
ASIAN TERMINALS INCORPORATED
1986-2016
30 YEARS
ADDING VALUE
THINKING AHEAD
BUILDING A LEGACY
CAPE FARO
1,000,000 TEUs
2016
ANNUAL
REPORT

CONTENTS

ATI CORPORATE MILESTONES

1986 — Pioneer cargo handling operators at Manila South Harbor form Marina Port Services Inc. (MPSI)

1990 — Australia's P&O Ports invests in MPSI; Company is renamed Asian Terminals Inc.

1992 — Philippine Ports Authority integrates MSH stevedoring, storage and arrastre services contracts under ATI

1996 — ATI is listed with the Philippine Stock Exchange

1997 — Batangas Port becomes part of ATI's portfolio by acquiring Aries Arrastre Services Inc.

1998 — Inland Clearance Depot is set up in Calamba, Laguna

1999 — ATI expands its presence to Mindanao by investing in South Cotabato Integrated Port Services Inc. (SCIPSI)

2000 — WebTrack, a pioneering Internet and SMS shipment monitoring system for customers, is launched

2001 — ATI unveils the Manila South Harbor Development Master Plan

2004 — ATI becomes IMO - International Ship and Port Facility Security Code compliant

2006 — ATI becomes part of global trade enabler DP World with the latter's acquisition of P&O Ports

VISION

We aim to be the Philippines' premier ports and logistics investor, developer and operator.

PURPOSE

Add Value

- To deliver exceptional customer service and build lasting partnerships through global expertise and local know how

Think Ahead

- To foresee change and innovate to create the most efficient, safe and profitable trade solutions

Build a Legacy

- To ensure everything we do leaves long-term benefits for the world we live in

VALUES

Courage

- We challenge, innovate and dare to be great.
- We embrace change and have the courage to do things differently.

Respect

- We believe in respect for all.
- We welcome and value a wide-range of opinions and ideas.

Intelligence

- We are in tune with global risks and opportunities.
- We provide a learning environment to help our people reach their full potential.

Pride

- We take pride in being a responsible corporate citizen. Together we make a positive difference to our world and our future.

2007 — PPA renews ATI's contract to manage MSH for another 25 years until 2038

2008 — ATI is certified for ISO 14001:2004 and OHSAS 18001:2007

2010 — PPA awards ATI the 25-year contract to operate and manage Batangas Container Terminal

2010 — ATI becomes the first Philippine company to achieve ISO 28000:2007 for Supply Chain Security

2011 — ATI marks 25 years of excellence in the port industry; commissions 2 new quay cranes at MSH

2013 — Pier 3 at MSH is expanded and equipped with an additional brand new quay crane

2014 — ATI embarks on its most aggressive investment program, increasing RTGs and SLs by 50% since 2012

2015 — ATI launches MPort app and the online Terminal Appointment Booking System for greater port efficiency

2015 — ATI achieves IMS certification for international standards on Quality, Environment and Safety

2016 — ATI celebrates 30 years of success as a pioneer in the Philippine port industry

2016 — ATI delivers a record year as MSH breaches the one million-teu mark

CHAIRMAN'S AND PRESIDENT'S MESSAGE

2016: A YEAR OF BREAKTHROUGHS FOR ATI

The year 2016 marked an important milestone for Asian Terminals Inc. as we turned 30 in the business of delivering efficient and reliable port and logistics services in the Philippines.

This achievement speaks volumes about the strength and resilience of our Company having withstood the shifting tides while keeping in-step with the changing economic times.

We are pleased to note that this same year featured one of ATI's best operational and financial performances, highlighted by record breakthroughs across our business portfolio.

Last year's record feat was bannered by Manila South Harbor, which handled over one million teus (twenty foot equivalent units) of foreign container boxes for the first time in a single operational year. Batangas Port, meanwhile, stepped up its role as trade facilitator delivering nearly 160,000 teus to industries primarily in Calabarzon (Cavite, Laguna, Batangas, Rizal and Quezon). Passenger and international roll-on/roll-off volume at Batangas also continued to thrive, peaking at nearly 4 million passengers and a new record of over 200,000 completely-built car units. More importantly these records were achieved with safety at its highest level and at record production pace comparable to world-best standards.

Altogether these highlight the important and crucial role our marine terminals play in supporting the growth of the Philippine economy, which continued to demonstrate its confidence at 6.8 GDP growth last year.

ATI's success story has been delivered through the hardwork and dedication of our staff and the continued support and patronage of our loyal customers, the shipping lines, the port authorities, industry federations and other port stakeholders to whom we are truly grateful.

Backed by our solid operational performance, we are pleased to report that ATI posted its highest revenues last year at Php9.25 billion. This represents a 13.5 percent growth from 2015's P8.15 billion revenue. ATI's 2016 net income reached Php1.90 billion, 7.8 percent higher compared to Php1.77 billion in 2015, representing our highest operations-generated profit in three decades.

Without the foreign exchange impact – as per accounting rules brought in since 2013 – net income would have been Php2.10 billion, 12.6 percent higher than Php1.86 billion in 2015, on a like-for-like basis.

In the same light, the fundamental strength of our port business also enabled ATI to provide robust dividends to our stockholders, capped by our releases last year totalling Php820 million. Our accomplishments have also earned us the sustained confidence of the investing public as reflected in the solid performance of ATI's stocks which averaged Php10.98 apiece in 2016 on our 20th year of listing with the local bourse.

Built around our tradition of leadership and long history of strong profit results, ATI is confident of achieving greater levels of operational and financial success in 2017 and beyond, as we look for new growth opportunities whether locally or abroad and continue to innovate as a pioneering port business.

Along this line, we have allocated a minimum of Php4.6 billion for our capital investment plan in 2017 as we further upgrade our facilities and equipment in Manila and Batangas in response to future market demand.

As a growing and responsible company, we shall use 2016 as an inspiration and springboard towards greater success in the years to come as we accomplish our mission of adding greater value to our customers, thinking ahead as an industry innovator and building a positive legacy in the communities in which we operate in.

RASHED ALI HASSAN ABDULLA
Chairman

EUSEBIO H. TANCO
President

MESSAGE FROM THE EXECUTIVE VICE PRESIDENT

2016: THE BEST OPERATIONAL YEAR FOR ATI

Asian Terminals Inc. delivered its best operational performance to date in 2016, a perfectly-timed achievement as our Company marked its 30th year in the Philippine port scene.

ATI's performance last year was led by Manila South Harbor which achieved a record production with some monthly results in excess of 30 gmph (gross moves per crane per hour – an industry-wide efficiency indicator for moving containers from ship to shore in an hour), while operating with healthy berth and yard spaces which were utilized 60 percent and 65 percent, respectively. These are indicative of the terminal's capacity to accommodate more ships and cargoes for industry.

Our aggressive investment program over recent years, which saw our Rubber-Tired Gantry (RTG) crane fleet and side loader fleet increase by 50 percent each, has helped deliver optimal production at Manila South Harbor. Our world-class Asset Management Program backed up by scientific techniques in predictive maintenance helped us ensure that our multi-billion assets operated safely and reliably to support customer requirements. All these have been instrumental in boosting operational efficiency at Manila South Harbor. Our investment journey will continue thru 2017 as we take delivery of two brand new quay cranes, other mobile equipment and complete yard development projects to cope with future demand.

ATI's technology initiatives alongside the highly successful Terminal Appointment Booking System (TABS) also facilitated the seamless flow of commodities from the port to factory doors 24/7. Working like an online airline appointment booking system, TABS allowed brokers to conveniently schedule the pickup and delivery of containers. This facilitated the orderly arrival of trucks at the port, optimized the use of roads even during peak hours and allowed the terminal to preposition containers ahead of truck arrival, resulting in quicker service delivery. From a pre-TABS volume of 1,500 trucks per day, Manila South Harbor handled over 2,000 trucks per day in 2016, processing 53 percent more trucks within the same operating period and so reducing the number of trucks on the road at any one time. More than 80 percent of trucks arriving on schedule were served within an hour of gate entry through TABS.

Over at Batangas, our container, passenger and general cargo terminals grew. Batangas Container Terminal last year played a greater trade facilitating role in Southern Luzon handling nearly 160,000 teus for an 18 percent volume growth on 2015. More importantly, BCT helped decongest Metro Manila by reducing over 80,000 trucks trips along its roads last year, with more importers and exporters opting to ship commodities via Batangas. At the domestic front, Batangas safely handled nearly 4 million outbound passengers and over 300,000 vehicles en route to neighboring island destinations.

As the top car carrier port in the Philippines, Batangas remained the focal point for completely-built imported vehicle units (CBU). Last year, it handled over 200,000 CBUs, for its highest car throughput in a single year and represented the majority of car sales throughout the country. In support of strong consumer demand for vehicles, ATI began last year the groundwork for a multilevel car storage facility (MCSF) which will grow Batangas Port's capacity to handle 7,000 CBUs at any given time. This also leverages on Batangas as a strategic staging point for transporting vehicles to Visayas and Mindanao through Roll-on/Roll-off carriers operating off the port.

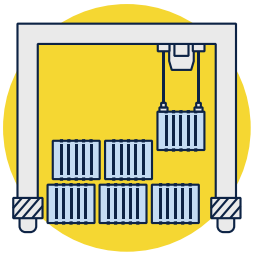
Sustaining ATI's winning tradition given today's ever evolving business climate relies upon a culture of empowerment, leadership and innovation. These were the main themes of ATI's people engagement initiatives last year which strengthened internal communication, encouraged idea generation and bolstered talent development. ATI also boosted programs on safety across the organization through operational, engineering and behavioural interventions. Safety leadership training was especially important for our frontline units as delivered by our partners in the DP World Institute. As a result of our efforts, ATI recorded a regional best risk profile score of 59.4 for Manila South Harbor and 49.1 for Batangas Port last year, representing a positive gain of 19.3 points and 12.8 points, respectively, from indexes in 2015. ATI's Reportable Injury Frequency Rate likewise improved to 1.05 in 2016, a reduction of 36 percent from 1.63 in 2015.

Finally, our Sustainability Programs in 2016 have continued to build self-reliant and thriving communities. Our employees contributed over 1,700 volunteering hours in various advocacies such as educating children through the Global Education Program, refurbishing public schools in time for school opening, cleaning sea shores, and planting trees, among others. Our highly successful Scholarship Program now supports 173 students and last year produced college graduates in business and health courses. Our support for Cribs Foundation also paved the way for the groundbreaking of its new and safer home for underprivileged babies in Antipolo City.

Indeed, ATI has grown significantly in the course of three decades and our accomplishments last year were added testament to our reputation as a progressive and responsible port organization. We thank our valued customers, management, staff and stakeholders for these successes and we look forward to achieving greater success in the years ahead.

ANDREW R. HOAD
Executive Vice President

SOUTH HARBOR INTERNATIONAL CONTAINER TERMINAL



1M TEUs
Record Volume

31 GMPH
Record Production Month

Manila South Harbor's International Container Terminal serves as ATI's operations backbone and is among the Philippines' major gateways for international trade, particularly catering to Metro Manila the country's main consumer market.

BEST OPERATIONAL YEAR

Manila South Harbor's International Container Terminal delivered its best operational performance in 2016 bannered by record-breaking volume, highest terminal productivity and fastest service delivery as it kept commodities flowing into Metro Manila and nearby environs.

For the first time in three decades, Manila South Harbor breached the million-teu (twenty-foot equivalent units) throughput mark in a single operational year, with Evergreen's MV Cape Faro delivering its historic one-millionth box on December 15, 2016.

On the way to this record feat, South Harbor thrice broke its record-high monthly throughput, culminating with an in excess of 100,000 teus performance for a single month in September. South Harbor booked a 19 percent year-on-year container throughput growth on 2015's volume.

Despite this double-digit growth, South Harbor operated at a record-production pace, with some months peaking over 30 gmph (gross moves per crane per hour) which is comparable with the world's best terminals in Hongkong, Dubai and Singapore.

GMPH is a measure of how many boxes cranes move from ship to shore in an hour. Efficient handling of vessels at berth results in faster ship turnaround and quicker deliver of cargoes to consignees.

Berth occupancy and yard utilization, meanwhile, averaged at a healthy 60 percent and 65 percent respectively, indicating that ATI's international gateway port has more than adequate container space and berths to accommodate the industry's ships and cargoes.

INNOVATION-DRIVEN GROWTH

Aside from the encouraging market conditions last year, South Harbor's record performance in 2016 was driven by innovation in operational processes and technologies.

Within the terminal, truck flows were enhanced using South Harbor's multiple access gates and roads to ease the flow of containers. Empty containers were positioned in strategic points of work (POW) to allow trucks to quickly discharge empties then move along to pick up laden boxes in a synchronized motion. Two empty handlers were assigned at each POW to cope with demand.

The rollout of ATI's hot seats program which transported operators to their assigned equipment using dedicated shuttles made shift change-overs faster and safer. Staggered break time for mobile equipment operators likewise ensured unimpeded operations. Operational coordination was also enhanced using radio communication infrastructure.

Outside the terminal, the online Terminal Appointment Booking System (TABS) effectively managed the flow of trucks on roads 24/7. Last year, South Harbor served over 2,000 trucks daily, up by more than 50 percent compared to pre-TABS era, without causing heavy traffic on roads. With TABS, over 80 percent of trucks were served within an hour of gate entry, translating to quicker truck turnaround time and faster delivery of goods to consignees.

SOUTH HARBOR GENERAL STEVEDORING TERMINAL

700,000MT
Cargo Volume

24/7
Safety Coverage

ATI's General Stevedoring Terminal completes the comprehensive service offerings of Manila South Harbor by delivering an experience-driven and safety-focused philosophy in handling general and break-bulk commodities, sensitive navy vessels and cruise ships.

OPERATIONAL FLEXIBILITY

ATI's General Stevedoring Terminal again demonstrated its operational flexibility in 2016 as it handled substantial volume of non-containerized cargoes, hosted goodwill visits of foreign navies and welcomed a growing number of tourists into Manila aboard modern cruise vessels on Pier 15 of Manila South Harbor.

For the year, it safely and efficiently discharged over 700,000 metric tons of high value cargoes such as steel, heavy lifts, top-of-the-line vehicles, project cargoes and

other high-value commodities required by the construction, utilities, manufacturing and transport industries.

Cargoes were expertly handled by ATI's hardworking team of seasoned professionals with highly specialized skills in tandem with industry-compliant lifting gears and heavy-lift equipment, including four units of 15-ton Konencrane forklifts which joined ATI's equipment fleet in 2015.

Training received by line managers, supervisors and stevedores in an advanced general stevedoring course from the DP World Institute, a leading training center for the global port community, also made a positive impact on overall performance.

BOOSTING SAFETY

Consistent with previous years, ATI continued to step up its safety leadership in general stevedoring by continually focusing on mitigating risks in partnership with ship owners, vessel crews and stakeholders.

Toolbox meetings and safety dialogues between port personnel, ship's crew and third party service providers had become a permanent operational protocol. As part of this, lighting conditions in cargo holds, along pathways and ladders, and other ship-owned equipment were inspected to ensure safe operations.

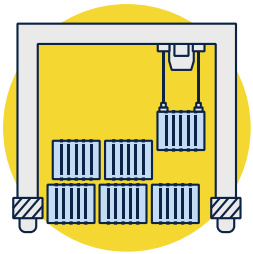
ATI also pioneered a terminal safety campaign, wherein it developed and distributed flyers both in English and Tagalog to third party truckers serving as guide for the safe hauling of cargoes especially when placing suspended loads onto trucks and transferring oversized equipment onto flatbed trailers.

ENHANCING FACILITIES

As part of the upkeep of the terminal and also to match the growing market demand for general cargoes, facilities at Pier 15 were constantly upgraded, including civil works along the pier apron. ATI took this important steps in cognizance of the growing demand for general cargo handling services, especially as the country enters into a golden age of infrastructure with both public and private sectors aggressively pursuing projects on transportation, energy, property development among others over the long run.

All these have sustained the terminal's status as benchmark in general cargo handling services in the country.

BATANGAS CONTAINER TERMINAL



Just under
160,000 TEUs
Record Volume

31 GMPH
Record Production Trend

The Batangas Container Terminal located 100 kilometers south of Manila has emerged as the preferred international gateway port for industries in southern Luzon, leveraging on its efficiencies, world-class productivity and direct connectivity to key regional and global markets.

ATI's Batangas Container Terminal (BCT), the most modern international trade gateway south of Manila, played an increasing role in helping decongest Metro Manila roads in 2016 while fulfilling its vision of spurring economic activity in Calabarzon (Cavite, Laguna, Batangas, Rizal and Quezon).

Sustaining its impressive growth pace over the past three years, BCT ended the year with volume soaring to nearly 160,000 teus (twenty-foot equivalent units), its highest foreign container throughput since starting commercial operations in 2010. This surpassed its previous record of over 130,000 teus in 2015 for a year-on-year growth of over 18 percent.

BATANGAS CONTAINER TERMINAL CONTINUES TO STRENGTHEN ITS ROLE AS THE MAIN TRADE FACILITATOR IN SOUTHERN LUZON WITH 2016 CONTAINER VOLUME GROWING TO NEARLY 160,000 TEUS.

More significantly, this translated to reduction of over 80,000 trucks trips along Metro Manila's roads last year, with more importers and exporters opting to route commodities via Batangas instead of Manila.

WORLD-CLASS EFFICIENCY

Despite the double-digit volume surge, BCT operated at world-class efficiency pace in 2016 with full year production averaging 29 gmph (gross moves per crane per hour). During the second half of the year, BCT operated at an even faster pace of 31 gmph, equalling the production of global trade hubs in Singapore and Hongkong.

GMPH is a measure of how many boxes cranes move from ship to shore in an hour. Efficient handling of vessels at berth results in faster ship turnaround and quicker deliver of cargoes to consignees.

Yard utilization for the entire year, on the other hand, averaged 37 percent indicating sufficient storage space and BCT's capacity to handle more vessels and shipment in support of industries.

MARKET CONNECTIVITY

Connected to Calabarzon's major industrial hubs via modern highways and road infrastructure, BCT facilitated faster delivery of goods to its growing list of multinational customers including Japanese electronics giants, food and beverage conglomerates, agriculture exporters, car manufacturers, and other major establishments in the region.

Seven vessels operated by major shipping lines sailed to Batangas weekly, linking Calabarzon shippers faster to Hongkong, Singapore, Taiwan, Japan, Thailand, Vietnam, Indonesia and other global trade hubs. Vessel traffic in 2016 increased 61 percent to 302 from 187 in 2015.

Moreover, the expeditious Customs processes which follow global quality standards complemented BCT's efficiencies. Bureau of Customs Batangas is the sole unit throughout the Bureau with an ISO 9001:2008 certification for Quality Management.

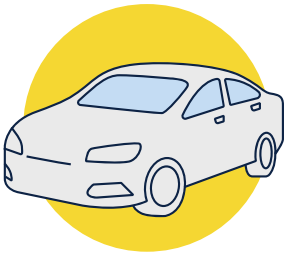
Alongside modern terminal operations system and the above mentioned advantages, BCT customers are able to pick-up boxes at the terminal within 30 minutes of truck entry.

FUTURE CAPACITY

In response to growing customer demand and to further help government decentralize Metro Manila, ATI has rolled out an aggressive investment program which will double BCT's capacity to over 600,000 teus.

By 2018, BCT will be bannered by an extended quay measuring 600 meters and equipment fleet of four quay cranes (QCs) and eight rubber-tired gantry cranes (RTGs), from its current fleet of two and four, respectively.

BATANGAS PASSENGER AND CARGO TERMINAL



200,000 CBUs
Record Car Volume

3.7M
Record Passenger Volume

ATI's Batangas Port is the largest passenger and general cargo seaport outside Manila serving as a key transport and trade linkage between Luzon, southern Philippines and the Asian region.

ATI's Batangas Passenger and Cargo Terminal delivered its strongest performance last year top-billed by significant milestones in volume growth and capacity expansion as it continued to fulfil its role as the main marine transport and trade gateway of southern Luzon.

Like ATI's other terminal facilities, Batangas Port safely and efficiently linked local and international goods as well as passengers to their destinations.

TOP CAR CARRIER PORT

2016 was the best year for Batangas Port, the top car carrier port of the country, handling over 200,000 completely built imported car units (CBUs) for its highest

car throughput in a single year. This represents a year-on-year volume growth of over 40 percent.

Batangas Port's milestone 200,000th CBU, a Nissan GT-R sport coupe, was delivered on December 28 aboard Wallem Shipping's MV Positive Passion car carrier vessel.

Car units handled by Batangas Port account for the majority of the country's annual car sales. Major car manufacturers and distributors leverage the port's convenience and proximity to their consumer markets and also as use it as a strategic staging point for distributing imported cars to Visayas and Mindanao.

Driven by booming consumer demand for vehicles, ATI has begun last year the development of a state-of-the-art multilevel CBU storage facility (MCSF) within Batangas Port to further increase its storage capacity to over 7,000 imported vehicles at any given time. First phase of the MSCF is eyed for completion by end-2017 while its second phase will come online by mid-2018.

TOP PASSENGER PORT

At the domestic front, Batangas Port remained the top passenger port outside Manila. Last year, it handled over 3.7 million out-bound passengers and over 300,000 trucks, buses and other vehicles traversing the Batangas-Mindoro, Marinduque, Romblon and Palawan (Mimaropa) route. This represents over 7 percent and 13 percent growth, respectively compared to 2015 figures.

Aside from serving the local maritime transport segment, Batangas Port reliably supported the booming industries of Batangas and nearby localities. It handled non-containerized commodities such as steel, bagged cargoes and break-bulk shipment of factories, utilities and power generation facilities.

It also served 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. Sharing its client's stringent commitment to safety, ATI's Batangas Supply Base has consistently been recognized for its exemplary safety leadership and contribution to the continued success of the offshore platform.

FUTURE BATANGAS PORT

Looking at the long-term, ATI has begun laying down the groundwork for Batangas Port's transformation into a world-class maritime hub for passengers and roll-on/roll-off cargoes under its massive Port Development Project from 2018 onwards.

Once complete, the Batangas Port will be bannered by spacious, convenient and fully air-conditioned passenger terminal infrastructure and multipurpose commercial areas resembling the fast craft hubs of Hongkong and Macau.

The terminal will be designed to serve the expanding and modernizing fleet of fast crafts and Roll-on/Roll-off vessels plying the Mimaropa route and further into central Visayas and Mindanao.

COMPLEMENTARY PORT FACILITIES

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 is ATI's 4.2-hectare Inland Clearance Depot (ICD). Seeded in Calamba City, Laguna, ICD serves as a strategic dry port and a perfect supply-chain partner for the major industrial zones 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 both facilities, hence providing industrial zones nearby a direct access to the country's main gateway ports.

ATI EXPANDS ITS PORT EXPERTISE TO GROWING MARKETS OUTSIDE METRO MANILA THROUGH EFFICIENT, RELIABLE AND COMPREHENSIVE COMPLEMENTARY PORT FACILITIES.

As an authorized extension of Manila South Harbor and Batangas Container Terminal, shipment arriving via Manila or Batangas can be transferred immediately to ICD upon the request of Bureau of Customs (BOC)-accredited consignees. While stored at the 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 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 sustained its growth, facilitating the delivery of more than 200,000 TEUs (twenty-foot equivalent units) of international and domestic containerized cargoes while handling over 540,000 metric tons of non-containerized shipment. With its rapid growth and robust potential, plans are underway to deploy quay cranes and rubber-tired gantry cranes in the facility, in addition to other mobile container handling equipment which have been invested.

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. It also serves as a strategic back-up area for shipping line customers needing more container spaces outside the terminal.

ATI'S OPERATIONAL PHILOSOPHY IS ANCHORED ON SAFETY, A MAIN VALUE-DRIVER IN MANAGING THE PHILIPPINES' MAJOR PORT INFRASTRUCTURE.

+19PTS
MANILA
Safety Index

36%
REDUCTION
Reportable Injury Frequency Rate

HEALTH, SAFETY, ENVIRONMENT AND SECURITY

Safety is the foundation of ATI's successful ports and logistics business. This was further demonstrated in 2016 as ATI scored the best safety index compared to its peers in Asia Pacific while turning in its best operational and financial performance in over three decades.

RECORD SAFETY PERFORMANCE

It was a record year for Safety in 2016 as ATI booked a regional best risk profile score of 59.4 for Manila South Harbor and 49.1 for Batangas Port, representing a positive gain of 19.3 points and 12.8 points, respectively, from indexes in 2015. Risk Profiling is a comprehensive approach applied by Global Safety and Environment of DP World, ATI's foreign shareholder partner, in benchmarking the safety performance of terminals across continents.

Supporting this safety achievement was ATI's Reportable Injury Frequency Rate (RIFR) of 1.05 in 2016, a reduction of 36 percent from 2015. An RFIR is a global parameter measuring safety performance wherein a lower figure indicates better risk mitigation. In the same year, ATI also maintained zero marks on major incidents and accidents, spills, fire and other risks and more importantly sustaining its zero fatality status. Meanwhile, gains were also achieved in resource conservation and emission mitigation.

SAFETY CULTURE

ATI's record safety performance can be attributed to the Company's comprehensive occupational health and safety programs and safety-first culture which continued to gain traction not only among dockworkers but more importantly with external stakeholders. These were evident in safety engagement and toolbox meetings attended by port personnel, vessel crews and third parties, as prerequisite to port operations. Oversized posters interspersed throughout the terminal also reminded port users on safe practices.

Integral to ATI's safety culture is ensuring that the port remained a drug-free zone. Along this line, ATI continued mandatory drug testing for employees while random tests were regularly done, including the port users community to ensure a drug-free workplace. Health lectures and sports activities, which are part of ATI's safety programs, educated employees on prevailing health and social issues and reinforced positive behavior.

Apart from behavioral interventions, engineering solutions were adopted to boost safety. Arising from innovative ideas of employees, ATI retrofitted the vertical ladders of rubber-tired gantry cranes with foldable safety hoops to protect operators when climbing the equipment. At the truck holding area, new pathways were constructed to separate trucks from pedestrians, while the usage of complete personal protective equipment were enforced at all times.

EMERGENCY PREPAREDNESS

ATI also continued to broaden its capability in responding to emergencies by investing last year in additional safety gears, new firemen suits and other emergency response equipment. With the help of authorities, advanced trainings were conducted to sharpen the skills of ATI's emergency response team (ERT) during rescue at heights, chemical spill containment and fire suppression. These skills were put to actual use last year as ATI's ERT lent its assistance as first responder at a fire incident in a nearby community.

IMS CERTIFICATION

As a fitting conclusion to last year's safety accomplishments, ATI's sites successfully retained their Integrated Management System (IMS) certifications for Quality Management (ISO 9001:2008), Environmental Management (ISO 14001:2004), Occupational Safety and Health Management (OHSAS 18001:2007) and Security Management (ISO 28000:2007). These affirms that ATI's safety standards are at par with world-best practices.

ATI PROUDLY SUPPORTS THE PHILIPPINE ECONOMY WITH THE HELP OF ITS TEAM OF HIGHLY SKILLED AND INNOVATIVE PROFESSIONALS WHO WORK SAFELY AND EFFICIENTLY IN MOVING GOODS THROUGH THE SUPPLY CHAIN.

HUMAN RESOURCES

1,400
Workforce Strength

53,000
Training Hours

ATI's success for over three decades has always been anchored on its most prized asset – its workforce.

SKILLS ENHANCEMENT

2016 was a solid year for training as ATI delivered over 53,000 hours in accumulated training time for employees. With a 1,400-strong workforce, this translated to over 35 training hours per employee, which ran parallel with global benchmarks. ATI's in-house trainers with external counterparts, including those from DP World Learning Institute – the premier training center of global trade enabler DP World and ATI's foreign shareholder partner – supplemented employees' proficiencies in critical areas such as business operation, equipment handling, safety and leadership.

Last year's training season was made more relevant as ATI pioneered a general stevedoring training (GST) course in partnership with DP World

Institute. The GST program included comprehensive tracks on safety, productivity and efficiency and was designed to advance the leadership of supervisors and managers in the highly industrial environment of general stevedoring. The training drew on ATI's decades experience in non-containerized cargo operations and is intended for cascading across the portfolio.

EMPLOYEE COMMUNICATION

Noting the importance of communication for a growing organization, ATI strengthened communication lines with staff through various programs. HR Reach allowed staff of Human Resources to visit departments to talk on new policies or relevant topics. Sessions held during breaks and free time also served as team dynamics exercises. This was the same motivation behind Coffee with the EVP, a quarterly staff interaction with top management to foster a culture of open communication. HR Express, a one-page newsletter, was also launched to keep employees abreast with company developments.

INNOVATION & DIVERSITY

It was a strong year for Innovation as ATI sustained the gains of previous Appreciative Inquiry (AI) Summits. ATI's AI: Innovation Edition in 2016 gathered managers up to division heads to creatively brew ideas that are now improving processes, resolving problems and further growing ATI's business.

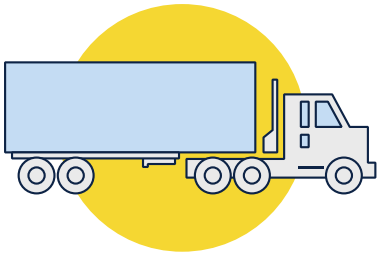
Meanwhile, in line with efforts to create a more diverse organization, ATI sustained its highly successful Graduate Management Training Program pioneered in 2015. It has since drawn the best and brightest young talents into the Company, with two additional trainees joining its ranks last year. The program has since produced 9 young leaders now handling more senior roles and contributing to ATI's frontline units. Gender equality was likewise encouraged, with more women notably joining ATI's operations.

STRONG INDUSTRIAL RELATIONS

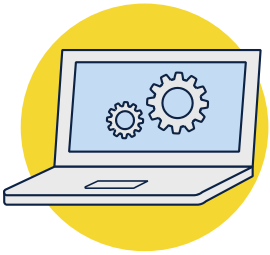
Harmonious labor relations were continuously fostered between ATI and its unions last year as the Company further laid the groundwork for a more productive and supportive workplace. This led to the successful conclusion of the collective bargaining agreements between KAMADA, ASTEU, SHIPCU and BPLSU. This 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.

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

ATI'S IT-DRIVEN AND INDUSTRY-LEADING PORT SOLUTIONS AND INFRASTRUCTURE FACILITATE THE SEAMLESS FLOW OF COMMODITIES FROM THE PORT TO FACTORY DOORS 24/7.



53% UP
TABS vs Pre-TABS



99.99%
IT Reliability

INFORMATION TECHNOLOGY

As a pioneer in the Philippine port industry, ATI takes pride in leading the development and implementation of Information Technology-driven solutions and infrastructure to ensure safe, efficient and reliable ports, which in turn benefit customers, the supply chain and the economy as a whole.

SEAMLESS TRADE FLOW

Among the technological highlights of last year was the continued success of the Terminal Appointment Booking System (TABS), an online truck scheduling facility for picking up and delivering containers at the port, which ATI, government and port stakeholders initiated in late 2014 in response to road congestion.

Into its second year of full implementation, TABS has reaped positive results and acclaim from the business community for facilitating the seamless flow of commodities from the port





to factory doors 24/7, a first in Philippine logistics history and a significant shift from restrictive truck bans.

Developed by 1-Stop Australia, TABS works like an airline booking system, which allows customs brokers to conveniently schedule online the pickup and delivery of containers at Manila's international ports as soon as government cargo clearances are secured. Booking is done by selecting time slots across the 24-hour, 7-day week period. With confirmed booking, a truck simply has to show up at the terminal within its schedule and it is immediately served. The orderly arrival of trucks spread throughout the day avoids bottlenecks at the port's gates and does not cause heavy traffic flow along major roads.

Another key feature of TABS is that it allowed trucks to traverse major road networks leading in and out of Manila's port zone even during rush hours as long as trucks have valid TABS booking. To monitor compliance, traffic enforcers can send the truck's plate number to a designated mobile number for free to verify the TABS transaction and exemption from truck ban.

TABS & RECORD EFFICIENCY

TABS was instrumental in lifting Manila South Harbor's terminal production to an all-time-high on the way to closing the year with a record throughput of over one million teus (twenty-foot equivalent units).

From a pre-TABS volume of 1,500 trucks per day, Manila South Harbor in 2016 handled over 2,000 trucks per day, processing 53 percent more trucks within the same operating period without causing traffic on roads or causing strain in operations. Through TABS, more than 80 percent of trucks arriving on schedule were served within an hour of gate entry. Meanwhile, yard utilization for the year was a healthy 65 percent, another solid indicator of efficiency.

WEB-BASED APPLICATIONS

ATI's homegrown applications continued to deliver greater convenience and transaction transparency to customers. ATI's Web-track system and its counterpart Mobile Port App (MPort) for smart gadgets, were upgraded to cope with growing customer requirements. The apps allowed customers to check the status of containers and vessels on a real-time basis and execute transactions. Its Container Traffic Light System provided useful information to port users for return of empty containers at the port. Meanwhile, the use of ePayment in partnership with major banks have also gained traction among customers as a highly secure and convenient payment option 24/7.

Various systems and hardware, from Internet Proxy Server, telephone system, to Altai Wi-Fi antennas and self-help online kiosks among others were likewise upgraded to sustain the robustness of ATI's IT infrastructure which maintained its 99.99 percent availability in 2016.

Providing the right platform and support for such highly interconnected markets, ATI's IT assets will remain bullish to ensure the uninterrupted flow of trade volumes handled by ATI's ports and support customer-to-port transactions of industries.

ATI, AS A RESPONSIBLE CORPORATE CITIZEN, IS COMMITTED TO CREATING A BRIGHT FUTURE FOR THE NEXT GENERATION BY INVESTING ON HIGH-IMPACT PROGRAMS ON EDUCATION, COMMUNITY AND ENVIRONMENT

CORPORATE SUSTAINABILITY

1,700
Volunteering Hours

173
ATI Scholars

Asian Terminals believes that working in a sustainable and responsible way is essential to building a strong business not just for port customers and stakeholders, but most importantly for the community and society in general in which it operates. As such, ATI takes its role as community builder and good corporate citizen very seriously, especially noting that people and customers depend on ATI's services.

ATI pursued its sustainability agenda with much vigor in 2016 focusing primarily on creating a brighter tomorrow for the next generation. For a more collective impact, ATI's programs mirrored the global sustainability platform "Our World, Our Future" of DP World, its strategic foreign shareholder partner.

YOUTH EMPOWERMENT

Believing in the transformative power of education, ATI continued to allocate the biggest share of its social investment on educating the Filipino youth. A major part of this went to its highly successful Scholarship Program which last year supported the schooling of 173 qualified and deserving young dependents of ATI employees and surrounding port communities. As an added testament to its success, the program helped students complete their studies last year in accounting, nursing and marketing.

Meanwhile for a much younger audience, ATI went full swing with the Global Education Program (GEP) after its successful pilot launch in Manila early in the year. Designed as a fun and interactive lecture for children aged 8 to 14 years, GEP underscored the importance of global trade, the role seaports like ATI plays in moving the world's cargoes and career options in the future.

By mid-year, ATI brought GEP a notch higher by integrating safety into the curriculum when it launched ATI KIDS Camp to children of port stevedores. Through fun games and lectures facilitated by employee volunteers, KIDS Camp merged Port Education with Safety Orientation with the end-view of empowering children to become Safety Ambassadors to their respective homes, schools and communities. ATI's hybrid program was ultimately adjudged as Best Program on Sustainability Communication by DP World. In all, ATI reached out to over 600 students in the first year of GEP's implementation.

SOCIAL INVESTMENT

Outside the port gates, ATI also sustained its commitment to help build a bigger and safer foster home for abandoned and surrendered infants cared for by CRIBS Foundation, a leading child welfare institution. Last year, it moved a step closer to realizing its dream home for babies as the Cribs-ATI-DP World Child Center broke ground at its new and more conducive location in Antipolo City. On completion, the new home will stand on a spacious lot with trees and lawns, best complementing Cribs' comprehensive healing and development programs for more children.

Support for the Bahay ng Diyos Foundation, a front-runner in developing communities especially in the far-flung corners of the country, also continued to bring to life ecumenical centers right at the heart of the remotest communities. ATI's support for Bahay ng Diyos has enabled it to build not just places of worship, but more importantly centers which would serve as a fulcrum for safe and productive lives.

PROTECTING THE ENVIRONMENT

Protection and conservation of natural resources was likewise a centrepiece in ATI's sustainability agenda. ATI employees actively took part in coastal clean-up drives, resource conservation activities and the reforestation of the La Mesa Watershed, the source of Metro Manila water.

ATI accumulated over 1,700 volunteering hours in 2016 as it pursued its comprehensive sustainability agenda.

Revenues for the year ended December 31, 2016 grew by 13.5% to ₱9,249.2 million from ₱8,146.5 million in 2015. Revenues from South Harbor international containerized cargo increased from last year by 18.2% on account of higher container volume, which grew by 19.4%. Notably, in 2016, South Harbor international containerized cargo set a new record as it broke through the one-million teu (twenty-foot equivalent unit) mark for the first time. Likewise, revenues in Port of Batangas was higher by 16.1% compared to last year following a 42.2% growth in volume of international Completely Built Units (CBUs). On the other hand, revenues from South Harbor international non-containerized cargo and Batangas Container Terminal were down from last year by 11.8%, and 4.2%, respectively.

Port authorities' share in revenues in 2016 totaled ₱1,711.6 million, 21.4% higher than last year resulting from higher revenues subject to port authorities' share.

Cost and expenses in 2016 of ₱4,301.0 million went up by ₱564.8 million or 15.1% from ₱3,736,1 million in 2015. Labor costs in 2016 of ₱1,192.5 million were higher by 9.3% compared to ₱1,091.4 million in 2015 due to higher headcount and salary rate increases. Depreciation and amortization in 2016 of ₱1,136.5 million increased by 20.3% from ₱944.9 million in 2015 on account of additions to intangible assets and property and equipment. Equipment running in 2016 slightly went up by 0.5% to ₱485.3 million from ₱482.8 million in 2015. Facilities-related expenses in 2016 went up by 13.6% to ₱183.6 million from ₱161.6 million in 2015 due to higher repair and maintenance costs for wharves and IT costs. Professional fees in 2016 amounted to ₱174.3 million vs. ₱47.7 million in 2015, which mainly pertain to legal and consultancy fees. Marketing, commercial, and promotion in 2016 increased to ₱136.2 million from ₱36.7 million in 2015 due to increased marketing and communications efforts. Management fees in 2016 rose by 7.4% to ₱113.0 million from ₱105.2 million in 2015 following higher net income. Other expenses in 2016 totaled ₱223.2 million, up by 20.5% from ₱185.2 million in 2015 due to higher general operations and CSR expenses.

On the other hand, Taxes and licenses in 2016 decreased by 8.7% to ₱254.9 million from ₱279.3 million due to lower real property taxes. General transport costs in 2016 of ₱14.9 million were lower by 30.8% compared to ₱21.5 million in 2015 on account of lower trucking costs in South Harbor and Laguna.

Finance income amounted to ₱62.0 million in 2016, 20.4% up from ₱51.5 million in 2015 due to higher interest rates for money market placements. Finance costs in 2016 of ₱581.2 million were higher by 5.9% compared to ₱548.8 million in 2015 due to increases in interest expense on port concession rights payable and defined benefit pension plans. Others-net in 2016 was negative ₱113.0 million, 57.0% higher than ₱71.9 million in 2015. This account included unrealized forex losses of ₱60.3 million and ₱35.4 million in 2016 and 2015, respectively, resulting from revaluation of dollar-denominated concession rights payable and fair value losses on a cash flow hedge of ₱211.9 million and ₱99.5 million in 2016 and 2015, respectively, following the depreciation of the Philippine Peso against the US Dollar.

Income before income tax in 2016 of ₱2,604.5 million was higher by 7.1% compared to ₱2,431.9 million in 2015. Provision for income tax in 2016 increased by 5.2% to ₱699.5 million from ₱664.7 million in 2015.

Net income for the year ended December 31, 2016 improved by 7.8% to ₱1,905.0 million from ₱1,767.2 million last year. Earnings per share was up to P0.95 in 2016 from ₱0.88 in 2015. Without the foreign exchange impact – as per accounting rules brought in since 2013 – net income would have been ₱2,095.5 million, 12.6% higher than ₱1,861.6 million in 2015, on a like-for-like basis.

Plans for 2017

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

At the core of this is ATI's programed capital investments worth Php4.6 billion for 2017 in line with its investment commitment with the Philippine Ports Authority.

The robust Batangas Port takes center stage this year as ATI positions it for future growth ahead for both the domestic passenger and roll-on/roll-off segments as well as the international container cargo business.

As a forward-looking company, ATI keeps its eyes open for more business growth drivers, including exploring new port operations locally or overseas, given the right opportunity. Combining the global leadership of its strategic foreign shareholder DP World and the best of Filipino talent, ATI shall continue optimizing its resources, expertise and management capabilities to bring its competencies where growth potential is high and where it could add greater value to its shareholders.

Consolidated Financial Condition

Total assets as of December 31, 2016 grew by 8.4% to ₱23,139.0 million from ₱21,341.8 million as of December 31, 2015. Total current assets as of December 31, 2016 increased by 35.4% to ₱7,090.2 million from ₱5,237.6 million as of December 31, 2015. Cash and cash equivalents as of December 31, 2016 went up by 42.8% to ₱5,881.2 million from ₱4,118.8 million as of December 31, 2015. Trade and other receivables-net as of December 31, 2016 rose by 21.0% to ₱426.5 million from ₱352.4 million as of December 31, 2015. Spare parts and supplies-net as of December 31, 2016 of ₱314.6 million were higher by 19.7% compared to ₱262.8 million as of December 31, 2015 in support of operational requirements and equipment maintenance program. Prepaid expenses of ₱467.9 million as of December 31, 2016 declined by 7.1% from ₱503.7 million as of December 31, 2015.

Total non-current assets of ₱16,048.8 million as of December 31, 2016 were slightly lower by 0.3% compared to ₱16,104.2 million as of December 31, 2015. Property and equipment-net decreased by 1.6% to ₱483.2 million as of December 31, 2016 from ₱491.0 million as of December 31, 2015. Additions to property and equipment which were not subject of the service concession arrangement totaled ₱81.7 million in 2016. Intangible assets-net as of December 31, 2016 of ₱14,716.5 million were lower by 1.5% compared to ₱14,934.3 million as of December 31, 2015. Acquisitions of intangible assets which consisted of civil works and cargo handling equipment that were subject of the service concession arrangement amounted to ₱832.9 million in 2016. Deferred tax assets-net as of December 31, 2016 of ₱733.4 million was up by 29.5% to ₱566.3 million as of December 31, 2015, pertaining to additional deferred tax on concession rights payable, cash flow hedge, and unrealized foreign exchange losses. Other noncurrent assets as of December 31, 2016 increased by 3.1% to ₱61.0 million from ₱59.1 million as of December 31, 2015.

Total liabilities rose by 7.4% to ₱11,378.9 million as of December 31, 2016 from ₱10,594.1 million as of December 31, 2015. Trade and other payables as of December 31, 2016 of ₱2,000.4 million were higher by 41.4% than ₱1,414.3 million as of December 31, 2015. Trade and other payables are covered by agreed payment schedules. Provision for claims dropped by 4.8% to ₱50.9 million as of December 31, 2016 from ₱53.5 million as of December 31, 2015. Income and other taxes payable increased by 1.5% to ₱197.9 million as of December 31, 2016 from ₱195.0 million as of December 31, 2015. Port concession rights payable (current and noncurrent) as of December 31, 2016 totaled ₱8,985.9 million, 2.8% above the ₱8,740.7 million as of December 31, 2015 due to full-year impact of the contract for Port of Batangas renewed in October 2015 resulting to adoption of IFRIC 12. Pension liability as of December 31, 2016 of ₱143.9 million were lower by 24.5% compared to ₱190.6 million as of December 31, 2015.

Consolidated Cash Flows

Net cash provided by operating activities increased by 48.8% to ₱4,158.4 million in 2016 from ₱2,794.1 million in 2015 due to higher operating income.

Net cash used in investing activities in 2016 of ₱862.7 million were 15.6% higher than ₱746.4 million in 2015 due to higher acquisitions of property and equipment and intangible assets.

Cash used in financing activities in 2016 of ₱1,534.8 million were slightly lower by 0.1% than the ₱1,536.6 million in 2015. Cash dividends paid amounted to ₱820.0 million in 2016 and 2015.

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

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

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

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

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

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

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

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

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

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

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

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

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

Standards Issued but Not Yet Adopted

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

Effective January 1, 2017

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

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

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

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

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

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

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

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

Effective January 1, 2018

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

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

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

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

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

Effective January 1, 2019

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

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

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

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

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

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

Other information:

- The Company's businesses are affected by the local and global trade environment. Factors that could cause actual results of the Company to differ materially include, but are not limited to:
  - material adverse change in the Philippine and global economic and industry conditions;
  - natural events (earthquake, typhoons and other major calamities); and
  - material changes in exchange rates.
- There was no known trend, event or uncertainty that had or may have a material impact on liquidity and on revenues or income from continuing operations. There was no known event that may cause a material change in the relationships between costs and revenues.
- There was no seasonal factor that had a material effect on the financial condition and results of operations.
- There was no event that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.
- Except for the commitments and contingencies mentioned in Note 23 of the consolidated financial statements, the Company has no knowledge of any material off-balance sheet (statement of financial position) transactions, arrangements, obligations and other relationships of the Company with unconsolidated entities or other persons created during the reporting period that would address the past and would have material impact on future operations.
- Projected capital expenditures for 2017 is ₱4.6 billion, which includes yard and berth development as well as equipment acquisition. The capital expenditure will strengthen the Company's operations and capability to handle growth and will be sourced from internal funds.

Key Performance Indicators (KPIs)

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

- ATIB's total assets were only 9.6% of the consolidated total assets
- Income before other income and expense from ATIB was only 14.1% of consolidated income before other income and expense.[1]

Consolidated KPI	Manner of Calculation	2016	2015	Discussion
Return on Capital Employed	Percentage of income before interest and tax over capital employed	16.2%	15.5%	Increase resulted from higher income before other income (expense) during the period.
Return on Equity attributable to equity holders of the parent	Percentage of net income over equity attributable to equity holders of the parent	16.9%	17.0%	Decrease due to higher equity.
Current ratio	Ratio of current assets over current liabilities	2.85 : 1.00	2.82 : 1.00	Increase due to higher current asset.
Asset to equity ratio	Ratio of total assets over equity attributable to equity holders of the parent	1.97 : 1.00	1.99 : 1.00	Decrease due to higher equity.
Debt to equity ratio	Ratio of total liabilities over equity attributable to equity holders of the parent	0.97 : 1.00	0.99 : 1.00	Decrease due to higher equity.
Days Sales in Receivables (DSR)	Gross trade receivables over revenues multiplied by number of days	12 days	8 days	Due to higher trade receivables.
Net Income Margin	Net income over revenues less government share in revenues	25.3%	26.2%	Decrease due to higher expenses.
Reportable Injury Frequency Rate (RIFR)[2]	Number of reportable injuries within a given accounting period relative to the total number of hours worked in the same accounting period.	1.05	1.63	Improved as a result of extensive safety campaign and strict implementation of HSES policies.

Summary of Selected Financial Data (in millions)

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

[1] Income before other income and expense is defined as income before net financing costs, net gains on derivative instruments and others.
[2] RIFR is the new KPI for injuries introduced in 2014 to replace LTIFR. RIFR is a more stringent KPI as it covers not only Lost Time Injuries (LTIs) but also Medically Treated Injuries (MTIs) and Fatality incidents.

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of ASIAN TERMINALS, INC. AND A SUBSIDIARY (the "Group") is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, as at December 31, 2016 and 2015 and for each of the three years in the period ended December 31, 2016, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

R.G. Manabat & Co., the independent auditors appointed by the stockholders, has audited the consolidated financial statements of the Group in accordance with Philippine Standards on Accounting, 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 Board of Directors and Stockholders
Asian Terminals, Inc.
A. Bonifacio Drive
Port Area, Manila

Opinion

We have audited the consolidated financial statements of Asian Terminals, Inc. and a Subsidiary (the "Group"), which comprise the consolidated statements of financial position as at December 31, 2016 and 2015, 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, 2016, and notes, comprising significant accounting policies and other explanatory information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at December 31, 2016 and 2015, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2016, in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

Key Audit Matters

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

Revenue Recognition (₱9,249,162 - amount in thousands)
Refer to Note 2 to the consolidated financial statements.

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

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

Port Concession Rights - net (₱14,674,438 - amount in thousands) Refer to Note 11 to the consolidated financial statements

The risk
The Group's port concession rights as at December 31, 2016 amounted to ₱14.67 billion which comprise 63% of the Group's total assets. Port concession rights pertain to the amount of cost of port infrastructures, upfront fees payments and fixed government share. As part of its ordinary activities, the Group invests in port infrastructures of significant values. During the year, the Group has made significant additional investments relating to port concession rights amounting to ₱832.9 million. These additional capital expenditures expose the Group to the risk that a material amount of the resulting additional port concession rights are not appropriately recognized in accordance with the relevant accounting standards. Further, the assignment of useful lives may not be suitable based on the nature and extent of the assets' usage. Due to the materiality of the transactions and the account to the Group's consolidated financial statements as well as its significance on the overall audit strategy, the "port concession rights" account is considered to be a key audit matter.

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

Hedging of Highly Probable Forecast Transactions using a Non-derivative Instrument (Hedging reserve - ₱415,403 - amount in thousands) Refer to Note 16 to the consolidated financial statements.

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

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

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2016, but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2016 are expected to be made available to us after the date of this auditors' report.

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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

R.G. MANABAT & CO.

ENRICO E. BALUYUT
Partner
CPA License No. 065537
SEC Accreditation No. 1177-AR-1, Group A,
valid until April 30, 2018
Tax Identification No. 131-029-752
BIR Accreditation No. 08-001987-26-2014
Issued September 26, 2014; valid until September 25, 2017
PTR No. 5904918MD
Issued January 3, 2017 at Makati City

February 20, 2017
Makati City, Metro Manila

ASIAN TERMINALS, INC. AND A SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Thousands)

	Note	December 31 2016	2015
ASSETS			
Current Assets			
Cash and cash equivalents	*6, 25*	**₱5,881,207**	₱4,118,761
Trade and other receivables - net	*7, 25*	**426,466**	352,386
Spare parts and supplies	*18*	**314,595**	262,772
Prepaid expenses	*8*	**467,939**	503,676
Total Current Assets		**7,090,207**	5,237,595
Noncurrent Assets			
Investment in an associate	*9*	**54,654**	53,337
Property and equipment - net	*10*	**483,172**	491,030
Intangible assets - net and goodwill	*11*	**14,716,498**	14,934,326
Deferred tax assets - net	*13*	**733,450**	566,331
Other noncurrent assets	*12*	**60,997**	59,145
Total Noncurrent Assets		**16,048,771**	16,104,169
		₱23,138,978	₱21,341,764
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	*14, 25*	**₱2,000,359**	₱1,414,259
Provisions for claims	*15*	**50,944**	53,539
Port concession rights payable - current portion	*25*	**237,479**	194,696
Income and other taxes payable		**197,887**	195,030
Total Current Liabilities		**2,486,669**	1,857,524
Noncurrent Liabilities			
Port concession rights payable - net of current portion	*25*	**8,748,390**	8,546,021
Pension liability	*21*	**143,857**	190,593
Total Noncurrent Liabilities		**8,892,247**	8,736,614
		11,378,916	10,594,138
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		**9,910,095**	8,770,700
Hedging reserve		**(415,403)**	(286,578)
Fair value reserve		**(5,820)**	(5,820)
		11,753,172	10,742,602
Non-controlling Interest		**6,890**	5,024
Total Equity		**11,760,062**	10,747,626
		₱23,138,978	₱21,341,764

See Notes to the Consolidated Financial Statements.

ASIAN TERMINALS, INC. AND A SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME

(Amounts in Thousands, Except Per Share Data)

				Years Ended December 31
	Note	**2016**	2015	2014
REVENUES FROM OPERATIONS	*2*	**₱9,249,162**	₱8,146,497	₱8,241,095
GOVERNMENT SHARE IN REVENUES	*17*	**(1,711,551)**	(1,409,195)	(1,655,234)
		7,537,611	6,737,302	6,585,861
COSTS AND EXPENSES EXCLUDING GOVERNMENT SHARE IN REVENUES	*18, 20, 21*	**(4,300,952)**	(3,736,118)	(3,598,186)
OTHER INCOME AND EXPENSES				
Finance income	*19*	**61,994**	51,489	32,217
Finance cost	*19*	**(581,216)**	(548,784)	(540,493)
Others - net	*19*	**(112,936)**	(71,947)	181,270
		(632,158)	(569,242)	(327,006)
CONSTRUCTION REVENUES	*11*	**832,918**	664,250	853,046
CONSTRUCTION COSTS	*11*	**(832,918)**	(664,250)	(853,046)
		-	-	-
INCOME BEFORE INCOME TAX		**2,604,501**	2,431,942	2,660,669
INCOME TAX EXPENSE	*13*			
Current		**835,875**	760,851	789,823
Deferred		**(136,367)**	(96,105)	(30,475)
		699,508	664,746	759,348
NET INCOME		**₱1,904,993**	₱1,767,196	₱1,901,321
Income Attributable to				
Equity holders of the Parent Company		**₱1,902,391**	₱1,764,167	₱1,899,055
Non-controlling interest		**2,602**	3,029	2,266
		₱1,904,993	₱1,767,196	₱1,901,321
Basic/Diluted Earnings per Share Attributable to Equity Holders of the Parent Company	*22*	**₱0.95**	₱0.88	₱0.95

See Notes to the Consolidated Financial Statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands)

			Years Ended December 31	
	Note	**2016**	2015	2014
NET INCOME FOR THE YEAR		**₱1,904,993**	₱1,767,196	₱1,901,321
OTHER COMPREHENSIVE INCOME				
Item that will never be reclassified to profit or loss				
Actuarial gains (losses) on pension liability	*21*	**81,525**	(21,037)	(16,466)
Tax on item taken directly to equity	*13*	**(24,458)**	6,311	4,940
		57,067	(14,726)	(11,526)
Items that are or may be reclassified to profit or loss				
Cash flow hedge - effective portion		**(384,327)**	(346,584)	(167,881)
Cash flow hedge - reclassified to profit or loss		**200,292**	89,811	15,256
Tax on items taken directly to equity	*13*	**55,210**	77,032	45,787
	16	**(128,825)**	(179,741)	(106,838)
OTHER COMPREHENSIVE INCOME FOR THE YEAR - Net of tax		**(71,758)**	(194,467)	(118,364)
TOTAL COMPREHENSIVE INCOME		**₱1,833,235**	₱1,572,729	₱1,782,957
Total Comprehensive Income Attributable to				
Equity holders of the Parent Company		**₱1,830,571**	₱1,569,692	₱1,780,680
Non-controlling interest		**2,664**	3,037	2,277
		₱1,833,235	₱1,572,729	₱1,782,957

See Notes to the Consolidated Financial Statements.

ASIAN TERMINALS, INC. AND A SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

(Amounts in Thousands, Except Per Share Data)

Years Ended December 31

		Attributable to Equity Holders of the Parent Company								
				Retained Earnings						
	Note	Capital Stock	Additional Paid-in Capital	Appropriated for Port Development	Unappropriated	Hedging Reserve	Fair Value Reserve	Total	Non-controlling Interest	Total Equity
Balance at January 1, 2016		**₱2,000,000**	**₱264,300**	**₱6,100,000**	**₱2,670,700**	**(₱286,578)**	**(₱5,820)**	**₱10,742,602**	**₱5,024**	**₱10,747,626**
Cash dividends - P0.41 a share for ATI	*16*	-	-	-	**(820,000)**	-	-	**(820,000)**	**(580)**	**(820,580)**
Purchase of shares of subsidiary	*3*	-	-	-	-	-	-	-	**(219)**	**(219)**
Reversal of appropriation of retained earnings	*16*	-	-	**(800,000)**	**800,000**	-	-	-	-	-
Appropriations during the year	*16*	-	-	**2,600,000**	**(2,600,000)**	-	-	-	-	-
Net income for the year		-	-	-	**1,902,391**	-	-	**1,902,391**	**2,602**	**1,904,993**
Other comprehensive income:										
Actuarial gain - net of tax		-	-	-	**57,004**	-	-	**57,004**	**63**	**57,067**
Cash flow hedge - effective portion - net of tax	*16*	-	-	-	-	**(269,029)**	-	**(269,029)**	-	**(269,029)**
Cash flow hedge - reclassified to profit or loss - net of tax	*16*	-	-	-	-	**140,204**	-	**140,204**	-	**140,204**
Balance at December 31, 2016		**₱2,000,000**	**₱264,300**	**₱7,900,000**	**₱2,010,095**	**(₱415,403)**	**(₱5,820)**	**₱11,753,172**	**₱6,890**	**₱11,760,062**
Balance at January 1, 2015		₱2,000,000	₱264,300	₱4,700,000	₱3,141,267	(P106,838)	(P5,820)	₱9,992,909	₱4,551	₱9,997,460
Cash dividends - P0.41 a share for ATI	*16*	-	-	-	(820,000)	-	-	(820,000)	(830)	(820,830)
Purchase of shares of subsidiary	*3*	-	-	-	-	-	-	-	(1,734)	(1,734)
Reversal of appropriation of retained earnings	*16*	-	-	(2,600,000)	2,600,000					
Appropriations during the year	*16*	-	-	4,000,000	(4,000,000)	-	-	-	-	-
Net income for the year		-	-	-	1,764,167	-	-	1,764,167	3,029	1,767,196
Other comprehensive income:										
Actuarial loss - net of tax		-	-	-	(14,734)	-	-	(14,734)	8	(14,726)
Cash flow hedge - effective portion - net of tax	*16*	-	-	-	-	(242,608)	-	(242,608)	-	(242,608)
Cash flow hedge - reclassified to profit or loss - net of tax	*16*	-	-	-	-	62,868	-	62,868	-	62,868
Balance at December 31, 2015		₱2,000,000	₱264,300	₱6,100,000	₱2,670,700	(₱286,578)	(₱5,820)	₱10,742,602	₱5,024	₱10,747,626
Balance at January 1, 2014		P2,000,000	P264,300	P4,700,000	P1,953,749 P	-	(P5,820)	P8,912,229	P3,104	P8,915,333
Cash dividends - P0.35 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	P3,141,267	(₱106,838)	(₱5,820)	₱9,992,909	₱4,551	₱9,997,460

See Notes to the Consolidated Financial Statements.

ASIAN TERMINALS, INC. AND A SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

			Years Ended December 31	
	Note	**2016**	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		**₱2,604,501**	₱2,431,942	₱2,660,669
Adjustments for:				
Depreciation and amortization	*10, 11*	**1,136,532**	944,926	861,976
Finance cost	*19*	**581,216**	548,784	540,493
Net unrealized foreign exchange (gains) losses		**210,264**	98,833	(117,726)
Finance income	*19*	**(61,994)**	(51,489)	(32,217)
Contributions to retirement funds	*21*	**(18,388)**	-	-
Equity in net earnings of an associate	*9*	**(47,170)**	(38,741)	(34,618)
Loss (gain) on disposals of:				
Property and equipment		**(220)**	(718)	(2,279)
Intangible assets		**(3,557)**	1,031	(1,588)
Loss on retirement of:				
Property and equipment		**69**	448	-
Intangible assets		**144**	-	17,273
Amortization of noncurrent prepaid rental		**984**	984	984
Provisions for inventory obsolescence		**-**	-	10,434
Reversal of allowance for doubtful accounts	*7*	**(5,000)**	-	-
Operating income before working capital changes		**4,397,381**	3,936,000	3,903,401
Decrease (increase) in:				
Trade and other receivables		**(69,982)**	128,799	(111,788)
Spare parts and supplies		**(51,822)**	(68,509)	(16,542)
Prepaid expenses		**35,737**	(60,426)	(41,098)
Increase (decrease) in:				
Trade and other payables		**631,320**	(416,741)	150,568
Provisions for claims		**(2,595)**	2,789	(1,310)
Income and other taxes payable		**(4,506)**	10,452	(3,778)
Cash generated from operations		**4,935,533**	3,532,364	3,879,453
Finance income received		**61,341**	47,767	29,053
Finance cost paid		**(9,993)**	(154)	(382)
Income tax paid		**(828,511)**	(785,841)	(745,558)
Net cash provided by operating activities		**4,158,370**	2,794,136	3,162,566
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of:				
Property and equipment	*10*	**(₱81,711)**	(₱141,534)	(₱163,471)
Intangible assets	*11*	**(832,918)**	(664,250)	(853,046)
Decrease (increase) in other noncurrent assets		**(765)**	10,062	20,457
Proceeds from disposals of:				
Property and equipment		**1,175**	718	2,332
Intangible assets		**6,172**	2,507	2,694
Decrease (increase) in deposits		**(516)**	1,320	(4,933)
Dividends received	*9*	**45,853**	44,778	32,957
Net cash used in investing activities		**(862,710)**	(746,399)	(963,010)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments of:				
Cash dividends	*16*	**(820,000)**	(820,000)	(700,000)
Cash dividends to non-controlling interest		**(580)**	(830)	(830)
Purchase of shares of subsidiary		**(219)**	(1,734)	-
Port concession rights payable		**(714,008)**	(714,008)	(637,801)
Net cash used in financing activities		**(1,534,807)**	(1,536,572)	(1,338,631)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**1,760,853**	511,165	860,925
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**1,593**	670	(4,115)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	*6*	**4,118,761**	3,606,926	2,750,116
CASH AND CASH EQUIVALENTS AT END OF YEAR	*6*	**₱5,881,207**	₱4,118,761	₱3,606,926

See Notes to the Consolidated Financial Statements.

1. REPORTING ENTITY

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

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

2. OPERATING CONTRACTS

Following are the Group's operating contracts:

a. South Harbor, Port of Manila

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

b. Port of Batangas

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

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

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 consolidated financial statements were authorized for issue by the Board of Directors (BOD) on February 20, 2017.

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
- pension 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 off to the nearest thousand pesos (P000), except when otherwise indicated.

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

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

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

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

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, 2016.

Adoption of New or Revised Standards, Amendments to Standards and Interpretations
The adoption of the following amendment to standard did not have any significant impact on the Group's consolidated financial statements.

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

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

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

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

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

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

    - Information should not be obscured by aggregating or by providing immaterial information.
    - Materiality considerations apply to all parts of the financial statements, even when a standard requires a specific disclosure.
    - The list of line items to be presented in the statement of financial position and statement of profit or loss and other comprehensive income can be disaggregated and aggregated as relevant and additional guidance on subtotals in these statements.
    - An entity's share of OCI of equity-accounted associates and joint ventures should be presented in aggregate as single line items based on whether or not it will subsequently be reclassified to profit or loss.

Standards Issued but Not Yet Adopted

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

Effective January 1, 2017

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

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

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

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

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

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

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

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

Effective January 1, 2018

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

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

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

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

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

  Effective January 1, 2019

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

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

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

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

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

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

Financial Assets and Financial Liabilities

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

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

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

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

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

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

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

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

The combined carrying amounts of financial assets under this category amounted to ₱6.3 billion and ₱4.5 billion as at December 31, 2016 and 2015, respectively (see Note 25).

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

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

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

The carrying amount of financial assets under this category amounted to ₱2.7 million as at December 31, 2016 and 2015 (see Note 25).

Financial Liabilities

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

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

The combined carrying amounts of financial liabilities under this category amounted to ₱11.0 billion and ₱10.2 billion as at December 31, 2016 and 2015, respectively (see Note 25).

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

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 25 to the consolidated financial statements.

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

Derecognition of Financial Assets and Liabilities

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

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

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

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

Impairment of Financial Assets

The Group assesses at each reporting date whether a financial asset or group of financial assets is impaired.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Port Concession Rights

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

Port concession rights consist of:

a. Upfront fees payments on the concession contracts;

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

c. Future fixed government share considerations in exchange for license or right. Fixed government share are recognized at present value using the discount rate at the inception date with a corresponding liability recognized. Interest on the unwinding of discount of the liability and foreign exchange differences arising from translations are recognized in profit or loss.

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

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

Goodwill

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

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

Impairment of Non-financial Assets

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

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

Provisions

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

Share Capital

Capital Stock

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

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

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

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

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

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

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

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

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

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

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

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

(a) there is a change in contractual terms, other than a renewal or extension of the arrangement;

(b) a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;

(c) there is a change in the determination of whether fulfillment is dependent on a specific asset; and

(d) there is a substantial change to the asset.

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

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

Employee Benefits

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

5. SIGNIFICANT ACCOUNTING JUDGMENTS, ESTIMATES AND ASSUMPTIONS

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

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

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

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

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

Rent expense charged to consolidated statements of income amounted to ₱152.5 million, ₱150.3 million and ₱171.0 million in 2016, 2015 and 2014, respectively (see Note 18).

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

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

6. CASH AND CASH EQUIVALENTS

	2016	2015
	(In Thousands)	
Cash on hand and in banks	**₱211,948**	₱272,885
Short-term investments	**5,669,259**	3,845,876
	₱5,881,207	₱4,118,761

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 sixty days depending on the cash requirements of the Group, and earn interest at the prevailing short-term deposit rates (see Note 19).

7. TRADE AND OTHER RECEIVABLES

	Note	2016	2015
		(In Thousands)	
Trade receivables		**₱390,093**	₱292,358
Advances to officers and employees		**20,977**	27,781
Receivable from escrow fund		**13,174**	13,174
Due from related parties	*20*	**11,121**	16,760
Interest receivable		**4,440**	5,342
Receivable from insurance		**149**	6,012
Other receivables		**5,114**	14,561
		445,068	375,988
Allowance for impairment losses		**(18,602)**	(23,602)
		₱426,466	₱352,386

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

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

	Individually Impaired	Collectively Impaired	Total
		(In Thousands)	
Balance at January 1, 2015	₱9,255	₱14,347	₱23,602
Provisions during the year	8,206	-	8,206
Reversals during the year	-	(8,206)	(8,206)
Balance at December 31, 2015	17,461	6,141	23,602
Provisions during the year	-	8,301	8,301
Reversals during the year	(13,301)	-	(13,301)
Balance at December 31, 2016	**₱4,160**	**₱14,442**	**₱18,602**

As at December 31, 2016 and 2015, the aging analysis of trade and other receivables is as follows:

2016

	Total	Neither Past Due nor Impaired	Past Due but not Impaired				Past Due and Impaired
			< 30 Days	30 - 60 Days	61 - 90 Days	Over 90 Days	
				(In Thousands)			
Trade receivables	**₱390,093**	**₱379,295**	**₱1,170**	**₱ -**	**₱ -**	**₱ -**	**₱9,628**
Other receivables	**54,975**	**12,025**	**8,632**	**362**	**1,726**	**23,256**	**8,974**
	₱445,068	**₱391,320**	**₱9,802**	**₱362**	**₱1,726**	**₱23,256**	**₱18,602**

2015

	Total	Neither Past Due nor Impaired	Past Due but not Impaired				Past Due and Impaired
			< 30 Days	30 - 60 Days	61 - 90 Days	Over 90 Days	
				(In Thousands)			
Trade receivables	₱292,358	₱278,646	₱7,308	₱ -	₱ -	₱ -	₱6,404
Other receivables	83,630	11,588	1,021	2,519	5,145	46,159	17,198
	₱375,988	₱290,234	₱8,329	₱2,519	₱5,145	₱46,159	₱23,602

8. PREPAID EXPENSES

	Note	2016	2015
		(In Thousands)	
Taxes		**₱393,342**	₱392,400
Insurance		**41,099**	45,549
Advances to contractors		**13,951**	14,344
Rental	*12, 23*	**13,276**	43,375
Advances to government agencies		**101**	101
Others		**6,170**	7,907
		₱467,939	₱503,676

Taxes pertain to the Group's input VAT credits.

9. INVESTMENT IN AN ASSOCIATE

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

	Note	2016	2015
		(In Thousands)	
Acquisition cost		**₱11,222**	₱11,222
Accumulated equity in net earnings:			
Balance at beginning of year		**42,115**	48,152
Equity in net earnings for the year	*19*	**47,170**	38,741
Dividends received during the year		**(45,853)**	(44,778)
		43,432	42,115
		₱54,654	₱53,337

The following table shows the summarized financial information of SCIPSI:

	2016*	2015*
	(In Thousands)	
Current assets	**₱116,503**	₱117,882
Noncurrent assets	**53,669**	41,631
Total assets	**₱170,172**	₱159,513
Current liabilities	**₱35,187**	₱31,783
Noncurrent liabilities	**3,891**	3,842
Total liabilities	**₱39,078**	₱35,625
Revenues	**₱314,666**	₱273,706
Expenses	**182,583**	165,216
Net income	**₱132,083**	₱108,490

**Based on unaudited financial statements*

Dividend income of ₱12.9 million, ₱9.7 million, ₱10.7 million, and ₱12.5 million was received in March 2016, June 2016, October 2016, and December 2016, respectively. Dividend income of ₱17.9 million, ₱9.0 million and ₱17.9 million was received in March 2015, June 2015, and December 2015, respectively.

10. PROPERTY AND EQUIPMENT

The movements in this account are as follows:

2016

	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	₱74,031	₱554,776	₱382,029	₱158,411	₱35,145	₱1,204,392
Additions	3,592	-	42,084	20,501	15,534	81,711
Disposals	-	-	(15,455)	(8,286)	-	(23,741)
Reclassifications	66,544	-	22,462	-	(31,992)	57,014
Retirements	(195)	(852)	(6,707)	(316)	-	(8,070)
Balance at end of year	143,972	553,924	424,413	170,310	18,687	1,311,306
Accumulated Depreciation and Amortization						
Balance at beginning of year	52,968	340,836	223,135	96,423	-	713,362
Additions	6,797	16,276	46,533	19,489	-	89,095
Disposals	-	-	(15,455)	(7,331)	-	(22,786)
Reclassifications	56,464	-	-	-	-	56,464
Retirements	(195)	(852)	(6,638)	(316)	-	(8,001)
Balance at end of year	116,034	356,260	247,575	108,265	-	828,134
Carrying Amount	₱27,938	₱197,664	₱176,838	₱62,045	₱18,687	₱483,172

2015

	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	₱58,529	₱534,887	₱344,782	₱145,305	₱65,054	₱1,148,557
Additions	15,201	19,889	53,356	21,354	31,734	141,534
Disposals	-	-	(13,875)	(8,949)	-	(22,824)
Reclassifications	301	-	20,046	1,401	(61,643)	(39,895)
Retirements	-	-	(22,280)	(700)	-	(22,980)
Balance at end of year	74,031	554,776	382,029	158,411	35,145	1,204,392
Accumulated Depreciation and Amortization						
Balance at beginning of year	47,655	326,426	231,639	87,212	-	692,932
Additions	5,313	14,410	29,917	18,482	-	68,122
Disposals	-	-	(13,875)	(8,949)	-	(22,824)
Reclassifications	-	-	(2,338)	-	-	(2,338)
Retirements	-	-	(22,208)	(322)	-	(22,530)
Balance at end of year	52,968	340,836	223,135	96,423	-	713,362
Carrying Amount	₱21,063	₱213,940	₱158,894	₱61,988	₱35,145	₱491,030

In 2015, 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 ₱39.9 million were reclassified to intangible assets (see Note 11).

11. INTANGIBLE ASSETS AND GOODWILL

The movements in this account are as follows:

2016

	Port Concession Rights					
	Upfront Fees	Fixed Government Share	Port Infrastructure	Subtotal	Goodwill	Total
			(In Thousands)			
Cost						
Balance at beginning of year	₱282,000	₱9,279,694	₱12,396,335	₱21,958,029	₱42,060	₱22,000,089
Additions	-	-	832,918	832,918	-	832,918
Disposals	-	-	(186,722)	(186,722)	-	(186,722)
Reclassifications	-	-	(57,014)	(57,014)	-	(57,014)
Retirements	-	-	(3,244)	(3,244)	-	(3,244)
Balance at end of year	282,000	9,279,694	12,982,273	22,543,967	42,060	22,586,027

Forward

	Port Concession Rights					
	Upfront Fees	Fixed Government Share	Port Infrastructure	Subtotal	Goodwill	Total
			(In Thousands)			
Accumulated Depreciation and Amortization						
Balance at beginning of year	**29,534**	**2,012,986**	**5,023,243**	**7,065,763**	**-**	**7,065,763**
Additions	**11,280**	**386,596**	**649,561**	**1,047,437**	**-**	**1,047,437**
Disposals	**-**	**-**	**(184,107)**	**(184,107)**	**-**	**(184,107)**
Reclassifications	**-**	**-**	**(56,464)**	**(56,464)**	**-**	**(56,464)**
Retirements	**-**	**-**	**(3,100)**	**(3,100)**	**-**	**(3,100)**
Balance at end of year	**40,814**	**2,399,582**	**5,429,133**	**7,869,529**	**-**	**7,869,529**
Carrying Amount	**₱241,186**	**₱6,880,112**	**₱7,553,140**	**₱14,674,438**	**₱42,060**	**₱14,716,498**

2015

	Port Concession Rights					
	Upfront Fees	Fixed Government Share	Port Infrastructure	Subtotal	Goodwill	Total
			(In Thousands)			
Cost						
Balance at beginning of year	₱282,000	₱8,342,270	₱11,833,032	₱20,457,302	₱42,060	₱20,499,362
Additions	-	937,424	664,250	1,601,674	-	1,601,674
Disposals	-	-	(140,666)	(140,666)	-	(140,666)
Reclassifications	-	-	39,897	39,897	-	39,897
Retirements	-	-	(178)	(178)	-	(178)
Balance at end of year	282,000	9,279,694	12,396,335	21,958,029	42,060	22,000,089
Accumulated Depreciation and Amortization						
Balance at beginning of year	18,254	1,696,697	4,608,976	6,323,927	-	6,323,927
Additions	11,280	316,290	549,234	876,804	-	876,804
Disposals	-	-	(137,128)	(137,128)	-	(137,128)
Reclassifications	-	-	2,338	2,338	-	2,338
Retirements	-	-	(178)	(178)	-	(178)
Balance at end of year	29,534	2,012,987	5,023,242	7,065,763	-	7,065,763
Carrying Amount	₱252,466	₱7,266,707	₱7,373,093	₱14,892,266	₱42,060	₱14,934,326

No borrowing costs were capitalized in 2015 and 2014. The unamortized capitalized borrowing costs as at December 31, 2016 and 2015 amounted to ₱83.3 million and ₱88.2 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 5.55% in 2016 and 5.00% in 2015 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 ₱3.5 billion and ₱2.4 million in 2016 and 2015, 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	**2016**	2015
		(In Thousands)	
Deposits	*25*	**₱34,958**	₱32,886
Taxes		**20,106**	19,341
Rental		**3,281**	4,266
AFS financial assets	*25*	**2,652**	2,652
		₱60,997	₱59,145

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 ₱10.8 million and ₱9.3 million as at December 31, 2016 and 2015, 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 ₱4.3 million and ₱5.2 million as at December 31, 2016 and 2015, respectively.

Taxes pertain to noncurrent portion of the value-added input tax on capital goods exceeding ₱1 million.

The current portion of such prepaid rental, presented under "Prepaid expenses - rental" account amounted to ₱13.3 million and ₱43.4 million as at December 31, 2016 and 2015, respectively (see Note 8).

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

13. INCOME TAX

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

	2016	2015	2014
Statutory income tax rate	**30.00%**	30.00%	30.00%
Changes in income tax rate resulting from:			
Income subjected to final tax	**(0.89)**	(1.09)	(0.52)
Others	**(2.25)**	(1.58)	(0.94)
Effective income tax rate	**26.86%**	27.33%	28.54%

The movements in deferred tax balances are as follows:

2016	Note	Net Balance at January 1	Recognized in Profit or Loss	Recognized in OCI	December 31 Deferred Tax Assets	December 31 Deferred Tax Liabilities	Net
Port concession rights payable related to fixed government share	25	**₱275,486**	**₱65,256**	**₱-**	**₱340,742**	**₱-**	**₱340,742**
Cash flow hedge		**122,819**	**-**	**55,210**	**178,029**	**-**	**178,029**
Unrealized foreign exchange loss - net		**96,245**	**63,280**	**-**	**159,525**	**-**	**159,525**
Pension liability	21	**58,295**	**9,169**	**(24,458)**	**43,006**	**-**	**43,006**
Provisions for claims		**16,062**	**(778)**	**-**	**15,284**	**-**	**15,284**
Excess of cost over net realizable value of spare parts and supplies		**11,469**	**-**	**-**	**11,469**	**-**	**11,469**
Impairment losses on receivables	7	**6,798**	**(1,500)**	**-**	**5,298**	**-**	**5,298**
Accrued operating lease		**5,617**	**(646)**	**-**	**4,971**	**-**	**4,971**
Rental deposit	8, 12	**2,006**	**(171)**	**-**	**1,835**	**-**	**1,835**
Unamortized capitalized borrowing costs and custom duties		**(28,466)**	**1,757**	**-**	**-**	**(26,709)**	**(26,709)**
Net tax assets (liabilities)		**₱566,331**	**₱136,367**	**₱30,752**	**₱760,159**	**(₱26,709)**	**₱733,450**

2015	Note	Net Balance at January 1	Recognized in Profit or Loss	Recognized in OCI	December 31 Deferred Tax Assets	December 31 Deferred Tax Liabilities	Net
Port concession rights payable related to fixed government share	25	₱223,407	₱52,079	₱-	P275,486	₱-	₱275,486
Cash flow hedge		45,787	-	77,032	122,819	-	122,819
Unrealized foreign exchange loss - net		67,831	28,414	-	96,245	-	96,245
Pension liability	21	38,939	13,045	6,311	58,295	-	58,295
Provisions for claims		15,225	837	-	16,062	-	16,062
Excess of cost over net realizable value of spare parts and supplies		11,469	-	-	11,469	-	11,469
Impairment losses on receivables	7	6,798	-	-	6,798	-	6,798
Accrued operating lease		5,645	(28)	-	5,617	-	5,617
Rental deposit	8, 12	2,110	(104)	-	2,006	-	2,006
Unamortized capitalized borrowing costs and custom duties		(30,328)	1,862	-	-	(28,466)	(28,466)
Net tax assets (liabilities)		₱386,883	₱96,105	₱83,343	₱594,797	(₱28,466)	₱566,331

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

14. TRADE AND OTHER PAYABLES

	Note	2016	2015
		(In Thousands)	
Trade		**₱129,655**	₱121,876
Accrued expenses:			
Marketing, commercial and promotion		**261,910**	54,033
Personnel costs		**161,570**	154,467
Finance costs		**157,198**	147,357
Professional fees		**156,105**	13,773
Repairs and maintenance		**97,743**	41,919
Corporate social responsibility		**38,830**	30,036
Rental	23	**31,145**	38,795
Trucking expense		**28,083**	4,163
Security expenses		**12,417**	19,686
Utilities		**10,495**	9,832
Safety and environment		**1,897**	1,294
Miscellaneous accrued expenses		**98,753**	68,053
Due to government agencies	23	**532,515**	388,471
Equipment acquisitions		**110,381**	157,739
Shippers' and brokers' deposits		**76,233**	76,411
Due to related parties	20	**9,115**	8,676
Other payables		**86,314**	77,678
		₱2,000,359	₱1,414,259

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

	2016	2015
		(In Thousands)
Balance at beginning of year	**₱53,539**	₱50,750
Provisions during the year	**5,814**	7,402
Payments during the year	**(8,409)**	(4,613)
Balance at end of year	**₱50,944**	₱53,539

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, 2016, the Parent Company has a total of 2 billion issued and outstanding common shares and 845 stockholders.

Capital Stock - ₱1 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, 2016 and 2015.

Retained Earnings
The balance of the Group's retained earnings includes a subsidiary and an associate's undistributed net earnings of ₱93.7 million and ₱94.6 million as at December 31, 2016 and 2015, 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 28, 2016, the BOD approved the declaration of cash dividends amounting to ₱820 million or ₱0.41 per share payable on June 15, 2016 to common shareholders of record as at May 20, 2016.

On April 23, 2015, the BOD approved the declaration of cash dividends amounting to ₱820 million or ₱0.41 per share payable on June 10, 2015 to common shareholders of record as at May 15, 2015.

On December 19, 2016, the Group's BOD approved the reversal to the unappropriated retained earnings of the amount of ₱800 million out of the already approved appropriation of ₱6.1 billion, for capital expenditures for 2014 and 2015. Furthermore, the Group's BOD approved an appropriation of the retained earnings amounting to ₱2.60 billion for capital expenditures for the next 2 years. The Group's BOD also approved on the same date a budget amounting to ₱4.6 billion for capital expenditures which include yard and berth development as well as construction of new facilities and equipment acquisition for 2017. The capital expenditures will strengthen the Group's operations and capability to handle growth and will be sourced from internal funds.

Fair Value Reserve
Fair value reserve amounting to ₱5.8 million as at December 31, 2016 and 2015 represents unrealized loss on AFS financial assets.

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

For the years ended December 31, 2016, 2015 and 2014, the effective fair value changes of the Group's cash flow hedge that was recognized in the comprehensive income amounted to ₱128.8 million, ₱179.7 million and ₱106.8 million, respectively, net of tax.

17. GOVERNMENT SHARE IN REVENUES

This account consists of port authorities' share in revenues of the Group as stipulated in the agreements with port authorities where the Group operates (Note 2). Port authorities' share in gross revenues includes variable government share amounting to ₱1.7 billion, ₱1.4 billion and ₱1.7 billion in 2016, 2015 and 2014, respectively (see Notes 23).

18. COSTS AND EXPENSES EXCLUDING GOVERNMENT SHARE IN REVENUES

	Note	**2016**	2015	2014
			(In Thousands)	
Labor costs	*20, 21*	**₱1,192,514**	₱1,091,422	₱978,932
Depreciation and amortization	*10, 11*	**1,136,532**	944,926	861,976
Equipment running		**485,263**	482,841	541,581
Taxes and licenses		**254,873**	279,253	215,561
Facilities-related expenses		**183,602**	161,622	159,847
Professional fees		**174,313**	47,746	52,438
Security, health, environment and safety		**161,277**	160,190	152,429
Rental	*23*	**152,469**	150,295	171,012
Marketing, commercial and promotion		**136,226**	36,705	56,734
Management fees	*20*	**112,965**	105,230	115,949
Insurance		**66,942**	64,393	74,944
General transport		**14,894**	21,532	41,778
Entertainment, amusement and recreation		**5,921**	4,730	3,998
Others		**223,161**	185,233	171,007
		₱4,300,952	₱3,736,118	₱3,598,186

Labor costs include salaries, benefits and pension expense.

Spare parts and supplies used and included under equipment running amounted to ₱165.7 million, ₱141.9 million, and ₱169.0 million in 2016, 2015 and 2014, respectively.

19. OTHER INCOME AND EXPENSES

Finance cost is broken down as follows:

	Note	**2016**	2015	2014
			(In Thousands)	
Interest on port concession rights payable		**₱573,110**	₱543,141	₱537,638
Interest component of pension expense	*21*	**7,953**	5,490	2,473
Interest on bank loans/credit facilities		**153**	153	382
		₱581,216	₱548,784	₱540,493

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

Finance income is broken down as follows:

	Note	**2016**	2015	2014
			(In Thousands)	
Interest on cash in banks and short-term investments	*6*	**₱60,438**	₱50,140	₱30,964
Accretion of rental deposits	*23*	**1,556**	1,349	1,253
		₱61,994	₱51,489	₱32,217

Others consist of the following:

	Note	**2016**	2015	2014
			(In Thousands)	
Income from insurance claims		**₱74,167**	₱354	₱54,878
Equity in net earnings of an associate	*9*	**47,170**	38,741	34,618
Lease and other income - net		**28,585**	9,718	5,485
Management income	*20*	**9,184**	7,260	6,999
Foreign exchange gains - others		**91**	6,872	463
Foreign exchange losses - cash flow hedge		**(211,856)**	(99,501)	(19,857)
Foreign exchange gains (losses) - port concession rights payable		**(60,277)**	(35,391)	98,684
		(₱112,936)	(₱71,947)	₱181,270

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

20. RELATED PARTY TRANSACTIONS

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

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

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

B. The Parent Company and its subsidiary have separate, noncontributory, defined benefit retirement plans covering all its regular employees, in the form of a trust being maintained by a trustee bank. The benefits are based on the employee's years of service and final plan salary. Contributions were made in 2016 and 2015 amounted to ₱18.4 million and nil, respectively (see Note 21).

C. The Parent Company's management agreement with POMS was renewed on September 1, 2010 for another five years until August 31, 2015. The terms of the agreement provide for the payment of a monthly management fee equivalent to 5% of ATI's consolidated income before income tax of the immediately preceding month. On August 20, 2015, the Parent Company's management decided to renew its contract with POMS for another five years until August 31, 2020.

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

				Outstanding Balance			
Category/ Transaction	***Ref***	**Year**	**Amount of the Transaction**	**Due from Related Parties**	**Due to Related Parties**	**Terms**	**Conditions**
			(In Thousands)				
Associate							
▪ Management income	*A*	**2016**	**₱9,184**	**₱1,642**	**₱-**	**Payable on demand**	**Unsecured; no impairment**
		2015	₱7,260	₱984	₱-	Payable on demand	Unsecured; no impairment
Post Employment Benefit Plan							
▪ Retirement fund	*B*	**2016**	**47,504**	**8,970**	**-**	**Payable on demand**	**Unsecured; no impairment**
		2015	34,736	15,434	-	Payable on demand	Unsecured; no impairment
Others							
▪ Management fees	*C*	**2016**	**112,965**	**-**	**9,115**	**Payable within ten (10) days of the following month**	**Unsecured**
		2015	105,230	-	8,676	Payable within ten (10) days of the following month	Unsecured
▪ Advances	*D*	**2016**	**2,792**	**509**	**-**	**Payable on demand**	**Unsecured; no impairment**
		2015	2,389	342	-	Payable on demand	Unsecured; no impairment
TOTAL		**2016**		**₱11,121**	**₱9,115**		
TOTAL		2015		₱16,760	₱8,676		

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

	2016	2015
	(In Thousands)	
Short-term employee benefits	**₱170,903**	₱172,066
Post-employment benefits	**12,160**	10,570
	₱183,063	₱182,636

21. PENSIONS

The Group's latest actuarial valuation reports are dated December 31, 2016. 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		
	2016	2015	2014	**2016**	2015	2014
			(In Thousands)			
Current service cost	**₱41,983**	₱39,501	₱34,873	**₱3,241**	₱2,736	₱2,043
Interest cost on defined benefit obligation	**28,808**	26,022	24,781	**2,012**	1,765	1,857
Interest income on plan assets	**(21,288)**	(20,909)	(22,710)	**(1,579)**	(1,388)	(1,455)
Net pension expense	**₱49,503**	₱44,614	₱36,944	**₱3,674**	₱3,113	₱2,445

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 19).

Pension Liability as at December 31

	ATI		ATIB	
	2016	2015	**2016**	2015
		(In Thousands)		
Present value of pension obligations	**(₱553,235)**	(₱603,253)	**(₱31,330)**	(₱40,609)
Fair value of plan assets	**411,724**	423,663	**28,984**	29,606
Pension liability	**(₱141,511)**	(₱179,590)	**(₱2,346)**	(₱11,003)

Changes in the Present Value of Pension Obligations

	ATI		ATIB	
	2016	2015	**2016**	2015
		(In Thousands)		
Present value of pension obligations at beginning of year	**₱603,253**	₱573,183	**₱40,609**	₱39,247
Current service cost	**41,983**	39,501	**3,241**	2,736
Interest cost	**28,808**	26,022	**2,012**	1,765
Benefits paid	**(39,148)**	(30,226)	**(858)**	(56)
Actuarial gain	**(81,661)**	(5,227)	**(13,674)**	(3,083)
Present value of pension obligations at end of year	**₱553,235**	₱603,253	**₱31,330**	₱40,609

Changes in the Fair Value of Plan Assets

	ATI		ATIB	
	2016	2015	**2016**	2015
		(In Thousands)		
Fair value of plan assets at beginning of year	**₱423,663**	₱460,559	**₱29,606**	₱30,042
Actual return on plan assets:				
Interest income	**21,288**	20,909	**1,579**	1,388
Remeasurement loss on plan assets	**(11,185)**	(27,579)	**(2,625)**	(1,768)
Actual contributions	**17,106**	-	**1,282**	-
Benefits paid	**(39,148)**	(30,226)	**(858)**	(56)
Fair value of plan assets at end of year	**₱411,724**	₱423,663	**₱28,984**	₱29,606

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

	ATI			ATIB		
	2016	2015	2014	**2016**	2015	2014
			(In Thousands)			
Actuarial gain (loss) due to:						
Experience adjustment	**(₱6,093)**	(₱19,465)	₱11,467	**₱3,801**	₱1,016	₱2,989
Changes in demographic assumptions	**24,308**	-	-	**4,513**	-	-
Changes in financial assumptions	**63,446**	24,692	(19,680)	**5,360**	2,067	(1,554)
Remeasurement loss on plan assets	**(11,185)**	(27,579)	(9,625)	**(2,625)**	(1,768)	(63)
	₱70,476	(₱22,352)	(₱17,838)	**₱11,049**	₱1,315	₱1,372

The cumulative amount of actuarial gains recognized in the consolidated statements of changes in equity is ₱15.3 million as at December 31, 2016. The cumulative amount of actuarial losses recognized in the consolidated statements of changes in equity is ₱66.2 million as at December 31, 2015.

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	
	2016	2015	**2016**	2015
		(In Thousands)		
Cash and cash equivalents	**₱79,628**	₱77,318	**₱3,722**	₱8,590
Investment in UITF	**4,968**	5,343	**360**	408
Equity instruments	**61,345**	62,384	**4,145**	4,363
Investment in government securities	**254,312**	273,587	**19,770**	15,654
Debt instruments	**7,728**	2,294	**713**	363
Other receivables	**3,743**	2,737	**274**	228
	₱411,724	₱423,663	**₱28,984**	₱29,606

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	
	2016	2015	**2016**	2015
Discount rate at end of year	**5.3%**	5.0%	**5.4%**	5.0%
Salary increase rate	**3.0%-5.0%**	4.0%-6.0%	**5.0%**	6.0%

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

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

	ATI		ATIB	
	2016	2015	**2016**	2015
Average expected future service years	**13**	13	**13**	15

Maturity analysis of the benefit payments:

	2016	
	Expected Benefit Payments	
	(In Thousands)	
	ATI	**ATIB**
Within 1 Year	**₱52,379**	**₱577**
Within 1 - 5 Years	**199,240**	**9,972**
More than 5 Years	**2,041,800**	**159,957**

	2015	
	Expected Benefit Payments	
	(In Thousands)	
	ATI	ATIB
Within 1 Year	₱44,899	₱1,217
Within 1 - 5 Years	250,479	12,294
More than 5 Years	2,298,163	271,196

Sensitivity Analysis

As at December 31, 2016, 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	**₱510,242**	**₱602,868**	**₱28,234**	**₱34,957**
Salary increase rate	**605,597**	**507,126**	**35,092**	**28,068**

The Group expects to pay ₱66.8 million in contributions to defined benefit plans in 2017.

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

Basic EPS is computed as follows:

		2016	2015	2014
(a)	Net income attributable to Equity Holders of the Parent Company (in thousands)	**₱1,902,391**	₱1,764,167	₱1,899,055
(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**	₱0.88	₱0.95

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

23. COMMITMENTS AND CONTINGENCIES

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

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

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

ii. Government Share

- For storage operations, the Parent Company shall pay an annual fixed government share of ₱55 million payable quarterly and a government share of 30% of its annual gross storage revenue in excess of ₱273 million.

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

- For general cargo operations, the Parent Company shall remit government share amounting to 20% of its total gross revenues collected from arrastre services and 14% of its total gross revenues collected from stevedoring services for general cargoes.

- For domestic terminal operations, the Parent Company shall remit government share amounting to 10% of its total gross revenues derived from its domestic cargo handling and passenger terminal operations.

b. The Parent Company is authorized by the PPA to render cargo handling services at the Container Terminal "A-1," Phase 2 at the Port of Batangas for 25 years starting July 1, 2010. For arrastre operations, the Parent Company shall pay an annual fixed government share of US$2.26 million for the first 2 years, US$4.68 million for the 3rd year, US$5.08 million for the 4th-7th year, and US$5.33 million for the 8th-25th year. The Parent Company shall also remit annual variable government share based on committed yearly percentage share multiplied by whichever is higher of the projected gross income in the bid proposal or actual gross income.

c. ATI and ATIB are authorized by the PPA to render cargo handling and passenger services, supply base operations, porterage services, berth management, parking services, passenger terminal retail outlets, weighbridge or weighing operations, water supply services, vehicle booking system, security services, and leasing/sub-leasing of areas and facilities in the Port of Batangas Phase 1 from October 1, 2015 until September 30, 2025. For these operations, ATI and ATIB shall pay a fixed government share amount of ₱112.7 million for the first 3 years, which shall escalate by 5% and 4% on the 4th and 5th years and 3% for the remaining 5 years. In addition, ATI and ATIB shall remit annual volume-triggered government share of 10% and 20% for domestic cargoes and passenger terminal fees and for foreign cargoes, respectively, once defined threshold volumes are met.

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 ₱0.4 million, subject to a yearly escalation of 5%.

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

	2016	2015
	(In Thousands)	
Within one year	**₱1,459**	₱5,766
After one year but not more than five years	-	1,459
	₱1,459	₱7,225

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:

	2016	2015
	(In Thousands)	
Within one year	**₱13,330**	₱13,330
After one year but not more than five years	**59,888**	57,670
After more than five years	-	15,548
	₱73,218	₱86,548

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:

	2016	2015
	(In Thousands)	
Within one year	₱ -	₱458
After one year but not more than five years	-	-
	₱ -	₱458

g. The Parent Company has a 2.5-year lease agreement until February 28, 2017, covering the land in Lawa, Calamba, to be used exclusively for warehousing and logistics purposes with a monthly lease rental of ₱2.8 million.

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

	2016	2015
	(In Thousands)	
Within one year	₱5,500	₱33,000
After one year but not more than five years	-	16,500
	₱5,500	₱49,500

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

24. FINANCIAL RISK AND CAPITAL MANAGEMENT OBJECTIVES AND POLICIES

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

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

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

As at December 31, 2016 and 2015, the interest rate profile of the Group's interest bearing financial instrument is as follows:

	2016	2015
	(In Thousands)	
Fixed Rate Instruments		
Cash and cash equivalents	₱5,880,613	₱4,116,282

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, 2016	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	₱2,000,359	₱761,222	₱425,565	P813,572	₱ -	₱ -	₱2,000,359
Port concession rights payable	8,985,869	-	194,019	582,056	3,962,327	9,986,285	14,724,687
Total	₱10,986,228	₱761,222	₱619,584	₱1,395,628	₱3,962,327	P9,986,285	₱16,725,046

As at		Contractual Cash Flows					
December 31, 2015	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	₱1,414,259	₱827,114	₱239,675	₱347,470	₱ -	₱ -	₱1,414,259
Port concession rights payable	8,740,717	-	192,590	577,769	3,937,768	10,786,919	15,495,046
Total	₱10,154,976	₱827,114	₱432,265	₱925,239	₱3,937,768	₱10,786,919	₱16,909,305

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, 2016 and 2015, without considering the effects of collaterals and other risk mitigation techniques, is presented below.

	Note	**2016**	2015
		(In Thousands)	
Cash and cash equivalents	*6*	**₱5,880,613**	₱4,116,282
Trade and other receivables - net	*7*	**426,466**	352,386
Deposits	*12*	**34,958**	32,886
AFS financial assets	*12*	**2,652**	2,652
		₱6,344,689	₱4,504,206

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

Foreign Currency Risk

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

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

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

The Group has assessed that 80% of the US dollar denominated stevedoring revenue for the designated period is highly probable. However, the Group has designated 67% of the monthly US dollar revenue as the hedged 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:

	2016	2015
	(In Thousands)	
Assets		
Cash and cash equivalents	**US$307**	US$1,790
Trade and other receivables	**122**	142
	429	1,932
Liabilities		
Trade and other payables	**1,235**	2,219
Port concession rights payable	**149,341**	152,203
	150,576	154,422
Net foreign currency-denominated liabilities	**(US$150,147)**	(US$152,490)
Peso equivalent	**(₱7,465,309)**	(₱7,176,179)

The exchange rates applicable for US dollar as at December 31, 2016 and 2015 are ₱49.72 and ₱47.06, 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)	
2016			
	+5%	**(₱373,265)**	**(₱261,286)**
	-5%	**373,265**	**261,286**
2015			
	+5%	(₱358,809)	(₱251,166)
	-5%	358,809	251,166

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	**2016**	2015
	16	*(In Thousands)*	
Capital stock		**₱2,000,000**	₱2,000,000
Additional paid-in capital		**264,300**	264,300
Retained earnings		**9,910,095**	8,770,700
Hedging reserve		**(415,403)**	(286,578)
Fair value reserve		**(5,820)**	(5,820)
Total		**₱11,753,172**	₱10,742,602

25. FINANCIAL INSTRUMENTS

The table below presents a comparison by category of carrying amounts and estimated fair values of all the Group's financial instruments as at December 31, 2016 and 2015.

		2016		2015	
	Note	**Carrying Amount**	**Fair Value**	Carrying Amount	Fair Value
			(In Thousands)		
Financial Assets					
Loans and receivables:					
Cash and cash equivalents	*6*	**₱5,881,207**	**₱5,881,207**	₱4,118,761	₱4,118,761
Trade and other receivables - net	*7*	**426,466**	**426,466**	352,386	352,386
Deposits	*12*	**34,958**	**41,426**	32,886	40,679
		6,342,631	**6,349,909**	4,504,033	4,511,826
AFS financial assets	*12*	**2,652**	**2,652**	2,652	2,652
		₱6,345,283	**₱6,351,751**	₱4,506,685	₱4,514,478
Financial Liabilities					
Other financial liabilities:					
Trade and other payables	*14*	**₱2,000,359**	**₱2,000,359**	₱1,414,259	₱1,414,259
Port concession rights payable		**8,985,869**	**10,416,292**	8,740,717	10,416,690
		₱10,986,228	**₱12,416,651**	₱10,154,976	₱11,830,949

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

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

For noninterest-bearing deposits, the fair value is estimated as the present value of all future cash flows discounted using the prevailing market rate on interest for a similar instrument. The discount rates used are 4.7% in 2016 and 4.1% in 2015.

The fair value of port concession rights payable was estimated at the present value of all future cash flows discounted using the applicable rates for similar types of loans ranging from 4.80% to 5.52% in 2016 and 4.14% to 5.45% in 2015.

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

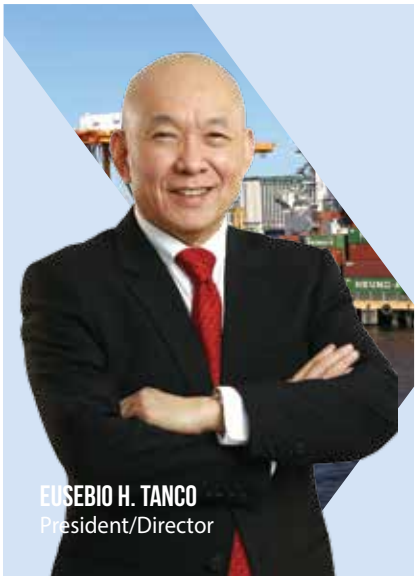
As at December 31, 2016	***Note***	**Level 1**	**Level 2**	**Level 3**
			(In Thousands)	
AFS financial assets	*12*	**₱933**	**₱ -**	**₱1,719**
Port concession rights payable		**-**	**10,416,292**	**-**
		₱933	**₱10,416,292**	**₱1,719**

As at December 31, 2015	*Note*	Level 1	Level 2	Level 3
			(In Thousands)	
AFS financial assets	*12*	₱933	₱ -	₱1,719
Port concession rights payable		-	10,416,690	-
		₱933	₱10,416,690	₱1,719

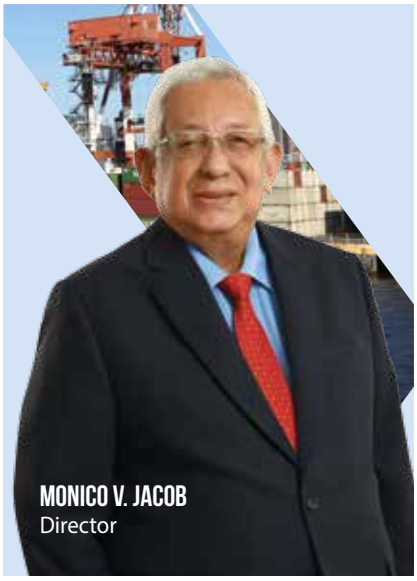
There have been no transfers from one level to another in 2016 and 2015.

BOARD OF DIRECTORS

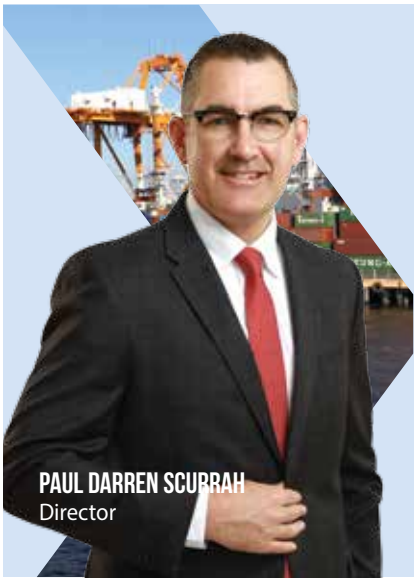
RASHED ALI HASSAN ABDULLA
Chairman



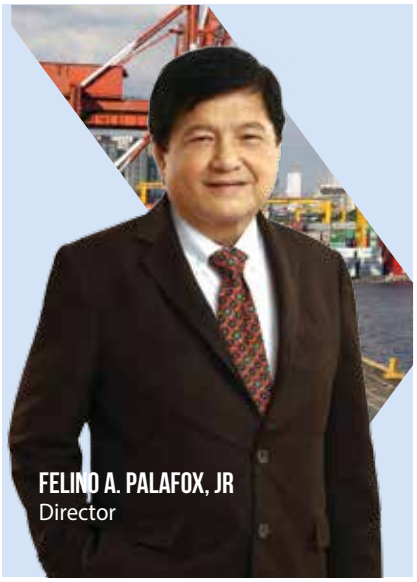
EUSEBIO H. TANCO
President/Director



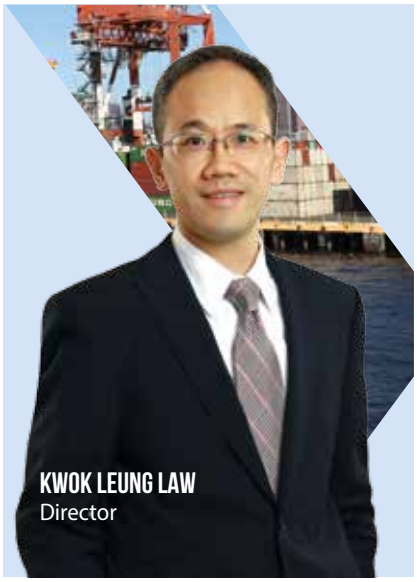
MONICO V. JACOB
Director



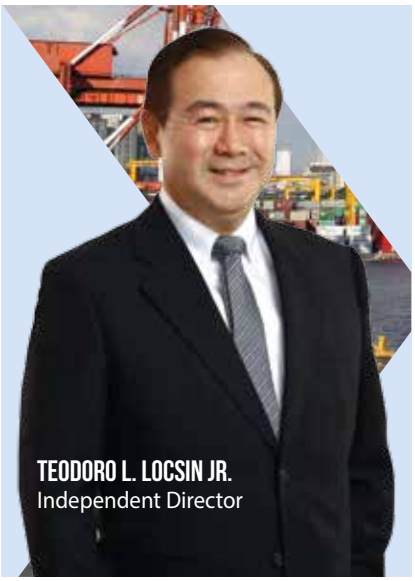
PAUL DARREN SCUBRAH
Director



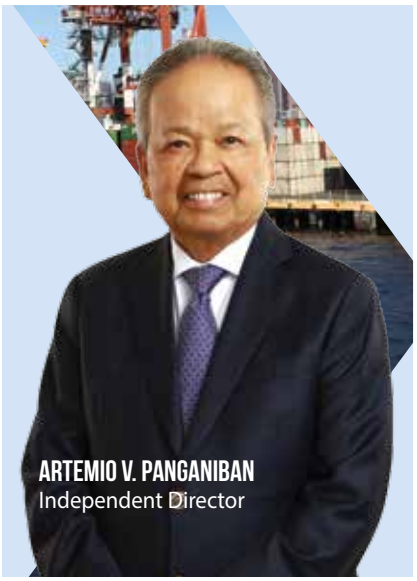
FELINO A. PALAFOX, JR
Director



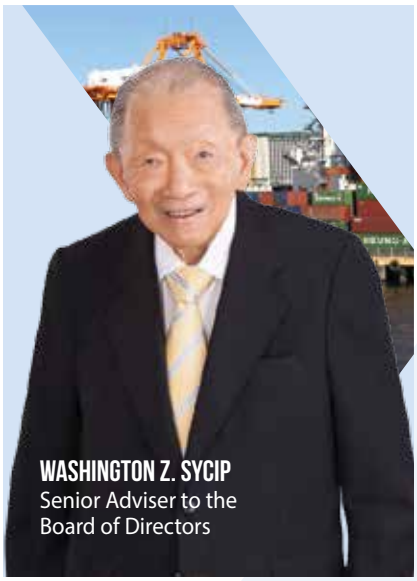
KWOK LEUNG LAW
Director



TEODORO L. LOCSIN JR.
Independent Director



ARTEMIO V. PANGANIBAN
Independent Director



WASHINGTON Z. SYCIP
Senior Adviser to the Board of Directors

RASHED ALI HASSAN ABDULLA
Chairman

Senior Vice President & Managing Director
- DP World Asia Pacific

EUSEBIO H. TANCO
Director/President

Chairman
- STI Education Systems Holdings, Inc.
- STI West Negros University
- Mactan Electric Company
- DLS-STI College
- Mar-Bay Homes Inc.
- Capital Managers and Advisors, Inc.
- Maestro Holdings, Inc.
- Cement Center, Inc.
- First Optima Realty Corp.
- GROW Vite
- Venture Securities, Inc.

Executive Committee Chairman
- STI Education Services Group, Inc. (since 2003).

President
- Philippines First Insurance Co.
- Prime Power Holdings
- Global Resource for Outsourced Workers, Inc.
- Bloom with Looms Logistics, Inc.
- Total Consolidated Asset Management Inc.
- Eujo Philippines, Inc.
- Classic Finance, Inc.
- Insurance Builders Inc.
- Biolim Holdings and Management Corp. Director

Director
- iACADEMY
- Philhealthcare Inc.
- Philippine Life Financial Assurance
- United Coconut Chemicals, Inc.
- M.B. Paseo
- Philippine Racing Club
- Leisure & Resorts World Corp.
- Philippine Stock Exchange

MONICO V. JACOB
Director

President and CEO
- STI Education Services Group
- STI Education Systems Holdings Inc.

Chairman
- PhilPlans Inc.
- Philippine Life Financial Assurance, Inc.
- Global Resource for Outsourced Workers, Inc.
- Total Consolidated Asset Management Inc.
- GROW Vite

Director
- iACADEMY
- PhilCare

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

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

FELINO A. PALAFOX, JR.
Director

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

President
- FIABCI Philippines (International Real Estate Federation)

Affiliations
- American Institute of Architects, International Associate
- 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

KWOK LEUNG LAW
Director

Finance Director
- DP World Asia Pacific

Affiliation
- Chartered Association of Certified Accountants, Fellow
- Hong Kong Institute of Certified Public Accountants, Associate Member

PAUL DARREN SCURRAH
Director

Managing Director and CEO
- DP World Australia PTY Ltd.

Executive Chairman
- DP World Melbourne PTY Ltd
- DP World Sydney
- DP World Brisbane
- DP World Fremantle

ARTEMIO V. PANGANIBAN
Independent Director

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

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
- PLDT Inc.

Non-executive Director
- Jollibee Foods Corporation

Senior Adviser
- Metrobank

TEODORO L. LOCSIN, JR.
Independent Director

Philippine Representative
- United Nations, New York

Independent Director
- The Medical City

Member
- iAcademy Board of Governors
- Integrated Bar of the Philippines

WASHINGTON Z. SYCIP
Senior Adviser to the Board of Directors

Founder
- Sycip, Gorres, Velayo & Co.
- Asian Institute of Management

Member
- Board of Trustees of Eisenhower Exchange Fellowships
- Harvard University Asia Center Advisory Committee
- Board of Overseers of Columbia University Graduate School of Business (New York)
- International Advisory of the American International Group & Council of Foreign Relations
- Board Member of major companies in the Philippines

LIST OF OFFICERS

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President

Andrew R. Hoad
Executive Vice President

Armando J. Sison
AVP for Asset Management

Marie Celine C. Dimaculangan
Ombudsman and Compliance Manager

Brian A. Stone
Internal Audit Manager

DB Rose C. Mejia
Exec. Assistant to the President and EVP

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Amabel N. Sangalang
AVP for Information Technology

Manuel Monlito A. Manilay
Infrastructure & Service Delivery Manager

Jerry V. Salon
Application Development & Support Manager

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Bastiaan W. Hokke
Vice President for Group Operations

Steve Francis R. Realuyo
AVP for South Harbor Operations

Erwyn-Cary S. Cabildo
Resource & Labor Support Manager

Alpha M. Gutay
Labor Support Head

Alma B. Taganas
Operations & Budget Analysis Head

Delia A. Tecson
Exec. Asst. and Field Safety Head

BATANGAS PORT, BCT & ICD

Rudi Yark
AVP for BCT Operations & HSES Batangas

Peter Francis A. Dimayuga
Terminal Manager for Batangas Port

Edwin V. Alea
Finance Manager

Lorelie C. San Luis
Inland Clearance Depot Head

Brian B. Araneta
Asst. Manager for MEED

Fe D. Faytaren
Asst. Manager for Passenger Operations

Allan M. Paracuelles
Asst. Manager for Cranes

Virginia P. Pulla
Asst. Manager for Planning

Elger G. Siguan
Asst. Manager for Facilities

Cecilia E. Alvilar
Shift Manager

Robert L. Ceniza
Shift Manager

Nestor D. Cueto
Shift Manager

Yoland A. De Chavez
Shift Manager

Albert O. Untalan
Shift Manager

CONTAINER TERMINAL DIVISION

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Planning Manager

Fernand M. Castro
Asst. Manager for Planning

Christopher T Garduce
Asst. Manager for Planning

Jo Ann B. Saavedra
Asst. Manager for Planning

Joseph Oliver D. Torres
Asst. Manager for Planning

Tolentino R. Cuizon
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Darwin P. Dalmacio
Shift Manager

Harlene J. Fallaria
Shift Manager

Verlin Jan A. Molina
Shift Manager

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Gerardo P. Bayna
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Rico G. Placer
Shift Manager

Benjamin B. Rosales
Shift Manager

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Vice President - Commercial & Marketing

Adrian Edward A. Baking
AVP for Business Development

Maria Cecilia D. Agatep
Senior Legal Manager

Jun Hermes M. Balita
Gov't Liaison & Customer Service Manager

Dominador Antonio T. Bustamante
Corporate Communications Manager

Reynaldo Reginald L. Rivera
Marketing Manager – Manila

Ma. Jelica M. Yulo
Marketing Manager – Batangas/Laguna

Janelyn I. Borja
Asst. Manager for Legal & IR

Charmaine P. Datoc
Asst. Manager for LAIRD & ICO

ENGINEERING DIVISION

Christopher Joe Styles
Vice President for Engineering

Christopher S. Hinkle
Senior Facilities Engineering Manager

Jose Randy D. Agudo
Materials Management Manager

Reison P. Dionisio
Design and Trending Manager

Michael James L. Fabian
Cranes Manager

Marcelino C. San Juan
MED Manager

Athena Rhae P. Bisnar
Asst. Manager for Planning & Control

Adelfo D. Fuentes
Asst. Manager for Materials Management

Jude C. Jawod
Asst. Manager for MED SH

Ryan L. Lambino
Asst. Manager for Reliability

Joselito M. Mabilangan
Asst. Manager for Cranes

FINANCE DIVISION

Jose Tristan D. Carpio
Vice President for Finance/CFO

Mitos R. Lara
AVP for Accounts Management & Treasury

Maricar B. Pleno
AVP for Accounting & Financial Planning

Joseph C. Tajo
AVP for Procurement

Manolito M. Joson
Credit & Collection Manager

Maya U. Mariano
Payroll Manager

Marissa R. Pinca
Accounting & Financial Planning Manager

Demie S. Bulalas
Asst. Cash Manager

Marita M. Franco
Asst. Manager for Billing

Maybel M. Lomeda
Asst. Manager for Treasury

Monique L. Manalo
Procurement Officer

Rommel M. Sevilla
Asst. Manager for Billing & Collection

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Rodolfo G. Corvite Jr.
Vice President for Business Support Services

Charles Donald Tan
AVP for Health, Safety, Environment & Security

Maxilinda M. Lee
HR Manager

Noel Y. Balatbat
Learning and Development Manager

Ysmael M. Estacio
Security Manager

Maila T. Reyes
Asst. Corporate Secretary

Carlan M. Barredo
Asst. Manager for HSES

Jose Winzon P. Rius
Asst. Manager for HSES

Janice M. Serrano
Asst. Manager for HSES

Steve R. Zapanta
Asst. Manager for Equipment Training

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SH GENERAL STEVEDORING DIVISION
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Via Manila: +632 5286000 local 1872

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BATANGAS CONTAINER TERMINAL
BCT Operation Center
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Sta. Clara, Batangas City
5286000 local 1814

SOUTH COTABATO INTEGRATED PORT
Makar Wharf, General Santos City
South Cotabato, 9500, Philippines
Tel: (63-83) 552-4212
(63-83) 552-4232
Fax: (63-83) 553-4452

STOCK TRANSFER AGENT:
Rizal Commercial Banking Corporation

INDEPENDENT PUBLIC ACCOUNTANTS:
R.G. Manabat & Co.

CONCEPT AND DESIGN:
Perez Numedia, Inc.

PHOTOGRAPHY:
Dojo Palines