asset (intangibles) following the change in accounting policy in relation to fixed concession fees.

Cash used in financing activities in 2014 of ₱1,309.6 million were 6.8% higher than the ₱1,226.4 million in 2013 mainly due to payments of PPA fixed fees for the period. Cash dividends paid in 2014 amounted to ₱700.0 million, the same amount paid in 2013.

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

Except as otherwise indicated, the adoption of the amendments to standards did not have any significant impact on the Group's consolidated financial statements.

- *Offsetting Financial Assets and Financial Liabilities* (*Amendments to* PAS 32). These amendments clarify that: (a) an entity currently has a legally enforceable right to set-off if that right is not contingent on a future event and enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties; and (b) gross settlement is equivalent to net settlement if and only if the gross settlement mechanism has features that eliminate or result in insignificant credit and liquidity risk and process receivables and payables in a single settlement process or cycle.
- *Recoverable Amount Disclosures for Non-Financial Assets* (*Amendments to* PAS 36). These narrow-scope amendments to PAS 36 address the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal. The amendments clarified that the scope of those disclosures is limited to the recoverable amount of impaired assets that is based on fair value less costs of disposal.

- *Novation of Derivatives and Continuation of Hedge Accounting* (*Amendments to* PAS 39). The amendments allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met (in this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one).
- *Philippine Interpretation IFRIC 21 Levies*. This interpretation provides guidance on accounting for levies in accordance with the requirements of PAS 37 *Provisions, Contingent Liabilities and Contingent Assets.* The interpretation confirms that an entity recognizes a liability for a levy when, and only when, the triggering event specified in the legislation occurs. An entity does not recognize a liability at an earlier date even if it has no realistic opportunity to avoid the triggering event. Other standards should be applied to determine whether the debit side is an asset or expense. Outflows within the scope of PAS 12 *Income Taxes*, fines and penalties, and liabilities arising from emission trading schemes are explicitly excluded from the scope.
- *Measurement of short-term receivables and payables (Amendment to PFRS 13).* Amendment to PFRS 13 is part of the Annual Improvement to PFRSs 2010-2012 Cycle. The amendment clarifies that, in issuing PFRS 13 and making consequential amendments to PAS 39 and PFRS 9, the intention is not to prevent entities from measuring short-term receivables and payables that have no stated interest rate at their invoiced amounts without discounting, if the effect of not discounting is immaterial. The amendment to PFRS 13 is effective immediately.

New or Revised Standards and Amendments to Standards Not Yet Adopted

A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2014. However, the Group has not applied the following new standard in preparing these consolidated financial statements. PFRS 9 is not expected to have a significant impact on the Group's consolidated financial statements.

- PFRS 9 *Financial Instruments*. PFRS 9, published in July 2014, replaces the existing guidance in PAS 39 *Financial Instruments*: *Recognition and Measurement*. PFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from PAS 39. PFRS is effective for annual reporting periods beginning on or after January 1, 2018, with early adoption permitted.

The following new or amended standards are not expected to have a significant impact on the Group's consolidated financial statements:

- *Clarification of Acceptable Methods of Depreciation and Amortization* (Amendments to PAS 16 and PAS 38).
- *Annual Improvements to* PFRSs 2010-2012 Cycle.
- *Annual Improvements to* PFRSs 2011-2013 Cycle.

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 22 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 2015 is ₱2.8 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 2014:

- ATIB's total assets were only 4.2% of the consolidated total assets
- Income before other income and expense from ATIB was only 9.0% of consolidated income before other income and expense.[1]

Consolidated KPI	Manner of Calculation	2014	2013	Discussion
Return on Capital Employed	Percentage of income before interest and tax over capital employed	17.4%	15.3%	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	20.1%	13.9%	Increase due to higher net income.
Current ratio	Ratio of current assets over current liabilities	2.09 : 1.00	1.77 : 1.00	Increase due to higher current asset.
Asset to equity ratio	Ratio of total assets over equity attributable to equity holders of the parent	1.99 : 1.00	2.09 : 1.00	Decrease due to higher equity.
Debt to equity ratio	Ratio of total liabilities over equity attributable to equity holders of the parent	0.99 : 1.00	1.09 : 1.00	Decrease due to higher equity.
Days Sales in Receivables (DSR)	Gross trade receivables over revenues multiplied by number of days	12 days	15 days	Due to improved collection efforts.
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.	1.95	2.24	Improved as a result of extensive safety campaign and strict implementation of policy on health, safety and environment.

Summary of Selected Financial Data (in millions)

Description	Year ended December 31, 2014	Year ended December 31, 2013
Revenues	**P8,241.1**	P6,573.5
Net income	**1,901.3**	1,205.5
Total assets	**19,870.7**	18,649.3
Total liabilities	**9,873.3**	9,734.0

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.

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

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 as at December 31, 2014 and 2013 and for each of the three years in the period ended December 31, 2014, including the additional components attached therein, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

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

RASHED ALI HASSAN ABDULLA
Chairman of the Board

EUSEBIO H. TANCO
President

JOSE TRISTAN P. CARPIO
Chief Financial Officer

Report of Independent Auditors

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

We have audited the accompanying consolidated financial statements of Asian Terminals, Inc. and a Subsidiary, which comprise the consolidated statements of financial position as at December 31, 2014 and 2013, 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, 2014, and notes, comprising a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Philippine Financial Reporting Standards, 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Asian Terminals, Inc. and a Subsidiary as at December 31, 2014 and 2013, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2014, in accordance with Philippine Financial Reporting Standards.

R.G. MANABAT & CO.

ENRICO E. BALUYUT
Partner
CPA License No. 065537
SEC Accreditation No. 1177-A, Group A, valid until March 31, 2015
Tax Identification No. 131-029-752
BIR Accreditation No. 08-001987-26-2014
Issued September 26, 2014; valid until September 25, 2017
PTR No. 4748099MC
Issued January 5, 2015 at Makati City

March 10, 2015
Makati City, Metro Manila

ASIAN TERMINALS, INC. AND A SUBSIDIARY

Consolidated Statements of Financial Position

(In Thousands)

	Note	December 31 2014	2013
ASSETS			
Current Assets			
Cash and cash equivalents	*6, 24*	**₱3,606,926**	₱2,750,116
Trade and other receivables - net	*7, 24*	**478,795**	364,982
Spare parts and supplies		**194,263**	188,155
Prepaid expenses	*8*	**443,250**	402,152
Total Current Assets		**4,723,234**	3,705,405
Noncurrent Assets			
Investment in an associate	*9*	**59,374**	57,713
Property and equipment - net	*10*	**455,625**	341,718
Intangible assets - net and goodwill	*11*	**14,175,435**	14,153,233
Deferred tax assets - net	*13*	**386,883**	305,681
Other noncurrent assets	*12*	**70,179**	85,548
Total Noncurrent Assets		**15,147,496**	14,943,893
		₱19,870,730	₱18,649,298
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	*14, 19*	**₱1,861,686**	₱1,752,178
Provisions for claims	*15*	**50,750**	52,060
Port concession rights payable - current portion	*24*	**134,029**	124,782
Income and other taxes payable		**209,567**	169,080
Total Current Liabilities		**2,256,032**	2,098,100
Noncurrent Liabilities			
Port concession rights payable - net of current portion	*24*	**7,495,409**	7,569,891
Pension liability	*20*	**121,829**	65,974
Total Noncurrent Liabilities		**7,617,238**	7,635,865
		9,873,270	9,733,965
Equity			
Equity Attributable to Equity Holders of the Parent Company	*16*		
Capital stock		**₱2,000,000**	₱2,000,000
Additional paid-in capital		**264,300**	264,300
Retained earnings		**7,841,267**	6,653,749
Hedging reserve		**(106,838)**	-
Fair value reserve		**(5,820)**	(5,820)
		9,992,909	8,912,229
Non-controlling Interest		**4,551**	3,104
Total Equity		**9,997,460**	8,915,333
		₱19,870,730	₱18,649,298

See Notes to the Consolidated Financial Statements.

ASIAN TERMINALS, INC. AND A SUBSIDIARY

Consolidated Statements of Income

(In Thousands, Except Per Share Data)

		Years Ended December 31		
	Note	2014	2013	2012
REVENUES FROM OPERATIONS	2	**₱8,241,095**	₱6,573,492	₱6,227,660
COSTS AND EXPENSES	17, 19, 20	**(5,253,420)**	(4,070,918)	(3,845,896)
OTHER INCOME AND EXPENSES				
Finance cost	18	**(540,493)**	(470,845)	(240,303)
Finance income	18	**32,217**	53,408	68,660
Others - net	18	**181,270**	(426,847)	178,744
		(327,006)	(844,284)	7,101
CONSTRUCTION REVENUES	11	**853,046**	1,614,984	823,714
CONSTRUCTION COSTS	11	**(853,046)**	(1,614,984)	(823,714)
		-	-	-
INCOME BEFORE INCOME TAX		**2,660,669**	1,658,290	2,388,865
INCOME TAX EXPENSE	13			
Current		**789,823**	645,878	668,256
Deferred		**(30,475)**	(193,109)	15,543
		759,348	452,769	683,799
NET INCOME		**₱1,901,321**	₱1,205,521	₱1,705,066
Income Attributable to				
Equity Holders of the Parent Company		**₱1,899,055**	₱1,203,539	₱1,703,447
Non-controlling interest		**2,266**	1,982	1,619
		₱1,901,321	₱1,205,521	₱1,705,066
Basic/Diluted Earnings per Share Attributable to Equity Holders of the Parent Company	21	**₱0.95**	₱0.60	₱0.85

See Notes to the Consolidated Financial Statements.

ASIAN TERMINALS, INC. AND A SUBSIDIARY

Consolidated Statements of Comprehensive Income

(In Thousands)

		Years Ended December 31		
	Note	**2014**	2013	2012
NET INCOME FOR THE YEAR		**₱1,901,321**	₱1,205,521	₱1,705,066
OTHER COMPREHENSIVE INCOME				
Item that will never be reclassified to profit or loss				
Remeasurement of pension liability (asset)	*20*	**(16,466)**	101,848	(75,982)
Tax on item taken directly to equity	*13*	**4,940**	(30,554)	22,795
		(11,526)	71,294	(53,187)
Items that are or may be reclassified to profit or loss				
Cash flow hedge - effective portion		**(167,881)**	-	-
Cash flow hedge - reclassified to profit or loss		**15,256**	-	-
Tax on items taken directly to equity		**45,787**	-	-
	16	**(106,838)**	-	-
OTHER COMPREHENSIVE INCOME FOR THE YEAR -				
Net of tax		**(118,364)**	71,294	(53,187)
TOTAL COMPREHENSIVE INCOME		**₱1,782,957**	₱1,276,815	₱1,651,879
Total Comprehensive Income Attributable to				
Equity Holders of the Parent Company		**₱1,780,680**	₱1,274,787	₱1,650,278
Non-controlling interest		**2,277**	2,028	1,601
		₱1,782,957	₱1,276,815	₱1,651,879

See Notes to the Consolidated Financial Statements.

Consolidated Statements of Changes in Equity

(In Thousands, Except Per Share Data)

Years Ended December 31

	Note	Capital Stock	Additional Paid-in Capital	Retained Earnings: Appropriated for Port Development	Retained Earnings: Unappropriated	Hedging Reserve	Fair Value Reserve	Total	Non-controlling Interest	Total Equity
		Attributable to Equity Holders of the Parent Company								
Balance at January 1, 2014		**₱2,000,000**	**₱264,300**	**₱4,700,000**	**₱1,953,749**	**₱-**	**(₱5,820)**	**₱8,912,229**	**₱3,104**	**₱8,915,333**
Cash dividends - ₱0.35 a share for ATI	*16*	**-**	**-**	**-**	**(700,000)**	**-**	**-**	**(700,000)**	**(830)**	**(700,830)**
Appropriations during the year	*16*	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Net income for the year		**-**	**-**	**-**	**1,899,055**	**-**	**-**	**1,899,055**	**2,266**	**1,901,321**
Other comprehensive income										
Actuarial loss - net of tax		**-**	**-**	**-**	**(11,537)**	**-**	**-**	**(11,537)**	**11**	**(11,526)**
Cash flow hedge - effective portion - net of tax	*16*	**-**	**-**	**-**	**-**	**(117,517)**	**-**	**(117,517)**	**-**	**(117,517)**
Cash flow hedge - reclassified to profit or loss - net of tax	*16*	**-**	**-**	**-**	**-**	**10,679**	**-**	**10,679**	**-**	**10,679**
Balance at December 31, 2014		**₱2,000,000**	**₱264,300**	**₱4,700,000**	**₱3,141,267**	**(₱106,838)**	**(₱5,820)**	**₱9,992,909**	**₱4,551**	**₱9,997,460**
Balance at January 1, 2013		₱2,000,000	₱264,300	₱1,000,000	₱5,093,143	₱-	(₱5,820)	₱8,351,623	₱1,906	₱8,353,529
Prior period adjustments		-	-	-	(14,181)	-	-	(14,181)	-	(14,181)
Cash dividends - ₱0.35 a share for ATI	*16*	-	-	-	(700,000)	-	-	(700,000)	(830)	(700,830)
Appropriations during the year	*16*	-	-	3,700,000	(3,700,000)	-	-	-	-	-
Net income for the year		-	-	-	1,203,539	-	-	1,203,539	1,982	1,205,521
Other comprehensive income										
Actuarial gain - net of tax		-	-	-	71,248	-	-	71,248	46	71,294
Balance at December 31, 2013		₱2,000,000	₱264,300	₱4,700,000	₱1,953,749	₱-	(₱5,820)	₱8,912,229	₱3,104	₱8,915,333

Years Ended December 31

	Capital Stock	Additional Paid-in Capital	Retained Earnings: Appropriated for Port Development	Retained Earnings: Unappropriated	Fair Value Reserve	Total	Non-controlling Interest	Total Equity
	Attributable to Equity Holders of the Parent Company							
Balance at January 1, 2012	₱2,000,000	₱264,300	₱1,000,000	₱4,042,865	(₱5,820)	₱7,301,345	₱1,135	₱7,302,480
Cash dividends - ₱0.30 a share for ATI	-	-	-	(600,000)	-	(600,000)	(830)	(600,830)
Net income for the year	-	-	-	1,703,447	-	1,703,447	1,619	1,705,066
Other comprehensive income								
Actuarial loss - net of tax	-	-	-	(53,169)	-	(53,169)	(18)	(53,187)
Balance at December 31, 2012	₱2,000,000	₱264,300	₱1,000,000	₱5,093,143	(₱5,820)	₱8,351,623	₱1,906	₱8,353,529

See Notes to the Consolidated Financial Statements.

ASIAN TERMINALS, INC. AND A SUBSIDIARY

Consolidated Statements of Cash Flows

(In Thousands)

			Years Ended December 31	
	Note	2014	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		**₱2,660,669**	₱1,658,290	₱2,388,865
Adjustments for:				
Depreciation and amortization	10, 11	**861,976**	776,926	720,506
Finance cost	18	**540,493**	470,845	240,303
Finance income	18	**(32,217)**	(53,408)	(68,660)
Contributions to retirement funds	20	**-**	(28,036)	(2,597)
Net unrealized foreign exchange (gains) losses		**(117,726)**	523,061	(128,752)
Equity in net earnings of an associate	9	**(34,618)**	(29,333)	(23,568)
Gain on disposals of:				
Property and equipment		**(2,279)**	(7,288)	(625)
Intangible assets		**(1,588)**	-	51
Loss on retirement of intangible assets		**17,273**	-	-
Amortization of noncurrent prepaid rental		**984**	984	984
Provisions for inventory obsolescence		**10,434**	-	-
Operating income before working capital changes		**3,903,401**	3,312,041	3,126,507
Decrease (increase) in:				
Trade and other receivables	7	**(111,788)**	(81,931)	76,660
Spare parts and supplies		**(16,542)**	4,476	(21,952)
Prepaid expenses	8	**(41,098)**	(178,577)	150,637
Increase (decrease) in:				
Trade and other payables	14	**150,568**	498,396	(341,074)
Provisions for claims	15	**(1,310)**	(29,808)	(6,161)
Income and other taxes payable		**(3,778)**	(8,359)	(5,002)
Cash generated from operations		**3,879,453**	3,516,238	2,979,615
Finance income received		**29,053**	53,664	67,826
Finance cost paid		**(382)**	(14,045)	(1,988)
Income tax paid		**(745,558)**	(644,001)	(653,743)
Net cash provided by operating activities		**3,162,566**	2,911,856	2,391,710
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of:				
Property and equipment	10	**(₱163,471)**	(₱82,619)	(₱92,070)
Intangible assets	11	**(853,046)**	(1,896,984)	(823,714)
Decrease (increase) in other noncurrent assets		**20,457**	12,801	23,129
Proceeds from disposals of:				
Property and equipment		**2,332**	27,334	625
Intangible assets		**2,694**	-	1,162
Increase in deposits		**(4,933)**	(835)	(1,876)
Dividends received		**32,957**	37,614	17,911
Net cash used in investing activities		**(963,010)**	(1,902,689)	(874,833)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments of:				
Cash dividends	16	**(700,000)**	(700,000)	(600,000)
Cash dividends to non-controlling interest		**(830)**	(830)	(830)
Port concession rights payable		**(637,801)**	(579,275)	(402,651)
Net cash used in financing activities		**(1,338,631)**	(1,280,105)	(1,003,481)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**860,925**	(270,938)	513,396
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**(4,115)**	1,864	(7,181)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	6	**2,750,116**	3,019,190	2,512,975
CASH AND CASH EQUIVALENTS AT END OF YEAR	6	**₱3,606,926**	₱2,750,116	₱3,019,190

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

P & O Management Services Phils., Inc. (POMS) manages ATI by virtue of a management agreement (see Note 19). Forty percent of the outstanding capital stock of POMS is owned by DP World Australia (POAL) Limited. POAL directly owns 17.32% of the total outstanding capital stock of ATI.

2. OPERATING CONTRACTS

Following are the Group's operating contracts:

a. South Harbor, Port of Manila

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

b. Port of Batangas

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 October 19, 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 Fast Craft Passenger Terminal.

A Lease Agreement for the management and operation of additional assets and facilities in Phase I was signed with PPA effective August 1, 2009 until October 20, 2015. Pursuant to this Lease Agreement, the Passenger Terminal Building 2 was turned over to ATIB in May 2010.

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.

3. BASIS OF PREPARATION

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

The accompanying consolidated financial statements were authorized for issue by the Board of Directors (BOD) on March 10, 2015.

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:

- available-for-sale (AFS) financial assets measured at fair value; and
- net pension (asset) liability measured at the 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 Parent Company's functional currency. All amounts have been rounded to the nearest thousand pesos (P000), except when otherwise indicated.

Basis of Consolidation
The consolidated financial statements comprise the financial statements of ATI and ATIB as at December 31, 2014 and 2013. ATIB is a 98.82% owned subsidiary. The financial statements of ATIB are prepared for the same financial reporting year as ATI, using uniform accounting policies for like transactions and other events in similar circumstances.

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

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

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

4. SIGNIFICANT ACCOUNTING POLICIES

The Group has consistently applied the accounting policies to all periods presented in these consolidated financial statements.

The Group has adopted amendments to standards and interpretations, including any consequential amendments to other standards, with date of initial application of January 1, 2014.

Adoption of New or Revised Standards, Amendments to Standards and Interpretation
The adoption of the following amendments to standards and interpretation did not have any impact on the Group's financial statements.

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

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

- *Novation of Derivatives and Continuation of Hedge Accounting (Amendments to* PAS 39*).* The amendments allow hedge accounting to continue in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of laws or regulation, if specific conditions are met (in this context, a novation indicates that parties to a contract agree to replace their original counterparty with a new one).

- *Philippine Interpretation* IFRIC 21 *Levies*. This interpretation provides guidance on accounting for levies in accordance with the requirements of PAS 37, *Provisions, Contingent Liabilities and Contingent Assets*. The interpretation confirms that an entity recognizes a liability for a levy when, and only when, the triggering event specified in the legislation occurs. An entity does not recognize a liability at an earlier date even if it has no realistic opportunity to avoid the triggering event. Other standards should be applied to determine whether the debit side is an asset or expense. Outflows within the scope of PAS 12, *Income Taxes*, fines and penalties, and liabilities arising from emission trading schemes are explicitly excluded from the scope.

- *Measurement of short-term receivables and payables (Amendment to PFRS 13).* Amendment to PFRS 13 is part of the Annual Improvement to PFRSs 2010-2012 Cycle. The amendment clarifies that, in issuing PFRS 13 and making consequential amendments to PAS 39 and PFRS 9, the intention is not to prevent entities from measuring short-term receivables and payables that have no stated interest rate at their invoiced amounts without discounting, if the effect of not discounting is immaterial. The amendment to PFRS 13 is effective immediately.

New or Revised Standards and Amendments to Standards Not Yet Adopted
A number of new standards and amendments to standards are effective for annual periods beginning after January 1, 2014. However, the Group has not applied the following new standard in preparing these consolidated financial statements. PFRS 9 is not expected to have a significant impact on the Group's financial statements.

- PFRS 9, *Financial Instruments*. PFRS 9, published in July 2014, replaces the existing guidance in PAS 39, *Financial Instruments: Recognition and Measurement*. PFRS 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from PAS 39. PFRS is effective for annual reporting periods beginning on or after January 1, 2018, with early adoption permitted.

The following new or amended standards are not expected to have a significant impact on the Group's financial statements:

- *Clarification of Acceptable Methods of Depreciation and Amortization* (Amendments to PAS 16 and PAS 38).
- *Annual Improvements to* PFRSs 2010-2012 Cycle.
- *Annual Improvements to* PFRSs 2011-2013 Cycle.
- *Annual Improvements to* PFRSs 2012-2014 Cycle.

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

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

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

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

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

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

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

The Group's cash and cash equivalents, trade and other receivables and deposits are included in this category (see Notes 6, 7, 12 and 24).

The combined carrying amounts of financial assets under this category amounted to P4.1 billion and P3.1 billion as at December 31, 2014 and 2013, respectively (see Note 24).

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

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

The Group's investments in quoted and unquoted shares are included under "AFS financial assets" account classified under this category (see Note 12).

The carrying amount of financial assets under this category amounted to P2.7 million as at December 31, 2014 and 2013 (see Note 24).

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

Included in this category is the Group's trade and other payables and port concession rights payable (see Notes 14 and 24).

The combined carrying amounts of financial liabilities under this category amounted to P9.5 billion and P9.4 billion as at December 31, 2014 and 2013, respectively (see Note 24).

<u>Derecognition of Financial Assets and Liabilities</u>
Financial Assets. A financial asset (or, where applicable a part of a financial asset or part of a group of financial assets) is derecognized when:

- the right to receive cash flows from the asset has expired; or

- the Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a "pass-through" arrangement; or

- the Group has transferred its rights to receive cash flows from the asset and either: (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred the control of the asset.

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

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or expired. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognized in profit or loss.

<u>Impairment of Financial Assets</u>
The Group assesses at each reporting date whether a financial asset or group of financial assets is impaired.

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

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

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

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

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

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

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

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

<u>Offsetting Financial Instruments</u>
Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statements of financial position if, and only if, there is a currently enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously. This is not generally the case with master netting agreements, and the related assets and liabilities are presented gross in the consolidated statements of financial position.

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

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

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

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

<u>Investment in an Associate</u>
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. Significant influence is presumed to exist when the Group holds between 20 and 50 percent of the voting power of another entity.

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 of the associate after the date of acquisition. The Group's share in the profit or loss of the associate is recognized in the Group's statement 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.

<u>Property and Equipment</u>
Property and equipment are stated at cost less accumulated depreciation and amortization and any accumulated impairment in value. 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	5 years
Transportation and other equipment	4 - 5 years

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

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

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

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

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

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

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

Port concession rights consist of:

a. Upfront fees payments on the concession contracts;

b. The cost of port infrastructure constructed and port equipment purchased, which are not recognized as property and equipment of the Group but as intangible asset; and

c. Future fixed fee considerations in exchange for license or right. Fixed fees are recognized at present value using the discount rate at the inception date with a corresponding liability recognized. Interest on the unwinding of discount of the liability 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 economic lives, 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 economic lives ranging from 2 to 25 years.

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

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

Impairment of Non-financial Assets
The carrying amounts of investment in an associate, property and equipment and intangible assets 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 capital shares are recognized as a deduction from equity, net of any tax effects.

Additional Paid-in Capital

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

Retained Earnings and Dividend Distribution

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

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

Other Comprehensive Income

Other comprehensive income are items of income and expense that are not recognized in profit or loss as required or permitted by the related accounting standards.

Revenue, Cost and Expense Recognition

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

Revenues from Operations

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

Construction Revenues and Costs

The Group recognizes revenue related to construction and upgrade of services under service concession arrangement based on the stage of completion of work performed in accordance with PAS 11, *Construction Contracts.* The fair value of the construction and upgrade services provided is equal to the recorded cost of the intangible asset built up from day one until the construction activity ceases.

Cost and Expense Recognition

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

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.

Pensions

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

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

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

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

Foreign Currency Transactions

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

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

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

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

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

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

Current Tax. Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates 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 income tax liabilities are not provided on non-taxable temporary differences associated with investments in a domestic subsidiary and an associate.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realized or the liability is settled, based on tax rates 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.

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

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

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

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

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

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

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

Events After the Reporting Date
Post year-end events that provide additional information about the Group's 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 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.

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

Port Concession Rights and Port Concession Rights Payables. 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 fee considerations in exchange for license or right. Fixed fees are 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 to consolidated statements of income amounted to ₱171.0 million, ₱92.4 million and ₱62.6 million in 2014, 2013 and 2012, respectively (see Note 17).

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

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

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

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

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

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

Allowance for Impairment Losses on Trade and Other Receivables. Provisions are made for specific and groups of accounts, where objective evidence of impairment exists. The Group evaluates these accounts on the basis of factors that affect the collectibility of the accounts. These factors include, but are not limited to, the length of the Group's relationship with the customers and counterparties, the customers' current credit status based on third party credit reports and known market forces, average age of accounts, collection experience, and historical loss experience. The amount and timing of recorded expenses for any period would differ if the Group made different judgments or utilized different methodologies. An increase in allowance for impairment losses would increase the recorded operating expenses and decrease current assets.

The allowance for impairment losses amounted to ₱23.6 million as at December 31, 2014 and 2013, respectively. The carrying amounts of trade and other receivables amounted to ₱478.8 million and ₱365.0 million as at December 31, 2014 and 2013, respectively (see Note 7).

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 the assistance of outside legal counsel.

The carrying amounts of the provisions for claims amounted to ₱50.8 million and ₱52.1 million as at December 31, 2014 and 2013, respectively (see Note 15).

Estimated Useful Lives of Property and Equipment and Intangible Assets with Definite Useful Lives.
The Group reviews annually the estimated useful lives of property and equipment and intangible assets with definite useful lives based on expected asset utilization, market demands and future technological developments consistent with the Group's pursuit of constant modernization of equipment fleet to ensure the availability, reliability and cost-efficiency of the equipment. It is possible that the factors mentioned may change in the future, which could cause a change in estimated useful lives. A reduction in the estimated useful lives could cause a significant increase in depreciation and amortization of property and equipment and intangible assets with definite useful lives.

The carrying amount of property and equipment amounted to ₱455.6 million and ₱341.7 million as at December 31, 2014 and 2013, respectively (see Note 10). The carrying amount of intangible assets with definite useful lives amounted to P14.1 billion as at December 31, 2014 and 2013, respectively (see Note 11).

Asset Impairment. The Group assesses impairment on property and equipment, intangible assets with definite useful lives and investment in an associate whenever events or changes in circumstances indicate that the carrying amount of the asset may no longer be recoverable. The factors that the Group considers important which could trigger an impairment review include the following:

- significant underperformance related to the expected or projected operating results;
- significant changes in the manner of use of the assets; and
- significant negative industry or economic trends.

The Group determined that there are no impairment indicators related to its property and equipment, intangible assets with definite useful lives and investment in an associate.

The carrying amount of investment in an associate amounted to ₱59.4 million and ₱57.7 million as at December 31, 2014 and 2013, respectively (see Note 9). There were no accumulated impairment losses as at December 31, 2014 and 2013 (see Notes 9, 10 and 11).

Impairment of Goodwill. The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of ATIB, the cash-generating unit to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

The carrying amount of goodwill amounted to ₱42.1 million as at December 31, 2014 and 2013 (see Note 11). There are no impairment losses as at December 31, 2014 and 2013.

Deferred Tax Assets. Management uses judgment in reviewing the carrying amount of deferred tax assets. Deferred tax assets are reviewed at each reporting date and reduced to the extent that is no longer probable that sufficient taxable profit will be available to allow all or part of such deferred tax assets to be utilized.

There is no unrecognized deferred tax asset as at December 31, 2014 and 2013. The carrying amounts of deferred tax assets (gross of deferred tax liabilities) amounted to ₱417.2 million and ₱337.9 million as at December 31, 2014 and 2013, respectively (see Note 13).

Pension Cost. The determination of the obligation and cost for pension benefits is dependent on the selection of certain assumptions used by the Group and its actuary in calculating such amounts. Those assumptions are described in Note 20 to the consolidated financial statements and included among others, discount rate, expected rate of return on plan assets and salary increase rate. While it is believed that the Group's assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the Group's pension obligations.

Pension liability recognized by ATI as at December 31, 2014 and 2013 amounted to ₱112.6 million and ₱57.8 million, respectively. Pension liability recognized by ATIB as at December 31, 2014 and 2013 amounted to ₱9.2 million and ₱8.1 million, respectively (see Note 20).

6. CASH AND CASH EQUIVALENTS

	2014	2013
	(In Thousands)	
Cash on hand and in banks	**₱293,522**	₱183,326
Short-term investments	**3,313,404**	2,566,790
	₱3,606,926	₱2,750,116

Cash in banks earns interest at floating rates based on daily bank deposit rates. Short-term investments are made for varying periods of between one and thirty days depending on the cash requirements of the Group, and earn interest at the prevailing short-term deposit rates.

7. TRADE AND OTHER RECEIVABLES

	Note	2014	2013
		(In Thousands)	
Trade receivables		**₱361,309**	₱325,311
Receivable from insurance		**73,697**	-
Advances to officers and employees		**27,140**	24,826
Receivable from escrow fund		**13,174**	13,174
Interest receivable		**2,952**	927
Amounts due from related parties	*19*	**8,793**	9,838
Other receivables		**15,332**	14,508
		502,397	388,584
Allowance for impairment losses		**(23,602)**	(23,602)
		₱478,795	₱364,982

Trade and other receivables are noninterest-bearing and are short-term in nature.

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

	Individually Impaired	Collectively Impaired	Total
		(In Thousands)	
Balance at January 1, 2013	₱3,359	₱20,644	₱24,003
Write-offs during the year	(401)	-	(401)
Balance at December 31, 2013	2,958	20,644	23,602
Provisions during the year	6,297	-	6,297
Reversals during the year	-	(6,297)	(6,297)
Balance at December 31, 2014	**₱9,255**	**₱14,347**	**₱23,602**

As at December 31, 2014 and 2013, the aging analysis of trade and other receivables is as follows:

2014

			Past Due but Not Impaired				
	Total	**Neither Past Due nor Impaired**	**<30 Days**	**30-60 Days**	**61-90 Days**	**Over 90 Days**	**Past Due and Impaired**
				(In Thousands)			
Trade receivables	**₱361,309**	**₱331,912**	**₱14,769**	**₱-**	**₱-**	**₱-**	**₱14,628**
Other receivables	**141,088**	**13,086**	**11,495**	**72,361**	**3,625**	**31,547**	**8,974**
	₱502,397	**₱344,998**	**₱26,264**	**₱72,361**	**₱3,625**	**₱31,547**	**₱23,602**

2013

			Past Due but Not Impaired				
	Total	Neither Past Due nor Impaired	<30 Days	30-60 Days	61-90 Days	Over 90 Days	Past Due and Impaired
				(In Thousands)			
Trade receivables	₱325,311	₱305,959	₱4,724	₱-	₱-	₱ -	₱14,628
Other receivables	63,273	9,719	6,171	2,252	4,342	31,815	8,974
	₱388,584	₱315,678	₱10,895	₱2,252	₱4,342	₱31,815	₱23,602

8. PREPAID EXPENSES

	Note	2014	2013
		(In Thousands)	
Taxes		**₱312,198**	₱336,515
Rental	*12*	**83,631**	16,011
Insurance		**35,986**	40,505
Advances to contractors		**2,718**	160
Advances to government agencies		**2,690**	2,408
Others		**6,027**	6,553
		₱443,250	₱402,152

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 amounts of investment in an associate as at December 31 are as follows:

	Note	2014	2013
		(In Thousands)	
Acquisition cost		**₱11,222**	₱11,222
Accumulated equity in net earnings:			
Balance at beginning of year		**46,491**	54,771
Equity in net earnings for the year	*18*	**34,618**	29,333
Dividends received during the year		**(32,957)**	(37,613)
		48,152	46,491
		₱59,374	₱57,713

The following table shows the summarized financial information of SCIPSI:

	2014*	2013
		(In Thousands)
Current assets	**₱140,336**	₱125,086
Noncurrent assets	**23,098**	37,675
Total assets	**₱163,434**	P162,761
Current liabilities	**P16,520**	P23,902
Noncurrent liabilities	**3,650**	538
Total liabilities	**₱20,170**	₱24,440
Revenues	**₱259,399**	₱238,946
Expenses	**162,455**	157,223
Net income	**₱96,944**	₱81,723

** Based on unaudited financial statements*

Dividend income of ₱16.1 million, ₱7.2 million, and ₱9.7 million was received in March 2014, June 2014, and September 2014, respectively. Dividend income of P25.1 million and P12.5 million was received in March 2013 and October 2013, respectively.

10. PROPERTY AND EQUIPMENT

The movements in this account are as follows:

2014

	Port Facilities and Equipment	Leasehold Improvements	Furniture, Fixtures and Equipment	Transportation and Other Equipment	Construction In-progress	Total
			(In Thousands)			
Cost						
Balance at beginning of year	**₱55,416**	**₱521,032**	**₱287,381**	**₱117,454**	**₱12,551**	**₱993,834**
Additions	**2,818**	**13,855**	**54,371**	**33,991**	**58,436**	**163,471**
Disposals	**-**	**-**	**(2,537)**	**(6,211)**	**-**	**(8,748)**
Reclassifications	**295**	**-**	**5,567**	**71**	**(5,933)**	**-**
Balance at end of year	**58,529**	**534,887**	**344,782**	**145,305**	**65,054**	**1,148,557**
Accumulated Depreciation and Amortization						
Balance at beginning of year	**44,303**	**313,952**	**212,769**	**81,092**	**-**	**652,116**
Additions	**3,352**	**12,474**	**21,354**	**12,331**	**-**	**49,511**
Disposals	**-**	**-**	**(2,484)**	**(6,211)**	**-**	**(8,695)**
Balance at end of year	**47,655**	**326,426**	**231,639**	**87,212**	**-**	**692,932**
Carrying amount	**₱10,874**	**₱208,461**	**₱113,143**	**₱58,093**	**₱65,054**	**₱455,625**

2013

	Port Facilities and Equipment	Leasehold Improvements	Furniture, Fixtures and Equipment	Transportation and Other Equipment	Construction In-progress	Total
			(In Thousands)			
Cost						
Balance at beginning of year	₱174,532	₱521,032	₱540,922	₱115,631	₱25,677	₱1,377,794
Additions	4,216	-	56,946	8,288	13,169	82,619
Disposals	(123,303)	-	(110,256)	(7,065)	-	(240,624)
Reclassifications	(29)	-	(182,041)	600	(26,295)	(207,765)
Retirements	-	-	(18,190)	-	-	(18,190)
Balance at end of year	55,416	521,032	287,381	117,454	12,551	993,834
Accumulated Depreciation and Amortization						
Balance at beginning of year	135,624	302,525	427,919	75,930	-	941,998
Additions	11,957	11,427	15,723	12,206	-	51,313
Disposals	(103,278)	-	(110,256)	(7,044)	-	(220,578)
Reclassifications	-	-	(102,427)	-	-	(102,427)
Retirements	-	-	(18,190)	-	-	(18,190)
Balance at end of year	44,303	313,952	212,769	81,092	-	652,116
Carrying amount	₱11,113	₱207,080	₱74,612	₱36,362	₱12,551	₱341,718

In 2013, the Group modified classification of some items of property and equipment that were identified as part of the concession arrangements with the Grantor. Accordingly, these items with a cost of ₱207.8 million are reclassified to intangible assets (see Note 11).

11. INTANGIBLE ASSETS AND GOODWILL

The movements in this account are as follows:

2014

	Port Concession Rights					
	Upfront Fees	Fixed Fees	Port Infrastructure	Subtotal	Goodwill	Total
			(In Thousands)			
Cost						
Balance at beginning of year	**₱282,000**	**₱8,342,270**	**₱11,091,944**	**₱19,716,214**	**₱42,060**	**₱19,758,274**
Additions	**-**	**-**	**853,046**	**853,046**	**-**	**853,046**
Disposals	**-**	**-**	**(62,268)**	**(62,268)**	**-**	**(62,268)**
Retirements	**-**	**-**	**(49,690)**	**(49,690)**	**-**	**(49,690)**
Balance at end of year	**282,000**	**8,342,270**	**11,833,032**	**20,457,302**	**42,060**	**20,499,362**
Accumulated Depreciation and Amortization						
Balance at beginning of year	**₱6,974**	**₱1,403,844**	**₱4,194,223**	**₱5,605,041**	**₱-**	**₱5,605,041**
Additions	**11,280**	**292,853**	**508,332**	**812,465**	**-**	**812,465**
Disposals	**-**	**-**	**(61,162)**	**(61,162)**	**-**	**(61,162)**
Retirements	**-**	**-**	**(32,417)**	**(32,417)**	**-**	**(32,417)**
Balance at end of year	**18,254**	**1,696,697**	**4,608,976**	**6,323,927**	**-**	**6,323,927**
Carrying amount	**₱263,746**	**₱6,645,573**	**₱7,224,056**	**₱14,133,375**	**₱42,060**	**₱14,175,435**

2013

	Port Concession Rights					
	Upfront Fees	Fixed Fees	Port Infrastructure	Subtotal	Goodwill	Total
			(In Thousands)			
Cost						
Balance at beginning of year	₱-	₱2,771,975	₱9,279,830	₱12,051,805	₱42,060	₱12,093,865
Additions	282,000	5,570,295	1,614,984	7,467,279	-	7,467,279
Disposals	-	-	(329)	(329)	-	(329)
Reclassifications	-	-	207,765	207,765	-	207,765
Retirements	-	-	(10,306)	(10,306)	-	(10,306)
Balance at end of year	282,000	8,342,270	11,091,944	19,716,214	42,060	19,758,274
Accumulated Depreciation and Amortization						
Balance at beginning of year	-	1,123,628	3,664,008	4,787,636	-	4,787,636
Additions	6,974	280,216	438,423	725,613	-	725,613
Disposals	-	-	(329)	(329)	-	(329)
Reclassifications	-	-	102,427	102,427	-	102,427
Retirements	-	-	(10,306)	(10,306)	-	(10,306)
Balance at end of year	6,974	1,403,844	4,194,223	5,605,041	-	5,605,041
Carrying amount	₱275,026	₱6,938,426	₱6,897,721	₱14,111,173	₱42,060	₱14,153,233

No borrowing costs were capitalized in 2014 and 2013. The unamortized capitalized borrowing costs as at December 31, 2014 and 2013 amounted to ₱93.3 million and ₱98.4 million, respectively.

Goodwill

Key Assumptions

In testing impairment of goodwill, the recoverable amount of ATIB is the value in use, which has been determined by calculating the present value of cash flow projections from the operations of ATIB. The average revenue growth rate assumption used was 5%. The discount rate applied to cash flow projections is 5.52% in 2014 and 4.36% in 2013 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 ₱719.5 million and ₱373.0 million in 2014 and 2013, 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	**2014**	2013
		(In Thousands)	
Deposits	*24*	**₱32,874**	₱26,802
Taxes		**29,402**	49,859
Rental		**5,251**	6,235
AFS financial assets	*24*	**2,652**	2,652
		₱70,179	₱85,548

Taxes pertain to noncurrent portion of the value-added input tax on capital goods exceeding ₱1 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 ₱7.9 million and ₱6.8 million as at December 31, 2014 and 2013, 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 ₱6.2 million and ₱7.2 million as at December 31, 2014 and 2013, respectively.

The current portion of such prepaid rental, presented under "Prepaid expenses - rental" amounted to ₱1.0 million as at December 31, 2014 and 2013.

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

13. INCOME TAX

The components of deferred tax assets and liabilities are as follows:

	2014	2013	2012
		(In Thousands)	
Deferred tax assets:			
Port concession rights payable related to fixed fees	**₱223,407**	₱171,557	₱61,831
Unrealized foreign exchange gain - net	**67,831**	96,631	3,023
Cash flow hedge	**45,787**	-	-
Pension liability	**38,939**	30,205	63,808
Provisions for claims	**15,225**	15,618	24,560
Excess of cost over net realizable value of spare parts and supplies	**11,469**	8,339	8,339
Impairment losses on receivables	**6,798**	6,798	6,919
Accrued operating lease	**5,645**	6,631	6,685
Rental deposit	**2,110**	2,157	2,154
	417,211	337,936	177,319
Less deferred tax liability:			
Unamortized capitalized borrowing costs and custom duties	**30,328**	32,255	34,193
Net deferred tax assets	**₱386,883**	₱305,681	₱143,126

Deferred income tax related to items charged directly to equity is as follows:

	2014	2013	2012
		(In Thousands)	
Actuarial gains (losses) reported in equity	**(₱4,940)**	₱30,554	(₱22,795)
Cash flow hedge reported in equity	**(45,787)**	-	-
	(₱50,727)	₱30,554	(₱22,795)

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

	2014	2013	2012
Statutory income tax rate	**30.00%**	30.00%	30.00%
Changes in income tax rate resulting from:			
Income subjected to final tax	**(0.52)**	(1.27)	(1.12)
Others	**(0.94)**	(1.43)	(0.26)
Effective income tax rate	**28.54%**	27.30%	28.62%

14. TRADE AND OTHER PAYABLES

	Note	2014	2013
		(In Thousands)	
Trade		**₱115,591**	₱148,126
Accrued expenses:			
Finance costs		**135,806**	139,950
Personnel costs		**90,912**	97,392
Rental	22	**72,845**	70,152
Repairs and maintenance		**33,350**	31,845
Corporate social responsibility		**27,052**	4,768
Security expenses		**24,931**	13,422
Utilities		**14,416**	9,753
Professional fees		**13,043**	10,839
Safety and environment		**4,677**	1,635
Others		**226,707**	261,241
Due to government agencies	22	**510,585**	407,042
Equipment acquisitions		**458,555**	457,463
Shippers' and brokers' deposits		**75,189**	49,325
Due to related parties	19	**8,943**	4,788
Others		**49,084**	44,437
		₱1,861,686	₱1,752,178

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

	2014	2013
	(In Thousands)	
Balance at beginning of year	**₱52,060**	₱81,868
Provisions (reversals) during the year	**8,485**	(26,810)
Payments during the year	**(9,795)**	(2,998)
Balance at end of year	**₱50,750**	₱52,060

Provisions relate to property, equipment and cargo damage and other claims, which were recognized in connection with services rendered during the year. 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 ₱5.10 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 ₱1.00 per common share. As at December 31, 2014, the Parent Company has a total of 2 billion issued and outstanding common shares and 874 stockholders.

Capital Stock - P1 Par Value
The Parent Company has 2 billion issued and fully paid capital stock, from its 4 billion authorized common shares, as at December 31, 2014 and 2013.

Retained Earnings
The balance of the Group's retained earnings includes a subsidiary and an associate's undistributed net earnings of ₱435.9 million and ₱288.0 million as at December 31, 2014 and 2013, respectively, which are available for distribution only upon declaration of dividends by such subsidiary and associate to the Parent Company. Cash dividends are distributed yearly since 2000.

On April 24, 2014, the BOD approved the declaration of cash dividends amounting to ₱700 million or ₱0.35 per share payable on June 6, 2014 to common shareholders of record as at May 13, 2014.

On April 25, 2013, the BOD approved the declaration of cash dividends amounting to ₱700 million or ₱0.35 per share payable on June 11, 2013 to common shareholders of record as at May 17, 2013.

On December 16, 2013, the Group's BOD approved an appropriation of the retained earnings amounting to a total of ₱4.7 billion which include yard and berth development as well as equipment acquisition over the next 3 years. On December 19, 2014, the Group's BOD approved a budget amounting to ₱8.0 billion for capital expenditure which includes yard and berth development as well as construction of new facilities and equipment acquisition over the next 3 years. The capital expenditure will strengthen the Company's operations and capability to handle growth. The three-year capital expenditure will be sourced from internal funds.

Fair Value Reserve
Fair value reserve amounting to ₱5.8 million as at December 31, 2014 and 2013 represents unrealized loss on AFS financial assets.

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

As at December 31, 2014, the effective fair value changes of the Group's cash flow hedge that was recognized in other comprehensive income amounted to ₱106.8 million, net of tax.

17. COSTS AND EXPENSES

	Note	2014	2013	2012
		(In Thousands)		
Port authorities' share in gross revenues		**₱1,655,234**	₱1,115,635	₱972,500
Labor costs	19, 20	**978,932**	869,073	856,096
Depreciation and amortization	10, 11	**861,976**	776,926	720,506
Equipment running		**541,581**	480,051	475,078
Taxes and licenses		**215,561**	168,980	144,262
Rental	22	**171,012**	92,413	62,616
Facilities-related expenses		**159,847**	141,467	155,548
Security, health, environment and safety		**152,429**	97,035	79,409
Management fees	19	**115,949**	85,225	102,446
Insurance		**74,944**	78,490	83,638
Professional fees		**52,438**	27,134	23,684
General transport		**41,778**	44,337	50,953
Entertainment, amusement and recreation		**3,998**	4,134	4,510
Others		**227,741**	90,018	114,650
		₱5,253,420	₱4,070,918	₱3,845,896

Port authorities' share in gross revenues pertains to port authorities share in the revenue as stipulated in the agreement between the Group and the port authorities where the Group operates (see Note 22).

Labor costs include salaries, benefits and pension expense.

Spare parts and supplies used and included under equipment running amounted to ₱169.0 million, ₱149.9 million and ₱130.7 million in 2014, 2013 and 2012, respectively.

18. OTHER INCOME AND EXPENSES

Finance cost is broken down as follows:

	Note	2014	2013	2012
			(In Thousands)	
Interest on port concession rights payable		**₱537,638**	₱463,856	₱236,271
Interest component of pension expense	*20*	**2,473**	6,429	2,044
Interest on bank loans/credit facilities		**382**	560	1,988
		₱540,493	₱470,845	₱240,303

Interest on port concession rights payable is a result of change in accounting policy on fixed fees payable to the Grantor.

Finance income is broken down as follows:

	Note	2014	2013	2012
			(In Thousands)	
Interest on cash in banks and short-term investments	*6*	**₱30,964**	₱52,195	₱67,825
Accretion of rental deposits	*22*	**1,253**	1,213	835
		₱32,217	₱53,408	₱68,660

Others consisted of the following:

	Note	2014	2013	2012
			(In Thousands)	
Foreign exchange gains (losses) - port concession rights payable		**₱98,684**	(₱517,143)	₱144,981
Income from insurance claims		**54,878**	4,761	13,018
Equity in net earnings of an associate	*9*	**34,618**	29,333	23,568
Management income	*19*	**6,999**	6,418	5,969
Lease and other income - net		**5,485**	38,718	7,679
Foreign exchange gains (losses) - others		**463**	11,066	(16,471)
Foreign exchange losses - cash flow hedge		**(19,857)**	-	-
		₱181,270	(₱426,847)	₱178,744

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

19. RELATED PARTY TRANSACTIONS

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

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

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

B. The Parent Company and its subsidiary have separate, noncontributory, defined benefit retirement plans covering all its regular employees, in the form of a trust being maintained by a trustee bank. The benefits are based on the employee's years of service and final plan salary. No contributions were made in 2014 and contributions made in 2013 amounted to ₱28.0 million (see Note 20).

C. The Parent Company's management agreement with POMS was renewed on September 1, 2010 for another five years until August 31, 2015. The terms of the agreement provide for the payment of a monthly management fee equivalent to 5% of ATI's consolidated income before income tax of the immediately preceding month.

D. Amount owed by DP World Asia Holdings Limited-Regional Operating Headquarters pertains to reimbursements for expenses paid by the Group.

Category/ Transaction	Ref	Year	Amount of the Transaction	Outstanding Balance: Due from Related Parties	Outstanding Balance: Due to Related Parties	Terms	Conditions
				(In Thousands)			
Associate							
▪ Management income	*A*	**2014**	**₱6,999**	**₱693**	**₱-**	**Payable on demand**	**Unsecured; no impairment**
		2013	6,418	705	-	Payable on demand	Unsecured; no impairment
Post Employment Benefit Plan							
▪ Retirement fund	*B*	**2014**	**30,336**	**7,798**	**-**	**Payable on demand**	**Unsecured; no impairment**
		2013	31,709	8,673	-	Payable on demand	Unsecured; no impairment
Others							
▪ Management fees	*C*	**2014**	**115,949**	**-**	**8,943**	**Payable within ten (10) days of the following month**	**Unsecured**
		2013	85,225	-	4,788	Payable within ten (10) days of the following month	Unsecured
▪ Advances	*D*	**2014**	**3,045**	**302**	**-**	**Payable on demand**	**Unsecured; no impairment**
		2013	3,888	460	-	Payable on demand	Unsecured; no impairment
TOTAL		**2014**		**₱8,793**	**₱8,943**		
TOTAL		2013		₱9,838	₱4,788		

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

	2014	2013
	(In Thousands)	
Short-term employee benefits	**₱156,501**	₱118,542
Post-employment benefits	**8,335**	10,383
	₱164,836	₱128,925

20. PENSIONS

The Group's latest actuarial valuation reports are dated December 31, 2014. 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		
	2014	2013	2012	**2014**	2013	2012
			(In Thousands)			
Current service cost	**₱34,873**	₱37,768	₱28,195	**₱2,043**	₱2,138	₱1,718
Interest cost on defined benefit obligation	**24,781**	29,761	24,940	**1,857**	2,170	2,037
Interest income on plan assets	**(22,710)**	(23,954)	(23,487)	**(1,455)**	(1,548)	(1,446)
Net pension expense	**₱36,944**	₱43,575	₱29,648	**₱2,445**	₱2,760	₱2,309

Current service cost is included in "Costs and expenses" 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 18).

Pension Liability as at December 31

	ATI		ATIB	
	2014	2013	**2014**	2013
		(In Thousands)		
Present value of pension obligations	**(₱573,183)**	(₱534,656)	**(₱39,247)**	(₱38,652)
Fair value of plan assets	**460,559**	476,814	**30,042**	30,520
Pension liability	**(₱112,624)**	(₱57,842)	**(₱9,205)**	(₱8,132)

Changes in the Present Value of Pension Obligations

	ATI		ATIB	
	2014	2013	**2014**	2013
		(In Thousands)		
Present value of pension obligations at beginning of year	**₱534,656**	₱551,040	**₱38,652**	₱38,746
Interest cost	**24,781**	29,761	**1,857**	2,170
Current service cost	**34,873**	37,768	**2,043**	2,138
Benefits paid	**(29,340)**	(23,159)	**(1,870)**	(1,112)
Actuarial (gain) loss	**8,213**	(60,754)	**(1,435)**	(3,290)
Present value of pension obligations at end of year	**₱573,183**	₱534,656	**₱39,247**	₱38,652

Changes in the Fair Value of Plan Assets

	ATI		ATIB	
	2014	2013	**2014**	2013
		(In Thousands)		
Fair value of plan assets at beginning of year	**₱476,814**	₱414,804	**₱30,520**	₱25,459
Actual return on plan assets:				
Interest income	**22,710**	23,954	**1,455**	1,548
Remeasurement gain (loss) on plan assets	**(9,625)**	35,499	**(63)**	2,305
Contributions	**-**	25,716	**-**	2,320
Benefits paid	**(29,340)**	(23,159)	**(1,870)**	(1,112)
Fair value of plan assets at end of year	**₱460,559**	₱476,814	**₱30,042**	₱30,520

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

	ATI		ATIB	
	2014	2013	**2014**	2013
		(In Thousands)		
Actuarial gain (loss) due to increase in pension obligations	**(₱8,213)**	₱60,754	**₱1,435**	₱3,290
Remeasurement gain (loss) on plan assets	**(9,625)**	35,499	**(63)**	2,305
	(₱17,838)	₱96,253	**₱1,372**	₱5,595

The cumulative amount of actuarial losses recognized in the consolidated statements of comprehensive income is ₱45.2 million and ₱28.8 million as at December 31, 2014 and 2013, 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 of hire to date of retirement, death, permanent disability, or severance.

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

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

The Group's plan assets consist of the following:

	ATI		ATIB	
	2014	2013	**2014**	2013
		(In Thousands)		
Cash and cash equivalents	**₱28,073**	₱8,908	**₱584**	₱1,672
Investment in UITF	**19,848**	26,504	**3,788**	4,057
Equity instruments	**55,405**	53,367	**3,561**	3,383
Investment in government securities	**336,785**	381,503	**20,472**	20,764
Debt instruments	**2,252**	2,204	**338**	331
Other receivables	**18,196**	4,328	**1,299**	313
	₱460,559	₱476,814	**₱30,042**	₱30,520

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	
	2014	2013	**2014**	2013
Discount rate at end of year	**4.6%**	4.9%	**4.6%**	4.9%
Salary increase rate	**4.0%-6.0%**	4.0%-6.0%	**6.0%**	6.0%

Assumptions for mortality rate is based on the 1994 GAM Basic Table.

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

	ATI		ATIB	
	2014	2013	**2014**	2013
Average expected future service years	**13**	13	**15**	14

Maturity analysis of the benefit payments:

	2014				
	Carrying Amount	**Contractual Cash Flows**	**Within 1 Year**	**Within 1-5 Years**	**More than 5 Years**
			(In Thousands)		
ATI - Pension liability	**₱2,366,046**	**₱2,366,046**	**₱31,091**	**₱167,568**	**₱2,167,387**
ATIB - Pension liability	**224,466**	**224,466**	**2,586**	**5,916**	**215,964**
	₱2,590,512	**₱2,590,512**	**₱33,677**	**₱173,484**	**₱2,383,351**

Sensitivity Analysis
As at December 31, 2014, 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	₱485,333	₱592,225	₱34,485	₱43,586
Salary increase rate	588,493	487,449	43,483	34,488

The Group expects to pay P32.8 million in contributions to defined benefit plans in 2015.

21. EARNINGS PER SHARE (EPS) ATTRIBUTABLE TO EQUITY HOLDERS OF THE PARENT COMPANY

Basic EPS is computed as follows:

		2014	2013	2012
(a)	Net income attributable to Equity Holders of the Parent Company (in thousands)	**₱1,899,055**	₱1,203,539	₱1,703,447
(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)		**₱0.95**	₱0.60	₱0.85

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.

22. COMMITMENTS AND CONTINGENCIES

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

a. The Parent Company is authorized by the PPA to render cargo handling services at the South Harbor until May 2013. On October 19, 2007, the cargo handling services contract was extended until May 2038 under the terms mutually agreed upon with the PPA.

   i. In accordance with the Investment Plan which was revised in December 2014 pursuant to the Third Supplement to the Cargo Handling Contract, the Parent Company has committed to invest US$385.7 million from 2010 to 2028, for the rehabilitation, development and expansion of the South Harbor facilities. The commitment is dependent on container volume. The Investment Plan is subject to joint review every two (2) years, or as often as necessary as mutually agreed, to ensure that the same conforms to actual growth levels, taking into account introduction of new technologies and allowing the Parent Company the opportunity of a fair return on investment.

   ii. Fees to the PPA

      - For storage operations, the Parent Company shall pay an annual fixed fee of P55 million payable quarterly and a variable fee of 30% of its annual gross storage revenue in excess of P273 million.

      - For international containerized cargo operations, the Parent Company shall pay a quarterly fixed fee of US$1.15 million plus a variable fee of 8% of its total gross income, or 20% of its total quarterly gross income, whichever is higher, until May 2013. After May 2013, the Parent Company shall pay quarterly fixed fee of US$2.25 million plus a variable fee of 20% of its total gross income.

      - For general cargo operations, the Parent Company shall pay 20% of its total gross income collected from arrastre services and 14% of its total gross income collected from stevedoring services for general cargoes.

      - For domestic terminal operations, the Parent Company shall pay 10% of its total gross income 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 fee 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 pay annual variable fees 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. ATIB is authorized by the PPA to render arrastre, stevedoring, storage, related cargo handling services and passenger terminal services at the Port of Batangas Phase 1 from October 20, 2005 until October 19, 2015. For domestic cargo operations, ATIB shall pay 10% of its domestic cargo revenues. For foreign cargo operations, ATIB shall pay 20% of its foreign cargo revenues. For the Fast Craft Passenger Terminal (Passenger Terminal Building 3) operation, ATIB shall pay a monthly fixed fee of ₱0.4 million, subject to a yearly escalation of 5%.

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

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

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

	2014	2013
	(In Thousands)	
Within one year	**₱5,491**	₱5,230
After one year but not more than five years	**7,225**	12,716
	₱12,716	₱17,946

e. 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 ₱10.7 million, subject to an escalation of 7% once every two years. The future minimum rentals payable under operating leases as at December 31 are as follows:

The operating lease is subject to an escalation of 7% once every two years.

	2014	2013
	(In Thousands)	
Within one year	**₱12,342**	₱12,342
After one year but not more than five years	**55,452**	53,398
After more than five years	**31,096**	45,492
	₱98,890	₱111,232

f. The Parent Company has a 5-year lease contract commencing on February 1, 2011 over two parcels of land located in Sta. Mesa, City of Manila with a monthly lease rental of ₱0.4 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:

	2014	2013
	(In Thousands)	
Within one year	**₱5,286**	₱9,168
After one year but not more than five years	**458**	5,744
	₱5,744	₱14,912

g. ATIB has a lease agreement with PPA until October 19, 2015 covering the Passenger Terminal Building 1 and an adjacent open area at the Port of Batangas Phase 1 to be used for the purpose of operating a supply base for companies engaged in oil and gas exploration, and for which ATIB pays an annual rental of ₱9.4 million.

As at December 31, 2014 and 2013, the Company has outstanding commitments for future minimum lease payments under the above operating lease, which fall due as follows:

	2014	2013
	(In Thousands)	
Within one year	**₱7,845**	₱9,414
After one year but not more than five years	**-**	7,845
	₱7,845	₱17,259

h. ATIB has 6-year agreement with PPA until October 20, 2015 for the management and operation of specified areas at the Port of Batangas Phase 1 which includes the Passenger Terminal Building 2 (PTB2), for which ATIB pays an annual fixed fee of ₱4 million, subject to a yearly escalation of 5%, and remits 10% of the terminal fees collected from PTB2 passengers.

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

	2014	2013
	(In Thousands)	
Within one year	**₱10,710**	₱5,230
After one year but not more than five years	**-**	12,716
	₱10,710	₱17,946

i. The Parent Company has a 3-year lease agreement until June 30, 2017, covering the land in Lawa, Calamba, to be used exclusively for warehousing and logistics purposes with a monthly lease rental of ₱2.75 million.

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

	2014	2013
	(In Thousands)	
Within one year	**₱33,000**	₱-
After one year but not more than five years	**49,500**	-
	₱82,500	₱-

j. 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.

23. 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 and trade and other payables, which arise directly from its operations. The main purpose of these financial instruments is to raise financing for the Group's capital expenditures and operations. Other financial instruments include AFS financial assets.

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

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

As at December 31, 2014 and 2013, the interest rate profile of the Group's interest bearing financial instrument is as follows:

	2014	2013
	(In Thousands)	
Fixed Rate Instruments		
Cash and cash equivalents	**₱3,600,303**	₱2,747,890

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		**Contractual Cash Flows**					
December 31, 2014	**Carrying Amount**	**On Demand**	**Less than 3 Months**	**3 to 12 Months**	**1 to 5 Years**	**> 5 Years**	**Total**
				(In Thousands)			
Trade and other payables	**₱1,861,686**	**₱1,129,022**	**₱269,713**	**₱462,951**	**₱-**	**₱-**	**₱1,861,686**
Port concession rights payables	**7,629,438**	**-**	**164,415**	**493,244**	**3,339,738**	**10,379,669**	**14,377,066**
Total	**₱9,491,124**	**₱1,129,022**	**₱434,128**	**₱956,195**	**₱3,339,738**	**₱10,379,669**	**₱16,238,752**

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

Credit Risk

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

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

Financial information on the Group's maximum exposure to credit risk as at December 31, 2014 and 2013, without considering the effects of collaterals and other risk mitigation techniques, is presented below.

	Note	**2014**	2013
		(In Thousands)	
Cash and cash equivalents	*6*	**₱3,600,303**	₱2,747,890
Trade and other receivables - net	*7*	**478,795**	364,982
Deposits	*12*	**32,875**	26,802
AFS financial assets	*12*	**2,652**	2,652
		₱4,114,625	₱3,142,326

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

Foreign Currency Risk

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

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

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

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

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

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

	2014	2013
	(In Thousands)	
Assets		
Cash and cash equivalents	**US$2,347**	US$1,586
Trade and other receivables	**416**	374
	2,763	1,960
Liabilities		
Trade and other payables	**4,775**	2,042
Port concession rights payable	**154,882**	157,390
	159,657	159,432
Net foreign currency-denominated liabilities	**(US$156,894)**	(US$157,472)
Peso equivalent	**(₱7,016,300)**	(₱6,991,757)

The exchange rates applicable for US dollar as at December 31, 2014 and 2013 are ₱44.72 and ₱44.40, 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
	(In Thousands, Except Percentages)	
2014		
+5%	**(₱350,815)**	**(₱245,570)**
-5%	**350,815**	**245,570**
2013		
+5%	(349,588)	(244,711)
-5%	349,588	244,711

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	**2014**	2013
		(In Thousands)	
Capital stock		**₱2,000,000**	₱2,000,000
Additional paid-in capital		**264,300**	264,300
Retained earnings		**7,841,267**	6,653,749
Hedging reserve	*16*	**(106,838)**	-
Fair value reserve		**(5,820)**	(5,820)
Total		**₱9,992,909**	₱8,912,229

24. 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, 2014 and 2013.

		2014		2013	
	Note	Carrying Amount	Fair Values	Carrying Amount	Fair Values
			(In Thousands)		
Financial Assets					
Loans and receivables:					
Cash and cash equivalents	6	₱3,606,926	₱3,606,926	₱2,750,116	₱2,750,116
Trade and other receivables - net	7	478,795	478,795	364,982	364,982
Deposits	12	32,875	41,368	26,802	36,147
		4,118,596	4,127,089	3,141,900	3,151,245
AFS financial assets	12	2,652	2,652	2,652	2,652
		₱4,121,248	₱4,129,741	₱3,144,552	₱3,153,897
Financial Liabilities					
Other financial liabilities					
Trade and other payables	14	₱1,861,686	₱1,861,686	₱1,752,178	₱1,752,178
Port concession rights payable		7,629,438	7,629,438	7,694,673	7,694,673
		₱9,491,124	₱9,491,124	₱9,446,851	₱9,446,851

Fair Value of Financial Instruments

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

Nonderivative Financial Instruments

Quoted market prices have been used to determine the fair values of listed AFS financial assets. The fair values of unquoted AFS financial assets are based on cost since the fair values are not readily determinable.

For noninterest-bearing deposits, the fair value is estimated as the present value of all future cash flows discounted using the prevailing market rate on interest for a similar instrument. The discount rates used are 4.0% in 2014 and 3.70% in 2013.

The fair value of port concession rights payable was estimated at the present value of all future cash flows discounted using 5.92% and 11.48% for South Harbor and Batangas Container Terminal, respectively.

Fair Value Hierarchy

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

As at December 31, 2014	Note	Level 1	Level 2	Level 3
			(In Thousands)	
AFS financial assets	12	₱933	₱-	₱1,719
Port concession rights payable		-	7,629,438	-
		₱933	₱7,629,438	₱1,719

As at December 31, 2013	Note	Level 1	Level 2	Level 3
			(In Thousands)	
AFS financial assets	12	₱933	₱-	₱1,719
Port concession rights payable		-	7,694,673	-
		₱933	₱7,694,673	₱1,719

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

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Chairman

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Director

FLEMMING DALGAARD
Director

RASHED ALI HASSAN ABDULLA
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Senior Vice President & Managing Director
DP World Asia Pacific

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Director/President

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- Mar-Bay Homes Inc.
- STI Education Systems Holdings, Inc.
- West Negros University
- Mactan Electric Company
- DLS STI College
- Capital Managers and Advisors, Inc.
- STI Investments
- Cement Center Inc.
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- STI Education Services Group Inc.

President
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- Prime Power Holdings, Inc.
- Global Resource for Outsourced Workers, Inc. (now GROW Vite)
- STMI Logistics, Inc.
- Total Consolidated Asset Management Inc. (TCAMI)
- Eujo Philippines, Inc.
- Optima Financing Corporation
- Classic Finance Inc.

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- Philcare, Inc.
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- M.B. Paseo
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- Tejari Solution

Director
- DP World Algiers Djen Djen Container Terminal
- Sukhna Container Terminal (Egypt)
- DP World Dakar, Senegal

MONICO V. JACOB
Director

President and CEO
- STI Education Services Group
- PhilPlans First Inc.
- Philippine Life Financial Assurance Inc.

Chairman
- CEOs, Inc.
- Global Resource for Outsourced Workers, Inc. (now GROW Vite)
- STI-Universal Workers, Inc.
- Total Consolidated Asset Management Inc.

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- iAcademy
- PhilCare, Inc.

Independent Director
- Jollibee Foods Inc.
- Century Properties Groups, Inc.
- Phoenix Petroleum Philippines Affiliations

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- Integrated Bar of the Philippines
- Member, Management Association of the Philippines

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Director

Founder, Principal Architect-Urban Planner & Managing Partner Palafox Associates

President
- FIABCI Philippines (International Real Estate Federation)

Affiliations
- American Institute of Architects, International Associate Member
- Council of Tall Buildings and Urban Habitat, Country Leader

Member
- US Green Building
- US Urban Land Institute
- US Congress of New Urbanism
- American Planning Association
- US International Council of Shopping Centers

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Independent Director

ARSENIO N. TANCO
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KWOK LEUNG LAW
Director

EUSEBIO H. TANCO
President

SUHAIL AL BANNA
Director

WASHINGTON SYCIP
Senior Adviser to the Board

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Director

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- Manila Bay Spinning Mills, Inc.

Director
- Philippines First Insurance Co., Inc.
- Philippine Belt Manufacturing Corp.
- Manila Bay Hosiery Mills, Inc.
- Federation of Philippine Industries, Inc.
- Total Consolidated Asset Management, Inc.
- Philippine Employer-Labor Social Partners, Inc

KWOK LEUNG LAW
Director

Finance and Business Development Director
- DP World Asia Pacific

Affiliations
- Chartered Association of Certified Accountants, U.K., Fellow
- Chartered Institute of Management Accountants, U.K., Fellow
- Hong Kong Institute of Certified Public Accountants, Associate Member

FLEMMING DALGAARD
Director

Senior Vice President
- DP World Global Strategy

Director
- DP World Southampton
- Rotterdam World Gateway

Affiliation
- Chartered Fellow at the UK Institute for Logistics and Transport
- Chartered Director of the Institute of Directors (IOD)

ARTEMIO V. PANGANIBAN
Independent Director

Supreme Court of the Philippines
- Former Chief Justice (2005-2006)
- Former Associate Justice (1995-2005)

Chairman
- Metrobank Foundation, Inc.

Director
- Jollibee Food Corporation

Independent Director
- GMA Network, Inc.
- First Philippine Holdings Corp.
- Metro Pacific Investments Corp.
- Manila Electric Company
- Robinsons Land Corp.
- GMA Holdings, Inc.
- Bank of the Philippine Islands
- Petron Corporation
- Philippine Long Distance Telephone Company

Independent Adviser
- Philippine Long Distance Telephone Co.

Senior Adviser
- Metrobank

Non-executive Director
- Jollibee Foods Corporation (2012- present)

Adviser
- DoubleDragon Properties Corp.

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Independent Director

Independent Director
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- Board of Governors of iAcademy

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Senior Adviser to the Board of Directors

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- Asian Institute of Management

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Alpha M. Gutay
Labor Support Head

Ryan L. Lambino
Equipment Resource Head

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