ASIAN TERMINALS INCORPORATED

ENABLING TRADE. ENABLING PROGRESS.

2019 ANNUAL REPORT

CONTENTS

PRINCIPLES

CREATE GROWTH

- Always looking for opportunities.
- Sees what others don’t.
- Takes risks.

DRIVE RESULTS

- End-result focused.
- Delivers in the midst of adversity.
- Finds a solution.

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

MAKE OTHERS EXCEL

- Creates an environment where others succeed.
- Has no comfort zone.
- Efficient with time.

ADAPT & EVOLVE

- 'No!' is never the first reaction.
- Looks for practical ways.
- Always curious.

CHAIRMAN'S AND PRESIDENT'S MESSAGE

Asian Terminals delivered its best overall performance in nearly 35 years of operations, with our comprehensive port facilities handling record volumes across market segments in support of the Philippine supply-chain.

Year 2019 saw the global economy at its slowest pace since the financial crisis with trade barriers, geopolitical tensions and market uncertainties sending ripples across markets.

Despite this global environment, the Philippines remained a bright spot in the region, with the economy growing 5.9% behind robust consumption, overseas remittances, and government infrastructure spending under its build-build-build platform.

Operating against the same backdrop of economic resilience, we are pleased to report that Asian Terminals delivered its best overall performance in nearly 35 years of operations, with our comprehensive port facilities handling record volumes across market segments in support of the Philippine supply-chain.

At the operational front, our container ports in Manila and Batangas handled a record 1.66 million teus (twenty-foot equivalent units) in combined container throughput, or 12.6% higher than 2018 figures. Our Batangas Port sustained its outstanding results, connecting over 4.2 million passengers and 433,000 vehicles to key island destinations while handling nearly 170,000 completely built imported car units for the automotive sector.

Our continuing investment programs in capacity and efficiency in recent years in the expanded Batangas Container Terminal, the ongoing expansions in Manila South Harbor, the modernization of Batangas Port as well as the development of strategic off-dock facilities in Manila and Laguna, have allowed us to attain these record feats while operating safely following global standards.

On the financial front, we are equally pleased to report that ATI's results reached new heights last year bannered by revenues totaling Php13.3 billion and a net income amounting to Php3.7 billion. These represent an increase of 8.6% and 28.9% from 2018 figures, respectively.

Year-on-year, ATI has demonstrated a stronger balance sheet and robust cash flow backed by our operational discipline, our diligent cost management efforts, and the careful execution of our business plans. This puts us on a solid footing to further improve our ports, expand our portfolio, and provide healthy returns to our investors.

Driven by our robust operational and financial performance, I am glad to announce that our Board of Directors has approved last March the release of cash dividends totaling Php1.4 billion to our stockholders as of April 29, 2020. Valued at over 70 centavos per share, this represents ATI's highest cash dividend payout in our corporate history.

For all our accomplishments, we thank our colleagues on the Board of Directors, our fellow shareholders, our valued customers, and the port authorities whose contributions have ever been so valuable. Our sincere gratitude also goes to our management team and employees for their passion and dedication to operate and manage our business safely and efficiently. Record year 2019 would not have been possible without you.

In closing, allow me to briefly reflect on how our Company has coped with the unprecedented events brought about by the COVID-19 pandemic during the first quarter of 2020 which has adversely impacted many economies and companies locally and globally.

As an operator of major economic gateways, ATI has continued to operate 24/7 amid this health emergency, joining frontline industries and government agencies to ensure that food, life-saving goods, and other vital commodities flow in the supply-chain. We have operated safely by intensifying our health screening and monitoring, boosting our sanitation efforts, adjusting our operations to meet social distancing requirements and by stringently following the protocols mandated by authorities. To date, ATI has remained COVID-free.

Socially, we have responded by increasing our community investment such as donation of relief aid through local government units to keep families afloat during these difficult times. We also partnered with the government to temporarily convert our Cruise Terminal in Manila as an added quarantine center for returning overseas workers.

Indeed, uncertainties loom in the horizon, but we are confident that with our strong business fundamentals, our corporate resilience, our dedicated people, along with the capabilities of our modern port facilities, ATI will be able to overcome the challenges ahead.

As a leading port organization, we shall constantly do our part in keeping the engines of the economy running through efficient, reliable, and safe port gateways.

Andrew R. Hoad
Chairman of the Board

Eusebio H. Tanco
President

EVP'S REVIEW OF BUSINESS ACTIVITIES

ATI's 2019 initiatives have made us a stronger port organization that drives results, creates growth, and helps port communities excel through adaptation and evolution.

Year 2019 was a remarkable period of growth for Asian Terminals Inc., highlighted by milestone achievements in various facets of our diverse ports business. Consistently, we sustained our active role as conduit of progress by enabling trade, creating jobs, and supporting communities through our world-class terminals.

It was also the first year for ATI to fully adopt the Founder's Principles – core success drivers institutionalized by our foreign equity partner DP World – which now serve as our day-to-day compass towards long-term growth. Relatedly, I found it prudent to present the highlights of ATI's business activities last year through the spectrum of these four aspirations.

DRIVE RESULTS

Our international gateway ports scaled new operational heights last year lifting a record consolidated volume of 1.66 million teus (twenty-foot equivalent units) of foreign container boxes, for a robust 12.6% year-on-year growth.

Of these, Manila South Harbor (MSH) handled 1.3 million teus, its highest container throughput in a single operational year and represented an 11% growth from 2018's volume. For its part, Batangas Container Terminal (BCT) continued to expand its role as trade enabler in Southern Luzon, handling over 312,000 teus for a solid 26% volume growth. This translated to reducing around 150,000 truck trips along Metro Manila roads, with more Calabarzon (Cavite, Laguna, Batangas, Rizal and Quezon) consignees opting to ship directly thru BCT.

Over to other segments, Batangas Port also connected 4.2 million outbound passengers and over 433,000 domestic vehicles traveling from Batangas to neighboring island destinations and handled nearly 170,000 completely built imported car units, capturing more than half of last year's nationwide car sales.

Our operational achievements were truly phenomenal. But more importantly, these results were attained while operating safely and environmentally friendly, driven by our staff's commitment and high safety engagement which was measured at a 99% compliance to our internal ratings.

CREATE GROWTH

Year 2019 was another strong year for ATI's capacity expansion strategy as several of our key infrastructure projects went online in response to market demand, in support of our customers' growth and in line with our commitment with the ports authority.

As part of this, we unveiled last year a bigger, better, and smarter BCT in the presence of senior government

officials and important stakeholders. Outfitted with a 630-meter long quay and complemented by four quay cranes, eight rubber-tired gantry (RTG) cranes, and other mobile handling equipment, BCT's capacity has effectively grown to around 500,000 teus annually, sufficient to meet the present and future needs of Calabarzon industries.

In MSH, we added 4,500 teus in static cargo space with the reconfiguration of Container Yard 2 into a five-block RTG operations. Other yard development projects also gained traction which will be culminated with the extension of Pier 3 to accommodate more and bigger vessels. Apart from these, we developed off-dock container yards in Manila and Laguna totaling seven hectares to support our nearby customers and to maintain efficient operations at MSH and BCT.

MAKE OTHERS EXCEL

Sustaining ATI's winning culture requires a highly skilled and empowered workforce. To help our people better excel in their roles, ATI invested significant resources on trainings focused on skills reinforcement, leadership, and inclusion through traditional and emergent platforms.

Last year alone, we accumulated over 21,000 hours on training covering operations, safety, engineering, and support services. Through DP World Hub, the global training resource center of ATI's foreign equity partner, world-class programs on process improvement and team stewardship were cascaded locally. Selected managers likewise attended online courses on strategic management and advance leadership as next-in-line business leaders.

The year also marked ATI's strong push for women empowerment. To break gender barriers, our Company hosted its first ever Women Empowerment Forum, with prominent women leaders as resource speakers. Eight female employees also enrolled in DP World's MentorHer Program which took them under the training wings of senior leaders across the global portfolio. We likewise mounted our yearly port community fun run event themed after women and health.

Externally, ATI has increased its social investment spending to help communities excel and sustainably thrive. As with previous years, we have sent over 100 kids to school through ATI's Scholarship Program. Cognizant of technology's role as shaper of the future, our Company partnered with Ayala Foundation, Department of Education, and the City of Manila for the citywide rollout of <Code/IT>, an introductory computer programming course designed for public elementary students, to help address the digital divide.

As a business directly connected to the sea, ATI stepped up its role in environmental protection by entering a partnership with Department of Environment for the rehabilitation of Manila Bay. This was on top of our regular employee volunteering activities on coastal clean-ups and tree-planting. We also reached out to public schools in Manila and Batangas as beneficiaries of our Global Education Program (GEP) to raise awareness on ocean protection.

Our push towards renewable energy also took off last year as we saw through the initial installation of solar panels in our main engineering workshop. ATI's operational units in Manila, Laguna, Batangas and our own corporate headquarters will soon follow suit which will further reduce our carbon emission.

ADAPT & EVOLVE

ATI's adaptability and evolution as a port business shone through last year as we implemented key innovations and technologies to improve cargo flows. Among these was ELSA, or the Empty Loadout Shipping Alliance, which we implemented early last year with our partner shipping lines. With shared vessel and terminal resources, ELSA facilitated faster recirculation of empty containers through Manila South Harbor, effectively averting gridlocks in the supply chain.

Known for pioneering technologies, ATI tapped smarter systems such as Zodiac, a more powerful Terminal Operating System developed by DP World's and ATI's IT experts, the Differential Global Positioning System (DGPS), an intelligent yard planning and execution tool, as well as the Remote Reefer Monitoring System to enhance overall terminal operations.

For a well-orchestrated overall management, we also integrated Power BI as a real-time business monitoring and analytics tool to better visualize enterprise-wide data for quicker, smarter, and better business decisions.

ATI's 2019 initiatives have made us a stronger port organization that drives results, creates growth, and helps port communities excel through adaptation and evolution.

In closing, allow me to thank our customers, the port authorities, our employees, unions, and other stakeholders for our record achievements. Inspired by these and behind our integrated facilities, ATI is ready more than ever to enable trade and enable progress now and into the future.

William W. Khoury
Executive Vice President

Manila South Harbor delivered its best performance ever in nearly 35 years of operations, fulfilling its crucial role in keeping economic goods and vital commodities flowing through the Philippine supply chain.

Sustaining its growth momentum, Manila South Harbor registered a record container throughput of over 1.3 million teus (twenty-foot equivalent units) by end-2019, handling 11% more cargoes than 2018, reflective of the country's economic resilience.

In 9 out of the 12-month period, Manila South Harbor handled over 100,000 teus per month bannered by an all-time-high single month record of nearly 124,000 teus in March. This record achievement further demonstrated the terminal's capability and readiness to handle growing volumes, especially with bigger ships deployed by its shipping line partners.

TERMINAL OPTIMIZATION

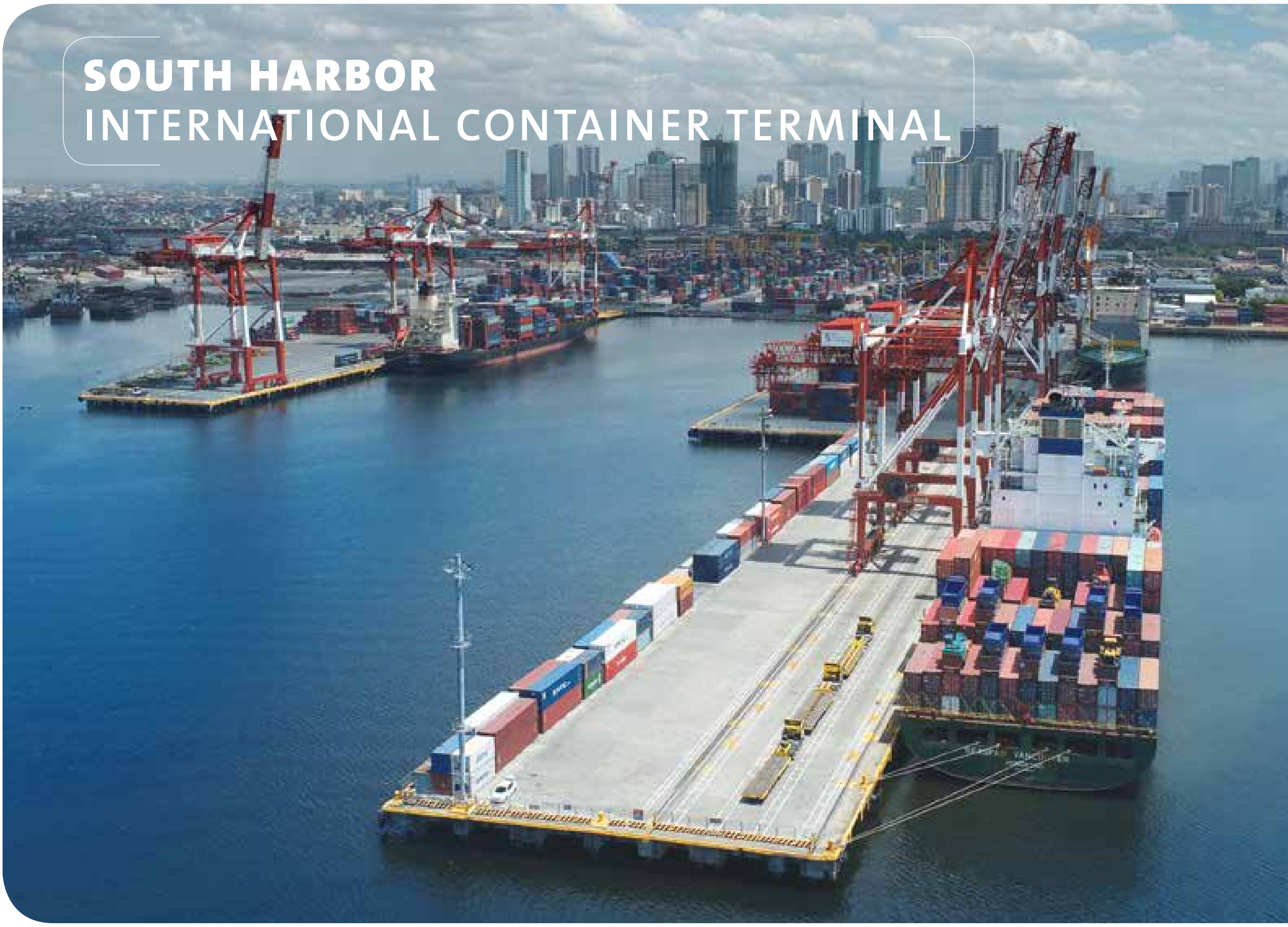
Operating within a backdrop of rapid cargo growth, Manila South Harbor kept in step with the demand by optimizing terminal resources and creating additional backup spaces within the expanded port zone. As part of this, Container Yard 02 was expanded into a five-block rubber-tired gantry operations yard, effectively adding nearly 5,000 teus in static capacity. Aside from this, a bigger Container Freight Station came onstream to accommodate more stripping and stuffing activities within the terminal and facilitate faster mandatory cargo inspections by port authorities. The development of Blocks 143, 145 and 146 were also completed for storing out-of-gauge, flat-track-mounted and other containerized cargoes.

OPERATIONAL INNOVATION

Innovation figured well in 2019, particularly in sustaining healthy and reliable port operations. On top of this was the highly successful ELSA, or the Empty Loadout Shipping Alliance, a pioneering collaboration between ATI and its shipping line partners to expedite the evacuation of empty containers from Manila and surrounding areas through Manila South Harbor. Founded on the principle of cooperation, ELSA allowed participating lines to share vessel resources in loading out empty containers from the terminal regardless of box ownership. This in turn fast-tracked the recirculation of empty containers to regional markets, a needed respite to immediately ease logistics bottlenecks brought about by the build up of empties in the local supply chain as an aftermath of import peaks.

The configuration of Manila South Harbor with its finger-type pier footprint worked well with ELSA as it allowed the prepositioning of empties beside berthing facilities. This in turn triggered faster empty loadouts after vessel discharge operations, resulting in quicker ship turnaround time.

Apart from ELSA, the terminal integrated its Differential Global Positioning System (DGPS), an intelligent GPS-guided yard planning and execution tool, with its block segmentation strategy for the



SOUTH HARBOR INTERNATIONAL CONTAINER TERMINAL

execution of a more predictable and reliable berth and yard management. These innovations are aligned with Manila South Harbor's transition to the smarter operating system, the Zodiac Ops 7, which was developed inhouse by DP World's technology experts in collaboration with ATI's IT specialists.

ATI also introduced the Remote Reefer Monitoring System to automatically check temperature settings for reefer containers which is critical to ensuring the integrity and freshness of chilled and frozen cargoes. Meanwhile, in related developments, Manila South Harbor became the pilot site for the Bureau of Custom's rapid passthrough cargo Xray system. With advanced functionalities, the non-intrusive cargo inspection infrastructure enabled more container screening at quicker processing time.

Record Throughput
1.3 M Teus

Y-o-Y Volume Growth
11%

Single-Month Record
124,000 Teus

TERMINAL EXPANSION

Looking to the future and in line with its commitment to port authorities, ATI continues to expand Manila South Harbor to further boost efficiency and increase capacity beyond 1.5 million teus. Preliminary works for Pier 3's quay extension and other yard expansion projects are being explored. Deployment of more port equipment will follow suit.




Manila South Harbor handled over 1.3 million teus in 2019, handling 11% more cargoes than 2018, its best performance in nearly 35 years of operations.




ATI's General Stevedoring Terminal again demonstrated its technical capabilities and operational flexibility in 2019 as it responded to the various and often meticulous handling needs of conventional sea freighters transporting general cargoes, breakbulk shipment as well as industrial and project cargoes.

The terminal also continued to serve as home port for massive cruise vessels carrying thousands of tourists sailing into Manila and sophisticated foreign navy ships on diplomacy mission to the Philippines.

BUILDING INFRASTRUCTURE

With its proven track record and unmatched expertise in general stevedoring operations, ATI's Manila South Harbor has played a strategic role in supporting the golden age of Philippine infrastructure under the government's Build-Build-Build flagship program.

Manila South Harbor took part in history as it welcomed the brand-new locomotives and coaches of the Philippine National Railways, the lynchpin in the modernization push of Southeast Asia's pioneering rail system. Six units in all were initially handled through Manila South Harbor and have since been commissioned in record-time to immediately impact road traffic alleviation measures and induce inclusive growth in the suburbs through rail transport. Relatedly, ATI also served as gateway for new rail tracks for the rehabilitation of the light rail system, another backbone of the mass transport sector.

Apart from trains and rails, the terminal carefully handled precious cargoes for major economic sectors like energy, construction, mining and other core industries using heavy-duty forklifts, internal transfer vehicles, standard and low-bed chassis with steel coils and H-beam cradles, alongside other safety gears which are periodically inspected and replaced following specifications to ensure safety and efficiency.

General stevedoring operations is supported by a covered warehouse for coils and other water sensitive shipment, a dedicated yard and other open storage spaces for other general and project cargoes, enabling the terminal to handle around one million metric tons of shipment annually.

The terminal also implemented the New General Cargo System (NGCS), a web-based system enabling ATI to accurately monitor cargoes during discharge, yard storage and delivery operations.

STIMULATING TOURISM

Situated at the heart of the country's capital, Manila South Harbor international cruise terminal complemented government's pitch to draw more foreign tourists into the Philippines.

SOUTH HARBOR GENERAL STEVEDORING TERMINAL

In 2019, the terminal hosted over 40 international cruise vessels through Pier 15, the premier cruise terminal in the country, bringing in around 80,000 tourists – proof that the cruise industry had a great sailing than the previous year. A significant portion of this was attributed to the Genting Group's Superstar Virgo and World Dream, as well as the consecutive porting of Italian-flagged cruise ship, Costa Atlantica.

Manila South Harbor is a strategic show-window of Philippine culture and history, with the Rizal Park, Intramuros, Malacanang Palace, the revitalized National Museum, Chinatown, and other heritage and cultural centers a brief walking distance from the port.

Current Capacity
1.0 M metric tons

Passengers Handled
80,000 tourists

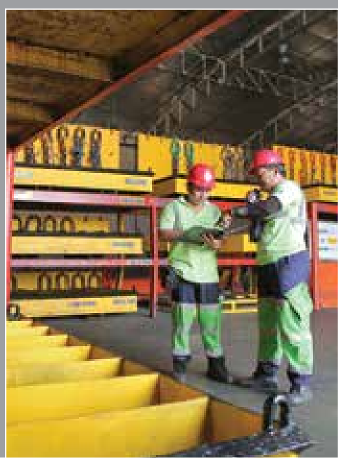
Cruise Ships Handled
40 Vessels

SUPPORTING TRADE

Further demonstrating its flexibility and dynamism, ATI's General Stevedoring Terminal offered a helping hand to government's trade facilitation and revenue collection efforts as it hosted the Bureau of Customs – Port of Manila after its building was razed by fire early in the year. A portion of the cruise terminal served as their temporary office to ensure unhampered flow of goods in the supply-chain.

ATI's General Stevedoring Terminal will remain the industry benchmark in general cargo handling driven by its dockworkers' disciplined focus on safety, flexibility, and operational

Manila South Harbor South has played a strategic role in supporting the golden age of Philippine infrastructure under the government's Build-Build-Build flagship program.



ATI's Batangas Container Terminal (BCT) sustained its impressive growth in 2019 as it continued to expand its role as a comprehensive international gateway for Southern Luzon, facilitating smarter and faster trade for industries in Calabarzon (Cavite, Laguna, Batangas, Rizal and Quezon) while essentially helping ease traffic gridlocks along Metro Manila roads.

BUILD-BUILD-BUILD

A bigger, better, and smarter Batangas Container Terminals (BCT) emerged in 2019 as ATI completed its port expansion program in line with the Company's investment commitment with the Philippine Ports Authority.

Aligned with government's Build-Build-Build flagship program, ATI spent around Php2.5 billion for BCT's berth extension to over 600 meters, yard expansion and acquisition of modern container handling equipment, which effectively doubled its fleet of quay cranes and rubber-tired gantry cranes to four and eight, respectively. More mobile handling equipment were also deployed such as reach stackers, side loaders and internal transfer vehicles.

With this aggressive expansion program, BCT's annual throughput capacity increased to around 500,000 teus (twenty-foot equivalent units) from 350,000 teus previously, positioning its to handle more Calabarzon cargoes in the years to come.

No less than the senior economic managers of government led by Transport Secretary Arthur Tugade and Finance Secretary Carlos Dominguez III, representing Philippine President Rodrigo Roa Duterte, along with DP World Group Chairman and CEO Sultan Ahmed bin Sulayem and other dignitaries officially unveiled the revitalized BCT on 30 April 2019, underscoring the significance of the infrastructure project.

RECORD-YEAR

Armed with a bigger capacity and enhanced technical capabilities, BCT sustained its impressive growth pace over the past five years, capping 2019 with a volume of over 312,000 teus, its highest foreign container throughput since starting commercial operations in 2010. This represented an increase of over 26% on 2018 volume.

Equally significant, this meant reducing around 150,000 truck trips along Metro Manila roads at the minimum, with more consignees directly routing cargoes via South Luzon's competitive gateway port. This has helped ease pressure on metro roads and contributed to spurring countryside growth.

Before the year ended, BCT broke through the 300,000-teu milestone mark with SITC's Stellar Windsor delivering its 300,000th-teu container on 16 December 2019. ATI's senior management handed out special plaques to SITC officials and port authorities to mark BCT's record feat.

BATANGAS CONTAINER TERMINAL

MORE SHIPCALLERS

With sustained market growth and customer demand, more international shipping lines have deployed ships at increasing frequency of calls in BCT to serve the growing Calabarzon industries.

International shipping lines calling BCT include Sealand-Maersk, SITC, Evergreen, Cosco, CMA-CGM and Wan Hai Lines, combining for a total of eleven weekly services that directly connect Batangas to Hongkong, Singapore, Taiwan, Japan, Thailand, China, Vietnam, Indonesia and other major trading hubs.

Record Throughput
312,000 Teus

Y-o-Y Volume Growth
26%

Current Capacity
500,000 Teus

In recognition of the port's growth and market potential, SITC launched a new container ship last year named in honor of Batangas, essentially highlighting the province and BCT in the global trade map.

Continuous engagement sessions with customers, government agencies and shipping line partners are likewise held regularly to inform stakeholders on port developments, market updates and align customer requirements.

A bigger, better, and smarter Batangas Container Terminals emerged in 2019 as ATI completed its port expansion program in line with the Company's investment commitment with PPA.

ATI's Batangas Port is the busiest marine terminal in Southern Tagalog in terms of passenger and RoRo traffic, strategically connecting mainland Luzon to Mimaropa (Mindoro, Marinduque, Romblon and Palawan) and other major island regions. It is also the country's biggest car carrier port, the premier gateway for imported completely built car units (CBUs) for distribution to the local market.

TOP DOMESTIC PORT

At the domestic front, Batangas Port delivered another stellar performance in 2019, handling a record 4.2 million outbound passengers and over 430,000 domestic vehicles, representing a volume growth of 4% and 9% from 2018, respectively. The increasing number of fastcrafts and modernizing fleet of RoRo vessels traversing the Batangas-Mimaropa route have contributed to the volume surge.

The passenger terminal buildings are equipped with complete amenities like food and entertainment kiosks, a popular convenience store, clinic, clean restrooms, and free phone charging stations and WiFi connectivity for the convenience and comfort of the riding public. Its fully airconditioned lounges could sit around 2,000 passengers at any one time. Exclusive terminal seats and shuttles, including a new minibus, are reserved for women, children, elderly and differently abled to ease terminal transit needs.

Meanwhile, to ensure safety, x-ray machines and passthrough scanners vet passengers and baggage upon terminal entry. K9 units, law enforcement agencies and standby emergency responders, augment safety and security measures at the port, especially during peak travel periods.

Recognizing its importance as a regional transport hub, the Batangas Port is set to undergo a major upgrade from ATI with plans of transforming it into a modern Passenger and RoRo facility resembling the fast-craft hubs of Hongkong and Macau. This project, which forms part of the Company's commitment with the port authority, will double Batangas Port's capacity, enabling it to handle 4,000 passengers and provide bigger and deeper berthing facilities for fastcrafts and RoRo vessels calling the port.

TOP CAR CARRIER PORT

At the international front, Batangas Port continued to support the steady influx of imported CBUs into the Philippine market, handling nearly 170,000 car units in 2019. This represented majority of nationwide car sales in the said year. With domestic roll-on/roll-off ships regularly docking in Batangas, the port has served as a strategic staging point for redistribution of CBUs to Visayas and Mindanao.

Top commercial and emerging vehicle brands have made Batangas Port their preferred port of discharge given its market proximity, technical capabilities, and storage capacity, especially as the port is equipped with the country's biggest Multilevel

BATANGAS PAX, RORO & GENERAL CARGO TERMINAL

Car Storage Facility. Inaugurated in 2018, the modern five-storey facility raised Batangas Port's capacity to handle over 13,000 car units at any given time. Backup spaces are also available nearby for spillover volume, especially during peak car import seasons.

In related developments, a modern Pre-Delivery Inspection (PDI) facility started operating inside Batangas Port last year for a popular Japanese car brand. With the integration of this facility, Batangas Port has truly become a complete one-stop-shop for car logistics, with an adjacent world-class discharge port, a PDI which conducts final checks prior to release of vehicles to dealers, and Ro-Ro facilities that enable car distributors to reach other island markets.

Passengers Handled
4.2 M People

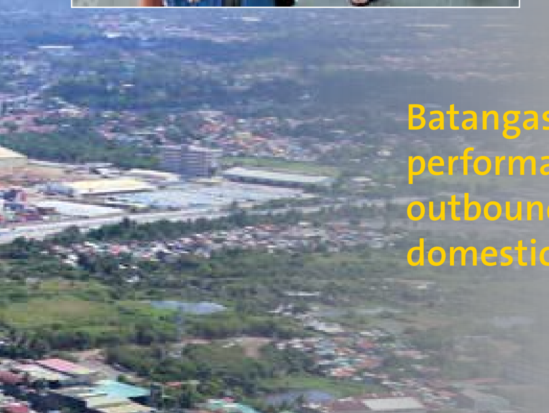
Domestic Ro-Ro
430,000 Vehicles

Imported Cars Handled
170,000 CBUs

SUPPORTING OTHER INDUSTRIES

Aside from passengers and vehicles, Batangas Port supported the booming industries in nearby localities, handling general cargoes like steel, cement and break-bulk shipment of factories, utilities, and power generation facilities. It also serves as a reliable 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.



Batangas Port delivered another stellar performance, handling a record 4.2 million outbound passengers and over 430,000 domestic vehicles in 2019.




Aside from Manila and Batangas ports, ATI operates complementary off-site facilities to bring its services closer to customers and extend its cargo handling expertise to key regions for the benefit of local 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). ATI's strategic dry port in Calamba, Laguna serves as a perfect supply-chain partner for the major industries based in Cavite, Laguna and Batangas provinces.

ICD is operationally linked to ATI's Manila and Batangas facilities, thus providing nearby industrial zones a direct access to the country's main gateway ports. 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 secure facility, cargo clearances and other shipment processes can be simultaneously administered through online systems which are electronically linked to BOC's offices.

Aside from container storage, ICD provides superior logistics services from the port to the consignees' factory doorsteps. ICD covers container handling, trucking, brokerage, customs-clearing and other ancillary services, making it an ideal one- stop-shop partner for shippers.

ICD also supports just-in-time production cycles. It can quickly deploy containers stored in its facility to manufacturing hubs of customers 24/7. Containers are delivered by ICD's franchise trucks with GPS-guided monitoring systems, thus allowing clients to keep tabs of their shipments while in transit.

OFF-DOCK YARDS

In Manila, ATI operates two off-dock yards. First, is the two-hectare Sta. Mesa Container Yard which offers valuable support for truckers and international shipping lines calling Manila South Harbor. Located seven kilometers from the Port of Manila, it allows more methodical rotation for trucks letting them drop off empty containers at the facility before proceeding to South Harbor for quicker pick-up of laden boxes.

ATI opened its second off-dock facility in Tondo, Manila in 2019 as a backup area during peak seasons. Located three kilometers from Manila South Harbor, the five-hectare North Container Depot adds 3,600 teus (twenty-foot equivalent units) of static capacity which could readily be tapped to store cleared containers, especially overstaying boxes at the terminal. This is necessary to sustain yard and berth productivity for overall terminal efficiency.

COMPLEMENTARY PORT FACILITIES

Over in Calamba, Laguna, ATI also operates the five-hectare Empty Container Depot which particularly supports the operations of ICD and Batangas Container Terminal.

The development of another container yard, which will be linked operationally with Manila South Harbor, will commence soon. This will support the industrial zones in the area of Cavite.

SOUTH COTABATO INTEGRATED PORT

ATI extends its presence in southernmost Philippines through the South Cotabato Integrated Port, a pivotal maritime infrastructure supporting local trade and bridging Mindanao into the growing Southeast Asian market.

ICD Static Capacity
2,500 Teus

NCD Static Capacity
3,600 Teus

ECD Static Capacity
8,000 Teus

The port, managed and operated by the South Cotabato Integrated Port Services Inc. (SCIPSI) where ATI is a strategic investor, handled more than 230,000 teus (twenty-foot equivalent units) of international and domestic containerized cargoes and over 130,000 metric tons of non-containerized shipment.

To cope with volume growth, SCIPSI acquired additional container handling equipment in 2019, including one brand new reach stacker unit and three internal transfer vehicles with chassis. Recognizing its market potential, plans are underway to further develop the port by enhancing its infrastructure and deploying more container handling equipment to complement its current fleet of multipurpose mobile machineries.




ATI's complementary off-site facilities bring its services closer to customers and extend its cargo handling expertise to key regions for the benefit of local markets.


HEALTH, SAFETY, ENVIRONMENT & SECURITY

Safety Performance Rate
0.82 RFIR

Safety Engagement Compliance
99%

Safety Observation Report
8,766

Safety is ATI's number one priority. This corporate culture resonates across the entire organization, from senior management down the line and is reflected in diverse programs, best practices and initiatives implemented on a 24/7 basis to ensure a safe and healthy work environment for port workers and stakeholders.

WORLD-CLASS STANDARDS

At the core of ATI's institutional safety programs is its comprehensive Occupational Health, Safety and Environment management systems which are international standards certified. Among ATI's certifications as a leader in the ports industry, include: Environment Management (ISO 14001:2015), Quality Management (ISO 9001:2015) and Supply Chain Security Management (ISO 28000:2007), apart from being an ISPS Code compliant marine terminal organization.

ATI added another feather on its cap by securing its ISO 45001:2018 certification, officially making it the first Philippine international port operator to secure the upgraded global standard in Occupational Health and Safety, well ahead of its adoption deadline in 2021. Aside from this feat, ATI also passed the stringent terminal security and safety audits conducted by the Office of Transport Security and its guest auditors from the UK Department of Transportation.

SAFETY PERFORMANCE

The Company sustained its high level of safety performance as testament to ATI's commitment to safety. In 2019, ATI's Reportable Injury Frequency Rate (RIFR) stood at 0.82, kept within the target of ≤1.00. RFIR is a global parameter measuring safety performance wherein a lower figure indicates better risk mitigation.

Staff awareness and proactive participation on ATI's safety programs was critical in this accomplishment, which was measured at an engagement compliance rate of 99%, among the best in the region. This was made possible through cooperation across divisions and the active support of unions.

To illustrate this, the Company has been able to sustain a high level of engagement in its critical incident reporting system, gathering 8,766 HSE inspections/observations and generating 9,165 corresponding actions. Safety observations are recorded in a geo-mapping system which plots the location of safety observations or infractions on a real-time basis for easier monitoring and tracking of remedial measures. This has helped the company to systematically identify areas for improvement and proactively establish appropriate and effective controls measures.

Consistently, in the same year ATI maintained zero marks on major incidents and accidents, spills, fire and other risks.

SYSTEM INNOVATIONS

To sustain its safety performance and high-level compliance, ATI turns to innovative technology to understand risks and effectively laydown strategies to improve and ensure a safe working environment for both workers and stakeholder. As part of this, performance dashboards are utilized to identify risks, monitor performance, measure compliance and take remedial actions when necessary.

ATI also upgraded last year its terminal access pass system with an integrated tamper-proof QR Code platform. A unique QR Code is assigned to each of ATI's contractors, third-party service providers, including truck drivers and helpers, and others regularly transacting with the terminal after completing a thorough registration process and stringent safety seminar. The QR Code is scanned at the gates upon terminal entry to validate identity and authority to access the facility. The QR Code is linked to ATI's database which keeps tabs of pertinent information such as organizational affiliation, safety orientation validity, and history of safety infractions among others. This allows stringent screening at the gates, ensuring that only those with authority and who follow ATI's safety protocols are granted terminal access.

Aside from these, portable LED light stations have also been installed in operations critical areas to increase visibility and make operations safer and more efficient.

HEALTH AND ENVIRONMENT

Dockworkers' health is of paramount importance to ATI and is the core foundation of its safety culture. In line with this, ATI integrates health monitoring checks such as annual physical examinations, blood pressure and sugar monitoring, random drug and alcohol tests and even warm-up exercises before dockworkers are deployed for duty.

On environment, ATI has commenced exploring renewable energy sources not only to supplement its power requirements, but more importantly contribute to lowering its carbon footprint. Solar panels have been installed initially in the main engineering workshop, with ATI's operational units in Manila, Batangas, and Laguna as well as the corporate headquarters soon following suit.

Another important initiative last year was ATI's partnership with the Department of Environment and Natural Resources for the Manila Bay Rehabilitation Program. ATI is allocating significant resources for this multisectoral undertaking, including investment in sanitation infrastructures in nearby underprivileged settlements, to help revive the world-renowned bay.

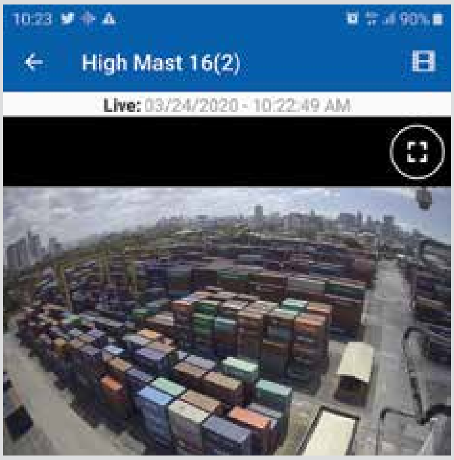
ATI's institutional environmental programs such as coastal clean-ups, tree-planting and watershed protection, proper battery disposal and recycling, among others have also been sustained in partnership with reputable non-government organizations.

INFORMATION TECHNOLOGY

TAB Trucks Daily
2,300

Mobile Terminal App
MPort

Operations System
Zodiac



As a pioneer in the Philippine ports industry, ATI takes pride in leading the development of responsive IT solutions and infrastructure to ensure safe, reliable and efficient ports, while empowering customers with real-time cargo information, faster transactions and service convenience through secure digital platforms.

IT INFRASTRUCTURE

ATI constantly innovates and pursues new technologies to deliver greater customer convenience, highly differentiated capabilities, and optimized port operations for a stronger Philippine supply-chain.

To support these goals, ATI continuously invests in new information management platforms, whether at the front-end or back-end of the spectrum, to handle the Company's expanding transactions and growing customer demand. Some of these IT infrastructures include its state-of-the-art data centers with redundancies, traditional and high-fidelity wireless connectivity, and other core computing technologies to support terminal activities.

In true pioneering tradition, ATI successfully switched to the new and more powerful Terminal Operations System (TOS) called Zodiac, a system developed in-house by a pool of technology experts across DP World's global terminal portfolio, including programmers from ATI's IT Group. After going live in Batangas Port in 2018, Manila South Harbor began its transition to Zodiac in 2019, seamlessly integrating the TOS with vessel and yard operations, gate transactions and equipment planning and execution. Zodiac is the same TOS which powers Jebel Ali, DP World's flagship terminal and largest in marine terminal in the middle east, which can handle over 20 million teus (twenty-foot equivalent units) annually.

ONLINE TOOLS

As industries turn towards more online transactions, ATI's homegrown web applications such as MPort, WebTrack, Container Traffic Light System, among others have remained very handy especially as efficiency and transparency tools to expedite cargo flows.

MPort for instance is ATI's Portable Management mobile app which enables users to view vessel and container information anytime, anywhere 24/7. Last year, IT refreshed MPort with a more user-friendly interface so that consignees can better inquire on vessel schedules, slots for empty containers and container status on a real-time basis, thereby aiding in better decision making which ultimately impact the speed of cargo flows. MPort also allows customers to check whether containers have deficiencies with the Bureau of Customs or have pending transactions at the terminal. The app can be downloaded for free via Google Playstore or Apple Store.

The above features are also available via ATI's WebTrack System which can be accessed through computers, tablets and other smart gadgets. As an added functionality, consignees could avail of ATI's e-Payment channels though WebTrack which is securely linked with partner banks, thus allowing convenience banking for the safer and faster settlement of port fees online.

SEAMLESS TRADE FLOW

The game-changing Terminal Appointment Booking System (TABS), an online truck scheduling facility for picking up and delivering containers at the port, has sustained the seamless and orderly flow of cargoes from Manila South Harbor to the doorsteps of manufacturers and goods distributors.

TABS was initiated by ATI, the government and port stakeholders in late 2014 as a long-term solution to road congestion. With confirmed booking in TABS, a truck simply had to show up at the terminal within its schedule and it was immediately served. The orderly arrival of trucks spread 24/7 avoided bottlenecks at the port's gates and eased traffic flow along major roads. It also allowed trucks to traverse major road networks to and from the ports even during rush hours with a valid TABS booking.

Into its fifth year of implementation, TABS has been instrumental in sustaining operational efficiency at Manila South Harbor which last year recorded its highest cargo volume at over 1.3 million teus (twenty foot equivalent units). From a pre-TABS volume of 1,500 trucks per day, Manila South Harbor efficiently handled over 2,300 trucks in 2019 spread daily throughout the 24-hour period, thus easing traffic density on roads or avoiding unnecessary strain in terminal operations.

Furthermore, as a value-added service to the community, ATI invested on the latest CCTV technology to monitor major roadways leading in and out of Manila South Harbor. Aside from safety, the CCTV system can be accessed by the port authorities and the local government unit to immediately manage road bottlenecks when detected.

HUMAN RESOURCES

Training Hours
21,775 Hrs

Total Headcount
2,000 Employees

Management Trainees
12 Officers

Year 2019 was a banner year for Human Resources as ATI continued to focus on skills reinforcement, leadership, innovation, and inclusion in advancing competencies and diversity through traditional and emergent platforms. The year also saw the Company sustain its solid industrial relations with its unions leading to the successful completion of collective bargaining agreements that equitably promote dockworker and corporate welfare.

SKILLS REINFORCEMENT

In line with ATI's strong learning culture, the Company accumulated a total of over 21,775 training hours in the areas of operations, engineering, safety, and support services. This translated to more than 11.38 hours of training for each of ATI's nearly 2,000 employees.

Among the highlights last year was the LEAN Program rolled out locally by DP World Hub, the global training resource center of ATI's foreign equity partner. In multiple runs, LEAN honed the analytical and process improvement skills of frontline personnel to develop efficient, effective, and systematic solutions to current and future operational challenges, fueled by experience and teamwork.

LEADERSHIP & INNOVATION

Innovation has remained a resounding theme in ATI's talent development. Homegrown trainings have gone digital with the continuous implementation of its e-Learning Management System, which converts materials into interactive audio-visual formats for ease of access and comprehension.

Consistent with ATI's innovation DNA, Employees also actively engaged in DP World's InnoGate and InnoReach programs, crowd-sourcing platforms for ideas and business solutions across DP World sites. Senior Management likewise hosted a unique business alignment conference with line managers, integrating this with a dynamic teambuilding session.

Another innovative leadership program was successfully completed last year as a total of 9 managers finished their online Strategic Leadership and Advanced Leadership Courses under Coursera. The trainings expanded the participants' knowledge on strategic management, business diversification, global logistics, innovation, among others under the tutelage of world-class mentors.

Furthermore, ATI's next-in-line leaders took part in the local rollout of LEAD@DP World. The workshops molded attendees to become more compelling people managers, visionaries, innovation drivers and change enablers, building on the capability and confidence of their team's assets.

WORKFORCE DIVERISTY

ATI took a pioneering step last year in breaking the glass-ceiling of the port industry as a male-dominated field by hosting its first Women Empowerment Forum in line with the celebration of Women's Month.

The forum was facilitated by prominent women leaders who generously shared their career experiences and how they thrived as principal figures in their respective industries. Aside from ATI's senior and junior managers, union representatives and staff, the forum was attended by guests from the academe, career advisers and labor firms to help develop a more diverse staffing strategy at the onset of recruitment.

Internally, ATI introduced the practice of blind CV for applicants, purposely dropping any reference to gender when pre-screening applicants. Cross trainings were also opened, allowing employees to temporarily switch assignments for several months in line with workforce diversification.

In further support of women empowerment, female ATI employees participated in DP World's MentorHer Program, which took them under the training wings of senior leaders across the global portfolio.

As talent management begins with quality recruitment, ATI boosted its staff acquisition program by partnering with academic institutions, joining job fairs, and optimizing online tools to beef-up its talent pool. Relatedly, once onboard, new hires undergo an extensive orientation program to equip them with adequate tools and positive mindset to productively kick-off their career journey with ATI.

ATI's recruitment programs have filled-in the requirements of the Company with highly competent staff. Its Management Training Program continue to attract the brightest young talents in the industry, some fresh out of college, and has since produced 12 Management Trainees who are now contributing in their important roles and rapidly advancing their careers in the organization.

CORPORATE SUSTAINABILITY

Ocean Protection Pledges
1,000 Kids

<Code/IT> Beneficiaries
130,000 Students

ATI Scholarship Program
+100 Scholars

ATI believes that working sustainably is essential to building a progressive company and resilient communities. Consistent with this philosophy, ATI has sustained its high-level engagement and social investment programs over the past year, aligned with DP World's global sustainability strategy and in support of the UN Sustainable Development Goals.

SDG 3: GOOD HEALTH AND WELL-BEING

ATI puts health and safety as its top priorities. Consistently, the Company extends assistance to surrounding port settlements especially in improving community health and well-being. Annually, the company leads free medical missions to care for the vulnerable members of society, especially women, children, and the elderly, including the free distribution of basic medicines and hosting of soup kitchens to supplement nutritional deficiencies.

ATI is also first to aid its neighboring barangays in times of exigencies. But beyond calamity response, it has helped communities become more self-reliant, providing them training on emergency management along with quick response equipment such as mobile fire engines.

SDG 4: QUALITY EDUCATION

ATI continues to allocate the biggest share of its community investment on education programs for the Filipino youth. Under ATI's Scholarship Program, the Company has already produced professionals in various sectors, including accounting and business management, among others. In 2019, it has backed more than 100 students enrolled in high school, senior high or taking up college or vocational courses.

Recognizing technology as the shaper of the future, ATI entered a partnership last year with Ayala Foundation Inc. (AFI), the Department of Education (DepEd) and the City of Manila for a unique computer literacy program called <CODE/IT>. The program developed by AFI with Microsoft Philanthropies introduces basic computer programming skills to Filipino school children to fill-in the digital divide at the onset of learning. <CODE/IT> will be implemented in all of Manila's 73 public elementary schools beginning academic year 2020, with an estimated 130,000 beneficiaries from grades 3 to 6 level.

Over in Mindoro province, ATI has kept aflame the sailing aspirations of local youth by actively supporting the Small Boats Training Program (SBTP) of the Puerto Galera Yacht Club. The SBTP hosts free classes during weekends to train disadvantaged children the art and science of sailing. More than providing them a healthy pastime, the activity builds character and productive skills for the future. The program has already produced maritime professionals and champions in local and international sailing circles.

Apart from these, ATI has remained an active supporter of DepEd's Brigada Eswela. On weekends of May, ATI's dockworkers took time off from usual port duties to volunteer in neighboring public schools, grooming classrooms and fixing furniture, to make them conducive to learning in time for June opening.

SDG 5: GENDER EQUALITY

ATI, by its own merits, has helped break barriers in the traditionally male-dominated port industry through relevant activities. For the second straight year, the Company hosted the Run for Women, Health and History to advocate gender equality, inclusion, and wellness, among others. ATI's 2019 fun run, held at the historic Luneta Park, drew hundreds of participants from various port stakeholders across all genders.

SDG 14: LIFE BELOW WATER

As a ports business, terminals affiliated with DP World including ATI, have taken an active role in raising public awareness on ocean protection, especially from the threat of plastic pollution. Using DP World's Global Education Program as platform, global colleagues reached out to thousands of students, teaching them on what ports and societies can collectively do to preserve the oceans as viable economic resource for the future. The child-friendly discussions and interactive exercises culminated with the expression of action pledges as young ambassadors for ocean protection. Through ATI, the Philippines contributed nearly 1,000 out of the over 10,000 student global pledges calling for plastic-free oceans.

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- Urban Planner and Founder of Palafox Associates

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- American Planning Association
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- Associate Justice (1995 to 2005)

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- Metro Pacific Investments Corp.
- Manila Electric Company
- Robinsons Land Corp.
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- Petron Corporation
- Philippine Long Distance Telephone Company

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- Metrobank
  Member of the Advisory Council
- Bank of the Philippine Islands

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- DP World Australia

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Independent Director

Independent Director
- Philippine Stock Exchange

Chairman
- Inteliconsult Corporation

Vice Chairman and Executive Director
- Air Carriers Association of the Philippines (ACAP).

Member
- Integrated Bar of the Philippines

Former positions held
- Undersecretary for Aviation and Airports, Department of Transportation
- Chairman, Global Legal Advisory Council of International Air Transport Association
- Vice President for Legal Affairs and Compliance, Philippine Airlines, Inc.
- Director, Abacus Holdings and Abacus International Pte, Ltd.

Former affiliations
- Member, Philippine Negotiating Panel on Air Treaties, Chairman of the IATA Legal Advisory Council
- Member, Aero Political Committee of the Association of Asia Pacific Airlines.

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Head of Finance
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Head of General Stevedoring

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MANAGEMENT DISCUSSION AND ANALYSIS

Revenues for the year ended December 31, 2019 of ₱13,329.4 million went up by 8.6% from ₱12,276.7 million in 2018. Revenues from South Harbor international containerized cargo and Batangas Container Terminal increased from last year by 5.1% and 37.8%, respectively, on account of higher container volumes, which grew by 10.7% and 25.6%, respectively.

Port authorities' share in revenues in 2019 of ₱2,329.1 million increased by 2.6% from ₱2,270.1 million in 2018 as a result of higher revenues subject to port authorities' share.

Cost and expenses in 2019 amounted to ₱5,606.4 million, 13.5% higher than ₱4,940.9 million in 2018. Labor costs in 2019 of ₱1,551.9 million were higher by 6.1% compared to ₱1,462.6 million in 2018 due to salary rate increases and additional headcount related to higher volumes. Depreciation and amortization in 2019 increased by 35.3% to ₱1,530.0 million from ₱1,130.9 million in 2018. Equipment running in 2019 went up by 1.8% to P812.3 million from ₱798.0 million in 2018 due to higher usage of equipment tyres, higher electricity and higher fuel costs resulting from higher prices and higher consumption. Taxes and licenses in 2019 increased by 43.4% to ₱390.2 million from ₱272.1 million in 2018 due to higher real property taxes and business taxes. Management fees in 2019 grew by 30.5% to ₱229.8 million from ₱176.1 million in 2018 following higher earnings before tax. Security, health, environment and safety in 2019 of ₱212.7 million were higher by 3.5% compared to ₱205.4 million in 2018 due to increase in safety initiatives. Facilities-related expenses in 2019 went up by 5.0% to ₱210.5 million from ₱200.5 million in 2018 due to higher repair and maintenance costs on buildings and lightings. Provision for claims of ₱109.5 million in 2019 increased by 325.6% compared to ₱25.7 million last year due to higher provision for claims. Insurance of P110.7 million in 2019 increased by 26.9% compared to ₱87.3 million last year due to higher insurance premiums. General transport of ₱96.4 million in 2019 were higher by 109.1% than ₱46.1 million in 2018 on account of higher trucking costs. Entertainment, amusement and recreation in 2019 of P8.9 million went up by 14.4% from ₱7.8 million last year. Other expenses in 2019 totaled ₱222.2 million, went up by 4.2% from ₱213.4 million in 2018 due to higher general operations and additional provision for inventory obsolescence.

On the other hand, rental expenses in 2019 of ₱38.9 million decreased by 73.8% from ₱148.1 million in 2018 due to reclassification of facility rent under PFRS 16. Professional fees in 2019 of ₱26.3 million went down by 67.4% from ₱80.5 million last year due to lower consultancy fees. Marketing, commercial, and promotion in 2019 decreased by 35.2% to ₱56.0 million from ₱86.5 million due to lower advertising costs.

Finance income amounted to ₱157.3 million in 2019, 39.0% up from ₱113.2 million in 2018 due to higher interest rates for money market placements. Finance costs in 2019 of ₱558.9 million were higher by 3.4% compared to ₱540.4 million in 2018. Others-net in 2019 was at ₱216.7 million in 2019 from negative ₱627.8 million in 2018 mainly due to last year's fair value losses in cash flow hedge.

Income before income tax in 2019 of ₱5,209.1 million was higher by 29.9% compared to P4,010.7 in 2018. Provision for income tax in 2019 increased by 32.5% to ₱1,493.5 million from ₱1,127.3 million in 2018.

Net income for the year ended December 31, 2019 improved by 28.9% to ₱3,715.6 million from ₱2,883.4 million last year. Earnings per share was up to ₱1.86 in 2019 from ₱1.44 in 2018.

Plans for 2020

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

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

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

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

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

Consolidated Financial Condition

Total assets as of December 31, 2019 increased by 7.3% to ₱31,254.1 million from ₱29,123.2 million as of December 31, 2018. Total current assets as of December 31, 2019 down by 7.2% to ₱8,422.3 million from ₱9,080.4 million as of December 31, 2018. Cash and cash equivalents as of December 31, 2019 were lower by 17.8% to ₱5,647.3 million from ₱6,868.5 million as of December 31, 2018. Trade and other receivables-net as of December 31, 2019 down by 15.0% to ₱630.6 million from ₱742.0 million as of December 31, 2018. Spare parts and supplies-net as of December 31, 2019 of ₱748.5 million were higher by 47.5% compared to ₱507.5 million as of December 31, 2018 in support of operational requirements and equipment maintenance program. Prepaid expenses of ₱1,395.9 million as of December 31, 2019 went up by 45.0% from ₱962.4 million as of December 31, 2018 on account of higher input taxes on PPA fees and various purchases.

Total non-current assets of ₱22,831.8 million as of December 31, 2019 were higher by 13.9% compared to ₱20,042.7 million as of December 31, 2018. Property and equipment-net increased by 5.7% to ₱934.1 million as of December 31, 2019 from ₱883.9 million as of December 31, 2018. Additions to property and equipment which were not subject of the service concession arrangement totaled ₱194.4 million in 2019. Intangible assets-net as of December 31, 2019 of ₱20,051.2 million were higher by 11.6% compared to ₱17,962.6 million as of December 31, 2018. Acquisitions of intangible assets which consisted of civil works and cargo handling equipment that were subject of the service concession arrangement amounted to ₱2,747.5 million in 2019. Right-of-use assets – net was at ₱676.1 million as of December 31, 2019, based on new accounting standard PFRS 16 effective January 1, 2019. Deferred tax assets-net as of December 31, 2019 of ₱1,013.2 million went up by 6.5% to ₱951.3 million as of December 31, 2018, pertaining to additional deferred tax on concession rights payable and unrealized foreign exchange losses. Other noncurrent assets as of December 31, 2019 decreased by 33.3% to ₱107.6 million from ₱161.3 million as of December 31, 2018.

Total liabilities went down by 2.6% to ₱12,924.1 million as of December 31, 2019 from ₱13,269.3 million as of December 31, 2018. Trade and other payables as of December 31, 2019 of ₱3,253.0 million were lower by 14.3% than ₱3,797.4 million as of December 31, 2018. Trade and other payables are covered by agreed payment schedules. Provision for claims went up to ₱259.8 million as of December 31, 2019 from ₱219.4 million as of December 31, 2018. Income and other taxes payable increased by 5.7% to ₱313.3 million as of December 31, 2018 from ₱296.2 million as of December 31, 2018. Port concession rights payable (current and noncurrent) as of December 31, 2019 totaled ₱8,303.0 million, 0.7% lower than ₱8,866.9 million as of December 31, 2018 due to payments of government share in 2019. Lease liabilities (current and noncurrent) was at ₱640.9 million as of December 31, 2019, based on new accounting standard PFRS 16 effective January 1, 2019. Pension liability as of December 31, 2019 of ₱184.1 million were higher by 236.3% compared to ₱54.8 million as of December 31, 2018.

Consolidated Cash Flows

Net cash provided by operating activities increased by 0.6% to ₱4,038.4 million in 2019 from ₱4,061.8 million in 2018 due to higher operating income and decrease in trade and other receivables reduced by decrease in trade and other payables and prepaid expenses.

Net cash used in investing activities in 2019 of ₱3,125.1 million were 25.3% higher than ₱2,494.2 million in 2018 due to higher acquisitions of intangible assets reduced by decrease in other noncurrent assets.

Cash used in financing activities in 2019 of ₱2,030.5 million were higher by 20.7% than the ₱1,682.4 million in 2018 due to higher payments of cash dividends and payments of lease liabilities. Cash dividends paid amounted to ₱1,125.0 million and ₱900.0 million in 2019 and 2018, respectively.

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

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

- PFRS 16 supersedes PAS 17, *Leases* and the related Philippine Interpretations. The new standard introduces a single lease accounting model for lessees under which all major leases are recognized on-balance sheet, removing the lease classification test. Lease accounting for lessors essentially remains unchanged except for a number of details including the application of the new lease definition, new sale-and-leaseback guidance, new sub-lease guidance and new disclosure requirements.

  Practical expedients and targeted reliefs were introduced including an optional lessee exemption for short-term leases (leases with a term of 12 months or less) and low-value items, as well as the permission of portfolio-level accounting instead of applying the requirements to individual leases. New estimates and judgmental thresholds that affect the identification, classification and measurement of lease transactions, as well as requirements to reassess certain key estimates and judgments at each reporting date were also introduced.

MANAGEMENT DISCUSSION AND ANALYSIS

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

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

	January 1, 2019
Right-of-use assets	**₱587,088**
Lease liabilities	**555,635**
Prepaid expenses	**(53,379)**
Trade and other payables	**(10,310)**
Retained earnings	**(11,616)**

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

	January 1, 2019
Operating lease commitments at December 31, 2018 as disclosed under PAS 17	**₱896,008**
Discounted using the incremental borrowing rate at January 1, 2019	**555,635**
Lease liabilities recognized at January 1, 2019	**555,635**

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

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

Other information:

- The Company's businesses are affected by the local and global trade environment. Factors that could cause actual results of the Company to differ materially include, but are not limited to:
  - material adverse change in the Philippine and global economic and industry conditions;
  - natural events (earthquake, typhoons and other major calamities); and
  - material changes in exchange rates.
- There was no known trend, event or uncertainty that had or may have a material impact on liquidity and on revenues or income from continuing operations. There was no known event that may cause a material change in the relationships between costs and revenues.
- There was no seasonal factor that had a material effect on the financial condition and results of operations.
- There was no event that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.
- Except for the commitments and contingencies mentioned in Note 23 of the consolidated financial statements, the Company has no knowledge of any material off-balance sheet (statement of financial position) transactions, arrangements, obligations and other relationships of the Company with unconsolidated entities or other persons created during the reporting period that would address the past and would have material impact on future operations.
- Projected capital expenditures for 2020 is ₱10.0 billion, which includes yard and berth development as well as construction of new facilities and equipment acquisition. The capital expenditure will strengthen the Company's operations and capability to handle growth.

Key Performance Indicators (KPIs)

KPIs discussed below were based on consolidated amounts as portions pertaining to the Company's subsidiary, ATI Batangas, Inc. (ATIB) were not material. As of end 2019:

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

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

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

Summary of Selected Financial Data (in millions)

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

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

STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Management of **Asian Terminals, Inc. and its Subsidiaries** (the "Group") is responsible for the preparation and fair presentation of the consolidated financial statements including the schedules attached therein, as at December 31, 2019 and 2018 and for each of the three years in the period ended December 31, 2019, in accordance with the prescribed financial reporting framework indicated therein, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

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

ANDREW R. HOAD
Chairman of the Board

EUSEBIO H. TANCO
President

JOSE TRISTAN P. CARPIO
Chief Financial Officer

REPORT OF INDEPENDENT AUDITORS

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

Opinion

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

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

Basis for Opinion

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

Key Audit Matter

Key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

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

The risk
The Group's revenues are mainly generated from arrastre, stevedoring, storage, and special and other services. Market expectations and profit-based targets may put pressure on management to recognize revenues before all the revenue recognition criteria have been met. Risk of material misstatement may arise in order to improve business results and achieve capital and revenue growths in line with the objectives of the Group.

Our response
Our audit procedures included assessment of the Group's accounting policies in respect of revenue recognition to ensure that they appropriately reflected the requirements of PFRSs. Evaluation of relevant IT systems and the design and operating effectiveness of controls over the recording of revenue transactions and generated reports was also conducted. In doing so, we have involved our IT specialists to assist in the audit of automated controls across different IT applications. Our substantive procedures included testing of revenues earned, to confirm that all services had been performed at the point at which revenue is recognized. Among others, we performed examination of selected individual transactions' supporting documentation to test the existence and accuracy of revenue transactions and to verify whether the revenue recognition practices adopted complied with the stated accounting policies. A detailed movement analysis of revenues earned for each of the Group's revenue streams was also performed to determine any significant fluctuation on the account.

REPORT OF INDEPENDENT AUDITORS

Other Information

Management is responsible for the other information. The other information comprises the information included in the SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2019, but does not include the consolidated financial statements and our auditors' report thereon. The SEC Form 20-IS (Definitive Information Statement), SEC Form 17-A and Annual Report for the year ended December 31, 2019 are expected to be made available to us after the date of this auditors' report.

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

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

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

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

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

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

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

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

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

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

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

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

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

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

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

R.G. MANABAT & CO.

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

February 28, 2020
Makati City, Metro Manila

ASIAN TERMINALS, INC. AND A SUBSIDIARY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Thousands)

		December 31	
	Note	2019	2018
ASSETS			
Current Assets			
Cash and cash equivalents	*6, 24, 25*	₱5,647,349	₱6,868,485
Trade and other receivables - net	*7, 24, 25*	630,599	742,027
Spare parts and supplies	*18*	748,499	507,538
Prepaid expenses	*8*	1,395,876	962,362
Total Current Assets		8,422,323	9,080,412
Noncurrent Assets			
Investment in an associate	*9*	49,507	83,636
Property and equipment - net	*10*	934,111	883,945
Intangible assets - net	*11*	20,051,240	17,962,561
Right-of-use assets - net	*23*	676,129	-
Deferred tax assets - net	*13*	1,013,174	951,305
Other noncurrent assets	*12*	107,602	161,291
Total Noncurrent Assets		22,831,763	20,042,738
		₱31,254,086	₱29,123,150
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	*14, 24, 25*	₱3,253,008	₱3,797,432
Provisions for claims	*15*	259,799	219,359
Port concession rights payable - current portion	*23, 24, 25*	313,263	296,234
Income and other taxes payable		283,228	330,873
Lease liabilities - current portion	*23*	136,701	-
Total Current Liabilities		4,245,999	4,643,898
Noncurrent Liabilities			
Port concession rights payable - net of current portion	*23, 24, 25*	7,989,729	8,570,648
Pension liability - net	*21*	184,146	54,753
Lease liabilities - net of current portion	*23*	504,241	-
Total Noncurrent Liabilities		8,678,116	8,625,401
		12,924,115	13,269,299
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		16,060,246	13,585,013
Fair value reserve		(5,820)	(5,820)
		18,318,726	15,843,493
Non-controlling Interest		11,245	10,358
Total Equity		18,329,971	15,853,851
		₱31,254,086	₱29,123,150

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	2019	2018	2017
REVENUES FROM OPERATIONS	*2, 26*	₱13,329,441	₱12,276,678	₱10,603,172
GOVERNMENT SHARE IN REVENUES	*17, 23*	(2,329,105)	(2,270,116)	(1,914,439)
		11,000,336	10,006,562	8,688,733
COSTS AND EXPENSES EXCLUDING GOVERNMENT SHARE IN REVENUES	*18, 20, 21*	(5,606,428)	(4,940,862)	(4,436,203)
OTHER INCOME AND EXPENSES				
Finance income	*19*	157,296	113,188	85,604
Finance cost	*19*	(558,881)	(540,426)	(567,733)
Others - net	*19*	216,736	(627,781)	(335,885)
		(184,849)	(1,055,019)	(818,014)
CONSTRUCTION REVENUES	*11*	2,747,425	3,222,423	2,102,478
CONSTRUCTION COSTS	*11*	(2,747,425)	(3,222,423)	(2,102,478)
		-	-	-
INCOME BEFORE INCOME TAX		5,209,059	4,010,681	3,434,516
INCOME TAX EXPENSE	*13*			
Current		1,511,488	1,348,499	1,148,001
Deferred		(18,032)	(221,207)	(203,167)
		1,493,456	1,127,292	944,834
NET INCOME		₱3,715,603	₱2,883,389	₱2,489,682
Income Attributable to				
Equity holders of the Parent Company		₱3,714,060	₱2,881,448	₱2,486,993
Non-controlling interest		1,543	1,941	2,689
		₱3,715,603	₱2,883,389	₱2,489,682
Basic/Diluted Earnings per Share Attributable to Equity Holders of the Parent Company	*22*	₱1.86	₱1.44	₱1.24

See Notes to the Consolidated Financial Statements.

ASIAN TERMINALS, INC. AND A SUBSIDIARY

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands)

		Years Ended December 31		
	Note	2019	2018	2017
NET INCOME FOR THE YEAR		₱3,715,603	₱2,883,389	₱2,489,682
OTHER COMPREHENSIVE INCOME				
Item that will never be reclassified to profit or loss				
Actuarial gains (losses) on pension liability	*21*	(146,124)	39,830	55,135
Tax on item taken directly to equity	*13*	43,837	(11,949)	(16,541)
		(102,287)	27,881	38,594
Items that are or may be reclassified to profit or loss				
Cash flow hedge - effective portion		-	(357,154)	(31,479)
Cash flow hedge - reclassified to profit or loss		-	653,753	328,312
Tax on items taken directly to equity	*13*	-	(88,979)	(89,050)
	16	-	207,620	207,783
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR - Net of tax		(102,287)	235,501	246,377
TOTAL COMPREHENSIVE INCOME		₱3,613,316	₱3,118,890	₱2,736,059
Total Comprehensive Income Attributable to				
Equity holders of the Parent Company		₱3,611,849	₱3,116,981	₱2,733,340
Non-controlling interest		1,467	1,909	2,719
		₱3,613,316	₱3,118,890	₱2,736,059

See Notes to the Consolidated Financial Statements.

ASIAN TERMINALS, INC. AND A SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For the Years Ended December 31, 2019, 2018 and 2017
(Amounts in Thousands, Except Per Share Data)

		Attributable to Equity Holders of the Parent Company								
				Retained Earnings						
	Note	Capital Stock	Additional Paid-in Capital	Appropriated for Port Development	Unappropriated	Hedging Reserve	Fair Value Reserve	Total	Non-controlling Interest	Total Equity
Balance at January 1, 2019		**₱2,000,000**	**₱264,300**	**₱10,500,000**	**₱3,085,013**	**₱-**	**(₱5,820)**	**₱15,843,493**	**₱10,358**	**₱15,853,851**
Adjustment on initial application of PFRS 16	*4*	-	-	-	(11,616)	-	-	(11,616)	-	(11,616)
Adjusted Balance at January 1, 2019		₱2,000,000	₱264,300	₱10,500,000	₱3,085,013	₱-	(₱5,820)	₱15,843,493	₱10,358	₱15,853,851
Cash dividends - ₱0.56 a share	*16*	-	-	-	(1,125,000)	-	-	(1,125,000)	(580)	(1,125,580)
Reversal of appropriation of retained earnings	*16*	-	-	(3,600,000)	3,600,000	-	-	-	-	-
Appropriations during the year	*16*	-	-	6,000,000	(6,000,000)	-	-	-	-	-
Net income for the year		-	-	-	3,714,060	-	-	3,714,060	1,543	3,715,603
Other comprehensive income:										
Actuarial loss - net of tax	*21*	-	-	-	(102,211)	-	-	(102,211)	(76)	(102,287)
Balance at December 31, 2019		**₱2,000,000**	**₱264,300**	**₱12,900,000**	**₱3,160,246**	**₱-**	**(₱5,820)**	**₱18,318,726**	**₱11,245**	**₱18,329,971**
Balance at January 1, 2018		₱2,000,000	₱264,300	₱9,700,000	₱1,875,652	(₱207,620)	(₱5,820)	₱13,626,512	₱9,029	₱13,635,541
Cash dividends - ₱0.45 a share	*16*	-	-	-	(900,000)	-	-	(900,000)	(580)	(900,580)
Reversal of appropriation of retained earnings	*16*	-	-	(3,700,000)	3,700,000	-	-	-	-	-
Appropriations during the year	*16*	-	-	4,500,000	(4,500,000)	-	-	-	-	-
Net income for the year		-	-	-	2,881,448	-	-	2,881,448	1,941	2,883,389
Other comprehensive income:							-			
Actuarial gain - net of tax	*21*	-	-	-	27,913	-	-	27,913	(32)	27,881
Cash flow hedge - effective portion - net of tax	*16*	-	-	-	-	(250,008)	-	(250,008)	-	(250,008)
Cash flow hedge - reclassified to profit or loss - net of tax	*16*	-	-	-	-	457,628	-	457,628	-	457,628
Balance at December 31, 2018		₱2,000,000	₱264,300	₱10,500,000	₱3,085,013	₱ -	(₱5,820)	₱15,843,493	₱10,358	₱15,853,851
Balance at January 1, 2017		₱2,000,000	₱264,300	₱7,900,000	₱2,010,095	(₱415,403)	(₱5,820)	₱11,753,172	₱6,890	₱11,760,062
Cash dividends - ₱0.43 a share	*16*	-	-	-	(860,000)	-	-	(860,000)	(580)	(860,580)
Reversal of appropriation of retained earnings	*16*	-	-	(1,100,000)	1,100,000	-	-	-	-	-
Appropriations during the year	*16*	-	-	2,900,000	(2,900,000)	-	-	-	-	-
Net income for the year		-	-	-	2,486,993	-	-	2,486,993	2,689	2,489,682
Other comprehensive income:							-			
Actuarial gain - net of tax	*21*	-	-	-	38,564	-	-	38,564	30	38,594
Cash flow hedge - effective portion - net of tax	*16*	-	-	-	-	(22,035)	-	(22,035)	-	(22,035)
Cash flow hedge - reclassified to profit or loss - net of tax	*16*	-	-	-	-	229,818	-	229,818	-	229,818
Balance at December 31, 2017		₱2,000,000	₱264,300	₱9,700,000	₱1,875,652	(₱207,620)	(₱5,820)	₱13,626,512	₱9,029	₱13,635,541

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	2019	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		**₱5,209,059**	₱4,010,681	₱3,434,516
Adjustments for:				
Depreciation and amortization	*10, 11, 23*	**1,529,979**	1,130,882	1,180,724
Finance cost	*19*	**558,881**	540,426	567,733
Provisions for inventory obsolescence	*18*	**29,221**	20,000	-
Net unrealized foreign exchange losses (gains)		**(211,056)**	565,357	325,848
Amortization of noncurrent prepaid rental		**-**	984	984
Finance income	*19*	**(157,296)**	(113,188)	(85,604)
Equity in net earnings of an associate	*9, 19*	**(51,129)**	(59,299)	(46,701)
Contributions to retirement funds	*21*	**(48,795)**	(60,469)	(21,941)
Gain on disposals of:				
Property and equipment		**(6,788)**	(4,724)	(255)
Intangible assets		**(5,849)**	(532)	-
Reversal of allowance for doubtful accounts	*7*	**(3,550)**	(5,950)	-
Loss on retirement of:				
Property and equipment		**-**	-	197
Operating income before working capital changes		**6,842,677**	6,024,168	5,355,501
Decrease (increase) in:				
Trade and other receivables		**102,412**	(231,848)	(65,542)
Spare parts and supplies		**(270,182)**	(123,837)	(89,106)
Prepaid expenses		**(493,308)**	(332,490)	(161,933)
Increase (decrease) in:				
Trade and other payables		**(766,452)**	(53,006)	733,010
Provisions for claims		**40,440**	14,815	153,600
Income and other taxes payable		**14,465**	(65,560)	3,059
Cash generated from operations		**5,470,052**	5,232,242	5,928,589
Finance income received		**169,862**	97,303	85,330
Finance cost paid		**(27,914)**	(366)	(365)
Income tax paid		**(1,573,598)**	(1,267,353)	(1,033,660)
Net cash provided by operating activities		**(4,038,402)**	4,061,826	4,979,894
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of:				
Intangible assets	*11*	**(₱3,101,456)**	(₱2,295,504)	(₱2,102,478)
Property and equipment	*10*	**(182,502)**	(165,649)	(197,628)
Proceeds from disposals of:				
Property and equipment		**7,601**	4,724	335
Intangible assets		**5,918**	534	-
Dividends received	*9*	**85,258**	62,690	14,328
Decrease (increase) in:				
Other noncurrent assets		**68,489**	(95,899)	(281)
Deposits		**(8,386)**	(5,073)	2,929
Net cash used in investing activities		**(3,125,078)**	(2,494,177)	(2,282,795)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments of:				
Cash dividends	*16*	**(1,125,000)**	(900,000)	(860,000)
Cash dividends to non-controlling interest		**(580)**	(580)	(580)
Port concession rights payable	*23*	**(773,340)**	(781,790)	(776,075)
Lease liabilities	*23*	**(131,625)**	-	-
Net cash used in financing activities		**(2,030,545)**	(1,682,370)	(1,636,655)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		**(1,117,221)**	(114,721)	1,060,444
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**(103,915)**	38,017	3,538
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	*6*	**6,868,485**	6,945,189	5,881,207
CASH AND CASH EQUIVALENTS AT END OF YEAR	*6*	**₱5,647,349**	₱6,868,485	₱6,945,189

See Notes to the Consolidated Financial Statements.

ASIAN TERMINALS, INC. AND A SUBSIDIARY

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(Amounts in Thousands, Except Per Share Data)

1. Reporting Entity

Asian Terminals, Inc. (ATI or the "Parent Company") was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on July 9, 1986. The consolidated financial statements comprise the financial statements of the Parent Company and its Subsidiaries, ATI Batangas, Inc. (ATIB) and Tanza Container Terminal, Inc. (TCTI), (collectively referred to as the "Group"). The Parent Company is a public company under Section 17.2 of the Securities Regulation Code and its shares are listed on the Philippine Stock Exchange, Inc. (PSE). DP World Australia (POAL) Pty. Ltd. directly owns 17.32% of the total outstanding capital stock of ATI.

The Group operates and manages the South Harbor Port of Manila and the Port of Batangas in Batangas City. The registered office address of the Parent Company is A. Bonifacio Drive, Port Area, Manila.

2. Operating Contracts

Following are the Group's operating contracts:

a. South Harbor, Port of Manila

ATI's exclusive right to manage, operate and develop South Harbor was renewed for a period of 25 years from May 19, 2013 to May 18, 2038 pursuant to the Third Supplement to the Contract for Cargo Handling and Related Services (the "Third Supplement") with the Philippine Ports Authority (PPA) dated October 19, 2007 (see Note 23).

b. Port of Batangas

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

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

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

3. Basis of Preparation

Statement of Compliance

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

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

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

Basis of Measurement

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

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

Functional and Presentation Currency

The consolidated financial statements are presented in Philippine peso, which is the Group's functional currency. All amounts have been rounded off to the nearest thousand pesos (₱000), except when otherwise indicated.

Basis of Consolidation

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

The financial statements of ATIB and TCTI are prepared for the same financial reporting year as ATI, using uniform accounting policies for like transactions and other events in similar circumstances.

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

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

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

4. Significant Accounting Policies

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

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

Adoption of New Standards, Amendments to Standards and Interpretations

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

- PFRS 16 supersedes PAS 17, *Leases* and the related Philippine Interpretations. The new standard introduces a single lease accounting model for lessees under which all major leases are recognized on-balance sheet, removing the lease classification test. Lease accounting for lessors essentially remains unchanged except for a number of details including the application of the new lease definition, new sale-and-leaseback guidance, new sub-lease guidance and new disclosure requirements.

  Practical expedients and targeted reliefs were introduced including an optional lessee exemption for short-term leases (leases with a term of 12 months or less) and low-value items, as well as the permission of portfolio-level accounting instead of applying the requirements to individual leases. New estimates and judgmental thresholds that affect the identification, classification and measurement of lease transactions, as well as requirements to reassess certain key estimates and judgments at each reporting date were also introduced.

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

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

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

	Note	January 1, 2019
Right-of-use assets	23	₱587,088
Lease liabilities	23	555,635
Prepaid expenses		(53,379)
Trade and other payables		(10,310)
Retained earnings		(11,616)

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

	January 1, 2019
Operating lease commitments at December 31, 2018 as disclosed under PAS 17	₱896,008
Discounted using the incremental borrowing rate at January 1, 2019	555,635
Lease liabilities recognized at January 1, 2019	555,635

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

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

The Group has classified:

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

▪ Philippine Interpretation IFRIC-23, *Uncertainty over Income Tax Treatments* clarifies how to apply the recognition and measurement requirements in PAS 12, *Income Taxes,* when there is uncertainty over income tax treatments. Under the interpretation, whether the amounts recorded in the consolidated financial statements will differ to that in the tax return, and whether the uncertainty is disclosed or reflected in the measurement, depends on whether it is probable that the tax authority will accept the Group chosen tax treatment. If it is not probable that the tax authority will accept the Group chosen tax treatment, the uncertainty is reflected using the measure that provides the better prediction of the resolution of the uncertainty - either the most likely amount or the expected value.

The interpretation also requires the reassessment of judgements and estimates applied if facts and circumstances change - e.g., as a result of examination or action by tax authorities, following changes in tax rules or when a tax authority's right to challenge a treatment expires.

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

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

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

▪ *Long-term Interests in Associates and Joint Ventures* (Amendments to PAS 28, *Investments in Associates and Joint Ventures*). The amendment requires the application of PFRS 9 to other financial instruments in an associate or joint venture to which the equity method is not applied. These include long-term interests (LTIs) that, in substance, form part of the entity's net investment in an associate or joint venture.

The amendment explains the annual sequence in which PFRS 9 and PAS 28 are to be applied. In effect, PFRS 9 is first applied ignoring any prior years' PAS 28 loss absorption. If necessary, prior years' PAS 28 loss allocation is trued-up in the current year which may involve recognizing more prior years' losses, reversing these losses or re-allocating them between different LTI instruments. Any current year PAS 28 losses are allocated to the extent that the remaining LTI balance allows and any current year PAS 28 profits reverse any unrecognized prior years' losses and then allocations against LTI.

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

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

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

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

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

Standards Issued But Not Yet Adopted

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

Effective January 1, 2020

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- Interest Rate Benchmark Reform (Amendments to PFRS 9, PAS 39 *Financial Instruments: Recognition and Measurement* and PFRS 7 *Financial Instruments: Disclosures*). The amendments provide temporary exceptions to all hedging relationships directly affected by interest rate benchmark reform – the market-wide reform of an interest rate benchmark, including the replacement of an interest rate benchmark with an alternative benchmark rate such as that resulting from the recommendations set out in the Financial Stability Board's July 2014 report 'Reforming Major Interest Rate Benchmarks'. The exceptions relate to the following requirements:

  - The highly probable requirement. When determining whether a forecast transaction is highly probable, an entity shall assume that the interest rate benchmark on which the hedged cash flows are based is not altered as a result of the reform.
  - Prospective assessments. When performing prospective assessments, a company shall assume that the interest rate benchmark on which the hedged item, hedged risk and/or hedging instrument are based is not altered as a result of the interest rate benchmark reform.
  - PAS 39 retrospective assessment. An entity is not required to undertake the PAS 39 retrospective assessment for hedging relationships directly affected by the reform. However, the entity must comply with all other PAS 39 hedge accounting requirements, including the prospective assessment.
  - Separately identifiable risk components. For hedges of a non-contractually specified benchmark component of interest rate risk, an entity shall apply the separately identifiable requirement only at the inception of such hedging relationships.

An entity shall cease applying the exceptions when the uncertainty arising from interest rate benchmark reform is no longer present with respect to the timing and the amount of the interest rate benchmark-based cash flows or the hedging relationship is discontinued. End of application does not apply to the test for separately identifiable risk components.

Specific disclosure requirements apply to hedging relationships affected by the amendments including information about the significant interest rate benchmarks, extent of risk exposure directly affected by the reform, how the entity manages the process to transition to alternative benchmark rates, significant assumptions and judgements made in applying the exceptions, and the nominal amount of the hedging instruments in those hedging relationships.

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

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

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

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

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

Financial Instruments

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

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

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

Financial Assets

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

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

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

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

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

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

Cash includes cash on hand and in banks which are stated at face value. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less from dates of acquisition and are subject to an insignificant risk of changes in value.

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

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

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

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

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

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

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

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

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

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

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

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

<u>Impairment of Financial Assets</u>

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

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

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

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

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

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

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

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

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

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

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

A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (an incurred loss event) and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If no objective evidence of impairment has been identified for a particular financial asset that was individually assessed, the Group includes the asset as part of a group of financial assets pooled according to their credit risk characteristics and collectively assesses the group for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognized are not included in the collective impairment assessment.

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

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

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

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

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

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

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

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

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Construction in progress represents structures under construction and is stated at cost. This includes the costs of construction and other direct costs. Borrowing costs that are directly attributable to the construction of property and equipment are capitalized during the construction period. Construction in progress is not depreciated until such time that the relevant assets are substantially completed and ready for its intended use. Depreciation and amortization are computed using the straight-line method over the following estimated useful lives of the assets:

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

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

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

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

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

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 arrangements in which the grantor controls or regulates the services provided and the prices charged, and also controls any significant residual interests in the infrastructure at the end of the term of the arrangement, such as property and equipment, if the infrastructure is existing infrastructure of the grantor or the infrastructure is constructed or purchased by the Group as part of the service concession arrangements.

Port concession rights consist of:

a. Upfront fees payments on the concession contracts;

b. The cost of port infrastructures constructed and port equipment purchased, which are not recognized as property and equipment of the Group but as intangible asset received as consideration for such cost; and

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

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

Port concession rights are amortized using the straight-line method over the term of contract asset or useful life ranging from 2 to 25 years whichever is shorter.

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

Impairment is determined by assessing the recoverable amount of the investment to which the goodwill relates. Where the recoverable amount is less than the carrying amount of the investment, an impairment loss is recognized. An impairment loss in respect of goodwill is not reversed.

Where part of the operation within the investment is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Impairment of Non-Financial Assets

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

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

Provisions

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

Share Capital

Capital Stock

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

Additional Paid-in Capital

The amount of contribution in excess of par value is accounted for as "Additional paid-in capital." Any transaction costs associated with the issuance of shares are deducted from additional paid-in capital, net of any related income tax benefit.

Retained Earnings and Dividend Distribution

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

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

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

Revenue, Cost and Expense Recognition

Revenue from Contracts with Customers

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

In 2017, revenue was measured at the fair value of the consideration received or receivable. Revenue recognized when the related services have been rendered. It is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured.

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

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

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

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

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

Other Income

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

Finance Income

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

Construction Revenues and Costs

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

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

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

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

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

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

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

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

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

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

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

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

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

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

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

- fulfillment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following criteria was met:
  - the purchaser has the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
  - the purchaser has the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
  - facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output; and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

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

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

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

Employee Benefits

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

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

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

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

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

Foreign Currency Transactions

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

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

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

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

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

Taxes

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

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

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

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

Deferred tax liabilities are not provided on non-taxable temporary difference associated with investment in associate.

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

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

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

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

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

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

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

Earnings Per Share (EPS)

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

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

Operating Segments

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

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

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

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

Contingencies

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

Events After the Reporting Date

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

5. Significant Accounting Judgments, Estimates and Assumptions

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

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

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

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

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

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

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

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

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

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

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

Provisions for claims amounted to ₱259.8 million and ₱219.4 million as at December 31, 2019 and 2018, respectively (see Note 15).

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

Lease liabilities on property lease on which extensions options were exercised ammounted to ₱161.39 million as at December 31, 2019.

6. Cash and Cash Equivalents

	Note	**2019**	2018
Cash on hand and in banks		**₱395,470**	₱436,917
Short-term investments		**5,251,879**	6,431,568
	24, 25	**₱5,647,349**	₱6,868,485

Cash in banks earn interest at floating rates based on daily bank deposit rates. Majority of short-term investments are on 90-day term subject to roll-over requirements of the Group and earn interest at the prevailing short-term deposit rates amounting to ₱157.3 million and ₱111.1 million in 2019 and 2018, respectively (see Note 19).

7. Trade and Other Receivables

	Note	**2019**	2018
Trade receivables		**₱507,092**	₱658,794
Receivable from insurance		**33,994**	19,357
Due from related parties	*20*	**33,772**	11,246
Advances to officers and employees		**26,948**	19,546
Receivable from escrow fund		**13,635**	13,635
Interest receivable		**4,095**	16,661
Other receivables		**18,042**	15,440
		637,578	754,679
Allowance for impairment losses		**(6,979)**	(12,652)
	24, 25	**₱630,599**	₱742,027

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

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

	Individually Impaired	**Collectively Impaired**	**Total**
Balance at January 1, 2018	₱3,296	₱15,306	₱18,602
Reversals during the year	-	(5,950)	(5,950)
Balance at December 31, 2018	3,296	9,356	12,652
Reversals during the year	-	(3,550)	(3,550)
Write-offs	(2,123)	-	(2,123)
Balance at December 31, 2019	**₱1,173**	**₱5,806**	**₱6,979**

8. Prepaid Expenses

	Note	**2019**	2018
Taxes		**₱1,297,595**	₱871,283
Insurance		**71,277**	2,598
Advances to contractors		**5,538**	10,790
Rental	*12, 23*	**4,004**	49,118
Advances to government agencies		**101**	101
Others		**17,361**	28,472
		₱1,395,876	₱962,362

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

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

9. Investment in an Associate

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

	Note	**2019**	2018
Acquisition cost		**₱11,222**	₱11,222
Accumulated equity in net earnings:			
Balance at beginning of year		**72,414**	75,805
Equity in net earnings for the year	*19*	**51,129**	59,299
Dividends received during the year		**(85,258)**	(62,690)
		38,285	72,414
		₱49,507	₱83,636

The following table shows the summarized financial information of SCIPSI:

	2019	2018
Current assets	**₱98,217**	₱202,871
Noncurrent assets	**77,793**	64,180
Total assets	**₱176,010**	₱267,051
Current liabilities	**₱44,109**	₱45,064
Noncurrent liabilities	**2,382**	2,611
Total liabilities	**₱46,491**	₱47,675
Revenues	**₱363,202**	₱385,924
Expenses	**(220,023)**	(219,867)
Net income	**₱143,179**	₱166,057

Based on unaudited financial statements

Dividend income of ₱85.3 million and ₱62.7 million was received in 2019 and 2018, respectively.

10. Property and Equipment - net

The movements in this account are as follows:

2019

	Port Facilities and Equipment	**Leasehold Improvements**	**Furniture, Fixtures and Equipment**	**Transportation and Other Equipment**	**Construction in-progress**	**Total**
Cost						
Balance at beginning of year	**₱164,443**	**₱599,967**	**₱668,665**	**₱205,541**	**₱254,505**	**₱1,893,121**
Additions	**1,200**	**78,721**	**28,206**	**53,430**	**32,833**	**194,390**
Disposals	**(60,135)**	**-**	**(28,394)**	**(18,830)**	**-**	**(107,359)**
Reclassifications	**92,707**	**-**	**34,768**	**550**	**(63,010)**	**65,015**
Balance at end of year	**198,215**	**678,688**	**703,245**	**240,691**	**224,328**	**2,045,167**
Accumulated Depreciation and Amortization						
Balance at beginning of year	**132,668**	**392,342**	**363,444**	**120,722**	**-**	**1,009,176**
Depreciation and amortization	**11,816**	**21,290**	**94,419**	**30,577**	**-**	**158,102**
Disposals	**(60,134)**	**-**	**(28,394)**	**(18,017)**	**-**	**(106,545)**
Reclassifications	**50,323**	**-**	**-**	**-**	**-**	**50,323**
Balance at end of year	**134,673**	**413,632**	**429,469**	**133,282**	**-**	**1,111,056**
Carrying Amount	**₱63,542**	**₱265,056**	**₱273,776**	**₱107,409**	**₱224,328**	**₱934,111**

2018

	Port Facilities and Equipment	Leasehold Improvements	Furniture, Fixtures and Equipment	Transportation and Other Equipment	Construction in-progress	Total
Cost						
Balance at beginning of year	₱152,084	₱560,495	₱513,661	₱190,963	₱84,497	₱1,501,700
Additions	14,840	32,500	150,939	40,144	197,769	436,192
Disposals	-	-	(18,243)	(26,528)	-	(44,771)
Reclassifications	(2,481)	6,972	22,308	962	(27,761)	-
Balance at end of year	164,443	599,967	668,665	205,541	254,505	1,893,121
Accumulated Depreciation and Amortization						
Balance at beginning of year	124,575	372,489	316,694	122,324	-	936,082
Depreciation and amortization	8,093	19,853	64,993	24,926	-	117,865
Disposals	-	-	(18,243)	(26,528)	-	(44,771)
Balance at end of year	132,668	392,342	363,444	120,722	-	1,009,176
Carrying Amount	₱31,775	₱207,625	₱305,221	₱84,819	₱254,505	₱883,945

The Group has non-cash additions for the years ended December 31, 2019 and 2018 which amounted to ₱11.9 million and ₱270.5 million, respectively.

Cost of fully depreciated property and equipment which are still being used by the Group amounted to ₱403.0 million and ₱411.7 million as at December 31, 2019 and 2018, respectively.

11. Intangible Assets - net

The movements in this account are as follows:

2019

	Port Concession Rights					
	Upfront Fees (Note 23)	**Fixed Government Share**	**Port Infrastructure**	**Subtotal**	**Goodwill**	**Total**
Cost						
Balance at beginning of year	**₱282,000**	**₱9,279,694**	**₱18,251,073**	**₱27,812,767**	**₱42,060**	**₱27,854,827**
Additions	**600,000**	**-**	**2,747,425**	**3,347,425**	**-**	**3,347,425**
Reclassifications	**-**	**-**	**(65,015)**	**(65,015)**	**-**	**(65,015)**
Disposals	**-**	**-**	**(175,763)**	**(175,763)**	**-**	**(175,763)**
Balance at end of year	**882,000**	**9,279,694**	**20,757,720**	**30,919,414**	**42,060**	**30,961,474**
Accumulated Amortization						
Balance at beginning of year	**63,374**	**3,172,774**	**6,656,117**	**9,892,265**	**-**	**9,892,265**
Amortization	**11,280**	**386,596**	**846,110**	**1,243,986**	**-**	**1,243,986**
Reclassifications			**(50,323)**	**(50,323)**		**(50,323)**
Disposals	**-**	**-**	**(175,694)**	**(175,694)**	**-**	**(175,694)**
Balance at end of year	**74,654**	**3,559,370**	**7,276,210**	**10,910,234**	**-**	**10,910,234**
Carrying Amount	**₱807,346**	**₱5,720,324**	**₱13,481,510**	**₱20,009,180**	**₱42,060**	**₱20,051,240**

2018

	Port Concession Rights					
	Upfront Fees (Note 23)	Fixed Government Share	Port Infrastructure	Subtotal	Goodwill	Total
Cost						
Balance at beginning of year	₱282,000	₱9,279,694	₱15,084,610	₱24,646,304	₱42,060	₱24,688,364
Additions	-	-	3,222,423	3,222,423	-	3,222,423
Disposals	-	-	(55,960)	(55,960)	-	(55,960)
Balance at end of year	282,000	9,279,694	18,251,073	27,812,767	42,060	27,854,827
Accumulated Amortization						
Balance at beginning of year	52,094	2,786,178	6,096,935	8,935,207	-	8,935,207
Amortization	11,280	386,596	615,141	1,013,017	-	1,013,017
Disposals	-	-	(55,958)	(55,958)	-	(55,958)
Balance at end of year	63,374	3,172,774	6,656,118	9,892,266	-	9,892,266
Carrying Amount	₱218,626	₱6,106,920	₱11,594,955	₱17,920,501	₱42,060	₱17,962,561

The unamortized capitalized borrowing costs as at December 31, 2019 and 2018 amounted to ₱68.8 million and ₱73.5 million, respectively. No borrowing costs were capitalized in 2019 and 2018.

The Group has non-cash additions for the years ended December 31, 2019 and 2018 which amounted to ₱246.0 million and ₱926.9 million, respectively.

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

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

Goodwill

Key Assumptions

In testing impairment of goodwill, the recoverable amount of ATIB is the value in use, which has been determined by calculating the present value of cash flow projections from the operations of ATIB. The average revenue growth rate assumption used was 4.0%. The discount rate applied to cash flow projections is 5.9% in 2019 and 7.9% in 2018 based on the industry's weighted average cost of capital (WACC).

Sensitivity to Changes in Assumptions

The estimated recoverable amount of ATIB exceeds its carrying amount by approximately ₱0.6 billion and ₱1.7 billion in 2019 and 2018, respectively. Management has identified that earnings before interest and tax and discount rates are the key assumptions for which there could be a reasonably possible change that could cause the carrying amount to exceed the recoverable amount.

12. Other Noncurrent Assets

	Note	**2019**	2018
Deposits	*24, 25*	**₱57,154**	₱41,040
Taxes		**47,796**	116,286
Equity securities	*24, 25*	**2,652**	2,652
Rental		**-**	1,313
		₱107,602	₱161,291

Deposits mainly represent payments related to refundable security deposits on property leases and utilities. This account includes noninterest-bearing refundable security deposits on a lease agreement that was carried at fair value as of initial recognition determined based on the present value of future cash flows discounted using effective interest rate of 3.66%. The carrying amounts of these refundable security deposits at amortized cost amounted to ₱14.8 million as at December 31, 2019 and 2018.

Taxes pertain to noncurrent portion of the input value-added tax on capital goods exceeding ₱1.0 million.

Equity securities consist of investments in quoted and unquoted shares.

13. Income Tax

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

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

The movements in deferred tax balances are as follows:

2019	Note	Net Balance at January 1	Recognized in Profit or Loss	Recognized in OCI	December 31 Deferred Tax Assets	Deferred Tax Liabilities	Net
Port concession rights payable related to fixed government share		**₱433,373**	**₱38,375**	**₱ -**	**P471,748**	**₱ -**	**₱471,748**
Unrealized foreign exchange loss - net		**428,426**	**(51,912)**	**-**	**376,514**	**-**	**376,514**
Provisions for claims		**65,809**	**12,131**	**-**	**77,940**	**-**	**77,940**
Pension liability	*21*	**20,649**	**(1,774)**	**43,837**	**62,712**	**-**	**62,712**
Excess of cost over net realizable value of spare parts and supplies		**17,469**	**8,766**	**-**	**26,235**	**-**	**26,235**
Accrued expenses		**-**	**16,845**	**-**	**16,845**	**-**	**16,845**
Impairment losses on receivables	*7*	**3,513**	**(783)**	**-**	**2,730**	**-**	**2,730**
Right-of-use and lease liability		**-**	**186**	**-**	**186**	**-**	**186**
Accrued operating lease		**4,142**	**(4,142)**	**-**	**-**	**-**	**-**
Rental deposit		**1,245**	**(1,245)**	**-**	**-**	**-**	**-**
Unamortized capitalized borrowing costs and custom duties		**(23,321)**	**1,585**	**-**	**-**	**(21,736)**	**(21,736)**
Net tax assets (liabilities)		**₱951,305**	**₱18,032**	**P₱43,837**	**₱1,034,910**	**(₱21,736)**	**₱1,013,174**

2018	Note	Net Balance at January 1	Recognized in Profit or Loss	Recognized in OCI	December 31 Deferred Tax Assets	Deferred Tax Liabilities	Net
Port concession rights payable related to fixed government share		₱391,832	₱41,541	₱ -	₱433,373	₱ -	₱433,373
Cash flow hedge		88,979	-	(88,979)	-	-	-
Unrealized foreign exchange loss - net		257,757	170,669	-	428,426	-	428,426
Provisions for claims		61,364	4,445	-	65,809	-	65,809
Pension liability	*21*	33,392	(794)	(11,949)	20,649	-	20,649
Excess of cost over net realizable value of spare parts and supplies		11,469	6,000	-	17,469	-	17,469
Accrued operating lease		4,343	(201)	-	4,142	-	4,142
Impairment losses on receivables	*7*	5,298	(1,785)	-	3,513	-	3,513
Rental deposit		1,587	(342)	-	1,245	-	1,245
Unamortized capitalized borrowing costs and custom duties		(24,995)	1,674	-	-	(23,321)	(23,321)
Net tax assets (liabilities)		₱831,026	₱221,207	(₱100,928)	₱974,626	(₱23,321)	₱951,305

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

14. Trade and Other Payables

	Note	2019	2018
Accrued expenses:			
Marketing, commercial and promotion		**₱677,068**	₱518,798
Personnel costs		**171,019**	222,876
Professional fees		**153,315**	147,924
Finance costs		**141,330**	151,091
Repairs and maintenance		**89,097**	86,111
Security expenses		**36,921**	45,344
Trucking expense		**31,296**	30,790
Rentals	*23*	**14,729**	65,089
Utilities		**13,639**	14,210
Corporate social responsibility		**13,414**	11,842
Safety and environment		**4,659**	4,723
Miscellaneous		**102,958**	61,638
Due to government agencies	*23*	**684,531**	696,023
Equipment acquisitions		**572,418**	1,133,236
Trade		**288,681**	370,635
Shippers' and brokers' deposits		**95,642**	128,879
Management fee payable	*20*	**15,488**	10,489
Other payables		**146,803**	97,734
	24, 25	**₱3,253,008**	₱3,797,432

Following are the terms and conditions of the above liabilities:

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

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

15. Provisions for Claims

	2019	2018
Balance at beginning of year	**₱219,359**	₱204,544
Provisions during the year	**109,541**	25,738
Payments during the year	**(69,101)**	(10,923)
Balance at end of year	**₱259,799**	₱219,359

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

16. Equity

Pursuant to the registration statement rendered effective by the SEC and permit to sell issued by the SEC both dated April 7, 1995, 1 billion common shares of the Parent Company were registered and may be offered for sale at an offer price of ₱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, 2019, the Parent Company has a total of 2 billion issued and outstanding common shares and 823 stockholders.

Capital Stock - ₱1 Par Value
The Parent Company has 2.0 billion issued and fully paid capital stock, from its 4.0 billion authorized common shares, as at December 31, 2019 and 2018.

Retained Earnings
The Group's unappropriated retained earnings includes the subsidiaries' unappropriated net earnings of ₱9.6 million and ₱4.8 million and the Group's accumulated equity in the net earnings of an associate amounting to ₱38.3 million and ₱72.4 million as at December 31, 2019 and 2018, respectively, which are available for distribution only upon declaration of dividends by such subsidiaries to the Parent Company and the associate to the Group. Cash dividends are distributed yearly since 2000.

Cash Dividends
On April 25, 2019, the BOD approved the declaration of cash dividends amounting to ₱1,125.0 million or ₱0.56 per share payable on June 18, 2019 to common shareholders of record as at May 24, 2019.

On April 26, 2018, the BOD approved the declaration of cash dividends amounting to ₱900.0 million or ₱0.45 per share payable on June 18, 2018 to common shareholders of record as at May 22, 2018.

On April 27, 2017, the BOD approved the declaration of cash dividends amounting to ₱860.0 million or ₱0.43 per share payable on June 15, 2017 to common shareholders of record as at May 19, 2017.

Appropriation and Reversal of Appropriation of Retained Earnings
On December 20, 2019, the Group's BOD approved the reversal to the unappropriated retained earnings of the amount of ₱3.6 billion out of the already approved appropriation of ₱10.5 billion, for capital expenditures for 2018 and 2019. Furthermore, the Group's BOD approved an appropriation of the retained earnings amounting to ₱6.0 billion for capital expenditures for the next 2 years. The Group's BOD also approved on the same date a budget amounting to ₱10.0 billion for capital expenditures which include yard and berth development as well as construction of new facilities and equipment acquisition for 2020. The capital expenditures will strengthen the Group's operations and capability to handle growth.

On December 20, 2018, the Group's BOD approved the reversal to the unappropriated retained earnings of the amount of ₱3.7 billion out of the already approved appropriation of ₱9.7 billion, for capital expenditures for 2016 and 2017. Furthermore, the Group's BOD approved an appropriation of the retained earnings amounting to ₱4.5 billion for capital expenditures for the next 2 years. The Group's BOD also approved on the same date a budget amounting to P9.0 billion for capital expenditures which include yard and berth development as well as construction of new facilities and equipment acquisition for 2019. The capital expenditures will strengthen the Group's operations and capability to handle growth.

On December 19, 2017, the Group's BOD approved the reversal to the unappropriated retained earnings of the amount of ₱1.1 billion out of the already approved appropriation of ₱7.9 billion, for capital expenditures for 2015 and 2016. Furthermore, the Group's BOD approved an appropriation of the retained earnings amounting to ₱2.9 billion for capital expenditures for the next 2 years. The Group's BOD also approved on the same date a budget amounting to ₱8.8 billion for capital expenditures which include yard and berth development as well as construction of new facilities and equipment acquisition for 2018. The capital expenditures will strengthen the Group's operations and capability to handle growth.

Fair Value Reserve
Fair value reserve amounting to ₱5.8 million as at December 31, 2019 and 2018 represents unrealized loss on equity securities.

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

For the years ended December 31, 2019, 2018 and 2017, the effective fair value changes of the Group's cash flow hedge that was recognized in other comprehensive income amounted to nil, ₱250.0 million and ₱22.0 million, respectively, net of tax.

For the years ended December 31, 2019, 2018 and 2017, the Group's cash flow hedge that was reclassified to profit or loss from other comprehensive income amounted to nil, ₱457.6 million and ₱229.8 million, respectively, net of tax.

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

Based on the management's assessment, continuation of hedging will only lead to recognition of higher unrealized foreign exchange losses that would affect their forecasted profits in the long-run. As a result, the Group reclassified the entirety of unrealized foreign exchange losses pertaining to hedging from other comprehensive income to its profit or loss. For the year ended December 31, 2018, the amount recognized from "Hedging reserve" account to profit or loss amounted to ₱254.4 million, net of tax.

17. Government Share in Revenues

This account consists of the PPA's share in revenues of the Group as stipulated in the agreements discussed in Notes 2 and 23. The PPA's share in gross revenues includes variable government share amounting to ₱2.3 billion, ₱2.3 billion and ₱1.9 billion in 2019, 2018 and 2017, respectively (see Note 23).

18. Costs and Expenses Excluding Government Share in Revenues

	Note	**2019**	2018	2017
Labor costs		**₱1,551,941**	₱1,462,559	₱1,282,910
Depreciation and amortization	*10, 1123*	**1,529,979**	1,130,882	1,180,724
Equipment running		**812,343**	797,971	595,449
Taxes and licenses		**390,164**	272,084	256,132
Management fees	*20*	**229,821**	176,083	149,706
Security, health, environment and safety		**212,654**	205,407	181,801
Facilities-related expenses		**210,506**	200,520	151,910
Insurance		**110,743**	87,280	66,295
Provision for claims	*15*	**109,541**	25,738	154,090
General transport		**96,442**	46,128	41,133
Marketing, commercial and promotion		**56,009**	86,450	45,740
Rental	*23*	**38,883**	148,134	139,905
Professional fees		**26,255**	80,469	24,460
Entertainment, amusement and recreation		**8,908**	7,787	5,170
Others		**222,239**	213,370	160,778
		₱5,606,428	₱4,940,862	₱4,436,203

Labor costs include salaries, benefits and pension expense.

Spare parts and supplies used and included under equipment running amounted to ₱310.9 million, ₱296.3 million and ₱227.3 million in 2019, 2018 and 2017, respectively.

Provision for inventory obsolescence included in profit or loss amounted to ₱29.2 million, ₱20.0 million and nil in 2019, 2018 and 2017, respectively.

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

19. Other Income and Expenses

Finance income is broken down as follows:

	Note	**2019**	2018	2017
Interest on cash in banks and short-term investments	*6*	**₱157,296**	₱111,066	₱83,787
Accretion of rental deposits	*12, 23*	**-**	2,122	1,817
		₱157,296	₱113,188	₱85,604

Finance cost is broken down as follows:

	Note	**2019**	2018	2017
Interest on port concession rights payable		**₱528,747**	₱533,664	₱559,779
Interest on lease liability	*23*	**27,696**	-	-
Interest component of pension expense	*21*	**2,220**	6,396	7,589
Interest on bank loans/credit facilities		**218**	366	365
		₱558,881	₱540,426	₱567,733

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

Others consist of the following:

	Note	2019	2018	2017
Foreign exchange (gains) losses - port concession rights payable		₱184,487	(₱136,851)	(₱107,169)
Equity in net earnings of an associate	9	51,129	P59,299	P46,701
Foreign exchange gains (losses)- others		(94,430)	35,461	10,243
Management income	20	9,672	10,285	8,806
Income from insurance claims		44,046	-	264
Gain on disposal of equipment and intangible assets		12,637	5,256	-
Foreign exchange losses - cash flow hedge		-	(603,374)	(329,386)
Other income - net		9,195	2,143	34,656
		₱216,736	(₱627,781)	(₱335,885)

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

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

20. Related Party Transactions

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

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

				Outstanding Balance				
Category/ Transaction	Ref	Year	Amount of the Transaction	Due from Related Parties	Due to Related Parties	Lease liability	Terms	Conditions
Associate								
▪ Management income	A	**2019**	**₱9,672**	**₱891**	**₱ -**	**₱ -**	**Payable on demand**	**Unsecured; no impairment**
		2018	10,285	957	-	-	Payable on demand	Unsecured; no impairment
Post-Employment Benefit Plan								
▪ Retirement fund	B	**2019**	**75,449**	**32,459**	-	-	**Payable on demand**	**Unsecured; no impairment**
		2018	39,221	10,016	-	-	Payable on demand	Unsecured; no impairment
Others								
▪ Management fees	C	**2019**	**229,821**	-	**15,488**	-	**Payable within ten (10 days) of the following month**	**Unsecured**
		2018	176,083	-	10,489	-	Payable within ten (10) days of the following month	Unsecured
▪ Advances	D	**2019**	**2,207**	**422**	-	-	**Payable on demand**	**Unsecured; no impairment**
		2018	2,456	273	-	-	Payable on demand	Unsecured; no impairment
▪ Lease	E	**2019**	**16,672**	**-**	**-**	**99,767**	**Payable within five (5 days) of the following month**	**Unsecured**
		2018	-	-	-	-		
TOTAL		**2019**		**₱33,772**	**₱15,488**	**₱99,767**		
TOTAL		2018		₱11,246	₱10,489	₱ -		

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

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

C. P & O Management Services Phils., Inc. (POMS), a related party which is 40.00% owned by POAL, manages the Parent Company by virtue of a management agreement. The Parent Company's management agreement with POMS was further renewed on August 20, 2015 for another five years until August 31, 2020. The terms of the agreement provide for the payment of a monthly management fee equivalent to 5% of ATI's consolidated income before income tax of the immediately preceding month.

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

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

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

	2019	2018
Short-term employee benefits	**₱202,850**	₱179,929
Post-employment benefits	**8,569**	9,276
	₱211,419	₱189,205

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

21. Pensions

The Group's latest actuarial valuation reports are dated December 31, 2019. Valuations are obtained on a periodic basis. The following tables summarize the components of pension expense recognized in the consolidated statements of income and the funded status and amounts recognized in the consolidated statements of financial position for the plans of ATI and ATIB:

Pension Expense

	ATI			ATIB			TOTAL		
	2019	2018	2017	**2019**	2018	2017	**2019**	2018	2017
Current service cost	**₱27,718**	₱33,874	₱36,651	**₱2,129**	₱1,708	₱2,052	**₱29,847**	₱35,582	₱38,703
Interest cost on defined benefit obligation	**31,529**	28,809	28,144	**2,430**	1,652	1,685	**33,959**	30,461	29,829
Interest income on plan assets	**(29,379)**	(22,252)	(20,587)	**(2,360)**	(1,813)	(1,653)	**(31,739)**	(24,065)	(22,240)
Net pension expense	**₱29,868**	₱40,431	₱44,208	**₱2,199**	₱1,547	₱2,084	**₱32,067**	₱41,978	₱46,292

Current service cost is charged under "Labor cost" account included in "Costs and expenses excluding government share in revenues" in the consolidated statements of income (see Note 18). Interest cost on defined benefit obligation and interest income on plan assets are included in "Finance cost" account in the consolidated statements of income (see Note 19).

Pension Liability as at December 31

	ATI		ATIB		TOTAL	
	2019	2018	**2019**	2018	**2019**	2018
Present value of pension obligations	**(₱602,339)**	(₱474,061)	**(₱48,576)**	(₱33,941)	**(₱650,915)**	(₱508,002)
Fair value of plan assets	**432,407**	422,308	**34,362**	30,941	**466,769**	453,249
Pension liability	**(₱169,932)**	(₱51,753)	**(₱14,214)**	(₱3,000)	**(₱184,146)**	(₱54,753)

Changes in the Present Value of Pension Obligations

	ATI		ATIB		TOTAL	
	2019	2018	**2019**	2018	**2019**	2018
Present value of pension obligations at beginning of year	**₱474,061**	₱527,936	**₱33,941**	₱29,298	**₱508,002**	₱557,234
Current service cost	**27,718**	33,874	**2,129**	1,708	**29,847**	35,582
Interest cost	**31,529**	28,809	**2,430**	1,653	**33,959**	30,462
Benefits paid	**(71,518)**	(41,747)	**(3,550)**	(2,249)	**(75,068)**	(43,996)
Actuarial loss (gain)	**140,549**	(74,811)	**13,626**	3,531	**154,175**	(71,280)
Present value of pension obligations at end of year	**₱602,339**	₱474,061	**₱48,576**	₱33,941	**₱650,915**	₱508,002

Changes in the Fair Value of Plan Assets

	ATI		ATIB		TOTAL	
	2019	2018	**2019**	2018	**2019**	2018
Fair value of plan assets at beginning of year	**₱422,308**	₱413,305	**₱30,941**	₱30,856	**₱453,249**	₱444,161
Interest income	**29,379**	22,252	**2,360**	1,813	**31,739**	24,065
Actual contributions	**44,703**	58,024	**4,092**	2,445	**48,795**	60,469
Remeasurement gain (loss) on plan assets	**12,776**	(29,526)	**836**	(1,924)	**13,612**	(31,450)
Benefits paid	**(76,759)**	(41,747)	**(3,867)**	(2,249)	**(80,626)**	(43,996)
Fair value of plan assets at end of year	**₱432,407**	₱422,308	**₱34,362**	₱30,941	**₱466,769**	₱453,249

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

	ATI			ATIB			TOTAL		
	2019	2018	2017	**2019**	2018	2017	**2019**	2018	2017
Actuarial gain (loss) due to:									
Changes in financial assumptions	**(₱107,477)**	₱47,701	₱16,666	**(₱11,072)**	₱5,894	₱938	**(₱118,549)**	₱53,595	₱17,604
Changes in demographic assumptions	**-**	29,153	(1,068)	**-**	(3,669)	3,919	**-**	25,484	2,851
Experience adjustment	**(38,315)**	(2,043)	44,403	**(2,872)**	(5,756)	414	**(41,187)**	(7,799)	44,817
Remeasurement gain (loss) on plan assets	**12,776**	(29,526)	(9,963)	**836**	(1,924)	(174)	**13,612**	(31,450)	(10,137)
	(₱133,016)	₱45,285	₱50,038	**(₱13,108)**	(₱5,455)	₱5,097	**(₱146,124)**	₱39,830	₱55,135

The cumulative amount of actuarial gain (loss) recognized in the consolidated statements of changes in equity included under "Retained earnings" account amounted to (₱35.9) and ₱110.1 million as at December 31, 2019 and 2018 respectively.

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

The defined benefit pension plans expose the Group to actuarial risks, such as interest rate risk and market (investment) risk.

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

The Group's plan assets consist of the following:

	ATI		**ATIB**		**TOTAL**	
	2019	2018	**2019**	2018	**2019**	2018
Cash and cash equivalents	**₱5,574**	₱38,840	**₱363**	₱3,419	**₱5,937**	₱42,259
Investment in UITF	**5,776**	5,343	**825**	381	**6,601**	5,724
Equity instruments	**62,563**	66,383	**4,587**	4,643	**67,150**	71,026
Investment in government securities	**326,024**	286,797	**26,002**	20,567	**352,026**	307,364
Debt instruments	**13,909**	7,801	**1,203**	702	**15,112**	8,503
Other receivables	**18,561**	17,144	**1,382**	1,229	**19,943**	18,373
	₱432,407	₱422,308	**₱34,362**	₱30,941	**₱466,769**	₱453,249

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

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

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

	ATI		**ATIB**	
	2019	2018	**2019**	2018
Discount rate at end of year	**4.9%**	7.3%	**5.0%**	7.4%
Salary increase rate	**3.5%-6.0%**	4.0%-5.0%	**3.5%-6.0%**	4.0%-5.0%

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

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

	ATI		**ATIB**	
	2019	2018	**2019**	2018
Average expected future service years	**11**	11	**13**	13

Maturity analysis of the benefit payments:

	2019	
	Expected Benefit Payments	
	ATI	**ATIB**
Within 1 Year	**₱70,504**	**₱1,050**
Within 1 - 5 Years	**181,396**	**11,770**
More than 5 Years	**2,291,590**	**378,602**

	2018	
	Expected Benefit Payments	
	ATI	ATIB
Within 1 Year	₱85,502	₱2,104
Within 1 - 5 Years	181,043	12,584
More than 5 Years	1,737,962	253,070

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

2019	**ATI**		**ATIB**	
	1% Increase	**1% Decrease**	**1% Increase**	**1% Decrease**
Discount rate	**(₱47,252)**	**₱54,839**	**(₱5,147)**	**₱6,135**
Salary increase rate	**56,741**	**(49,802)**	**6,246**	**(5,335)**

2018	ATI		ATIB	
	1% Increase	1% Decrease	1% Increase	1% Decrease
Discount rate	(₱29,467)	₱33,424	(₱2,834)	₱3,280
Salary increase rate	36,241	(32,434)	3,498	(3,064)

The Group expects to pay ₱48.7 million in contributions to defined benefit pension plans in 2020.

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

Basic EPS is computed as follows:

	2019	2018	2017
(a) Net income attributable to Equity Holders of the Parent Company (in thousands)	**₱3,714,060**	₱2,881,448	₱2,486,993
(b) Weighted average number of common shares outstanding (in thousands)	**2,000,000**	2,000,000	2,000,000
Basic/diluted EPS attributable to Equity Holders of the Parent Company (a/b)	**₱1.86**	₱1.44	₱1.24

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

23. Commitments and Contingencies

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

a. The Parent Company is authorized by the PPA to render cargo handling services at the South Harbor until May 2013. On October 19, 2007, the cargo handling services contract was extended until May 2038 under the terms mutually agreed upon with the PPA (see Note 2).

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

   ii. Government Share

   - For storage operations, the Parent Company shall pay an annual fixed government share of ₱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 quarterly fixed government share of US$2.25 million plus a variable government share amounting to 20% of its total gross revenues.

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

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

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

c. The Parent Company and ATIB are authorized by the PPA to render cargo handling and passenger services, supply base operations, porterage services, berth management, parking services, passenger terminal retail outlets, weighbridge or weighing operations, water supply services, vehicle booking system, security services, and leasing/sub-leasing of areas and facilities in the Port of Batangas Phase 1 from October 1, 2015 until September 30, 2025. For these operations, Parent Company and ATIB shall pay a fixed government share amount of ₱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, Parent Company and ATIB shall remit annual volume-triggered government share of 10% and 20% for domestic cargoes and passenger terminal fees and for foreign cargoes, respectively, once defined threshold volumes are met. On December 18, 2019, the term of the contract was extended until June 30, 2035. The same percentage for the annual volume-triggered government share shall be remitted by Parent Company and ATIB for the extended term and the applicable escalation rate is still 3%. In consideration for the extension of the term from 2025 to 2035, Parent Company and ATIB paid to the PPA a lump-sum fee of ₱200 million in December 2019.

d. A lump-sum fee of ₱400 million was paid to the PPA in December 2019 as advance consideration in the event of renewal of the contracts for Port of Batangas Phase 1 and Container Terminal "A-1," Phase 2 beyond year 2035.

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

	2019	2018
Balance as at January 1	**₱8,866,882**	₱8,806,580
Accretion of port concession rights payable	**524,421**	238,718
Payments during the year	**(773,340)**	(781,790)
Effects of exchange rate changes	**(314,971)**	603,374
Balance as at December 31	**₱8,302,992**	₱8,866,882

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

a. The Parent Company has a 5-year lease agreement with PPA effective April 3, 2017 covering a land adjacent to the Container Freight Station (CFS) area of the Container Terminal "A-1" with a monthly lease rental of ₱1.7 million, subject to a yearly escalation of 5%.

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

	2018
Within one year	**₱20,403**
After one year but not more than five years	**66,310**
	₱86,713

b. The Parent Company has a 25-year lease agreement until April 2021 covering the land in Calamba, Laguna to be used exclusively as an Inland Container Depot for which the Parent Company pays an annual rental of ₱0.1 million, subject to an escalation of 7% once every two years.

   The contract was revised in 2004, changing the monthly rate to ₱0.5 million in January 1, 2002 to December 31, 2003 and ₱0.7 million in January 1, 2004 to December 31, 2005, subject to an escalation of 8% every 2 years starting January 1, 2006. The monthly rates amounted to ₱1.3 million, ₱1.2 million and ₱1.2 million in 2019, 2018 and 2017, respectively.

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

	2018
Within one year	**₱14,396**
After one year but not more than five years	**31,096**
	₱45,492

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

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

	2018
Within one year	₱7,164
After one year but not more than five years	15,511
	₱22,675

d. The Parent Company has entered a 25-year lease contract commencing on February 15, 2018 for a parcel of land located at barangay Calibuyo, Tanza, Cavite, with a monthly lease rental of ₱35 per square meter, subject to an escalation of 5% beginning February 15, 2020 and every 2 years thereafter. The lease premises shall be used exclusively as a port terminal, inland clearance depot, warehouse, and for other activities related or ancillary thereto.

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

	2018
Within one year	₱16,517
After one year but not more than five years	90,011
After more than five years	433,811
	₱540,339

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

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

i. Right-of-Use Assets

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

	Note	Total
Balance at January 1, 2019		₱587,088
Additions to right-of-use assets		216,932
Depreciation during the year	*18*	(127,891)
Balance at December 31, 2019		**₱676,129**

ii. Lease Liabilities

	Note	Total
Balance at January 1, 2019		₱555,635
Additions to lease liabilities		216,932
Payments made		(159,321)
Interest expense during the year	*19*	27,696
Balance at December 31, 2019		**₱640,942**

iii. Amounts to be Recognized in Profit or Loss

	Note	2019
2019 - Leases under PFRS 16		
Expenses relating to short-term and/or low value leases	*18*	₱38,883
Depreciation expense	*18*	127,891
Interest on lease liability	*19*	27,696
2018 - Operating Leases under PAS 17		
Rent expense	*18*	148,134
Total cash outflow of leases for 2019		**₱237,174**

24. Financial Risk and Capital Management Objectives and Policies

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

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

Interest Rate Risk

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

As at December 31, 2019 and 2018, the interest rate profile of the Group's interest bearing financial instrument is as follows:

	2019	2018
Fixed Rate Instruments		
Cash and cash equivalents*	**₱5,646,441**	₱6,867,826

**Excluding cash on hand amounting to ₱0.9 million and ₱0.7 million as at December 31, 2019 and 2018, respectively.*

Fair Value Sensitivity Analysis for Fixed Rate Instruments

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

Liquidity Risk

The Group monitors its risk of shortage of funds using a liquidity planning tool. This tool considers the maturity of both the Group's financial investments and financial assets and projected cash flows from operations, among others. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank loans.

The table below summarizes the maturity profile of the Group's financial liabilities based on contractual undiscounted payments:

		Contractual Cash Flows					
As at December 31, 2019	**Carrying Amount**	**On Demand**	**Less than 3 Months**	**3 to 12 Months**	**1 to 5 Years**	**> 5 Years**	**Total**
Trade and other payables*	₱2,568,477	₱371,892	₱366,297	₱1,830,288	₱ -	₱ -	₱2,568,477
Port concession rights payable	8,302,992	-	198,271	594,811	3,986,753	7,596,968	12,376,803
Lease liabilities	640,942	16,221	32,442	141,664	386,670	414,690	991,687
Total	₱11,512,411	₱388,113	₱597,010	₱2,566,763	₱4,373,423	₱8,011,658	₱15,936,967

**excluding due to government agencies amounting to ₱0.7 million*

		Contractual Cash Flows					
As at December 31, 2018	Carrying Amount	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	> 5 Years	Total
Trade and other payables*	₱3,101,409	₱345,689	₱492,020	₱2,263,700	₱ -	₱ -	₱3,101,409
Port concession rights payable	8,866,882	-	197,152	591,457	4,003,742	8,373,061	13,165,412
Total	₱11,968,291	₱345,689	₱689,172	₱2,855,157	₱4,003,742	₱8,373,061	₱16,266,821

**excluding due to government agencies amounting to ₱0.7 million*

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

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

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

With respect to credit risk arising from the other financial assets of the Group, which comprise cash in bank and cash equivalents, deposits and FVOCI - equity, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. The Group trades only with reputable banks and recognized third parties.

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

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

	Note	**2019**	2018
Cash and cash equivalents*	*6*	**₱5,646,441**	₱6,867,826
Trade and other receivables - net	*7*	**630,599**	742,027
Deposits	*12*	**57,154**	41,040
Equity securities	*12*	**2,652**	2,652
		₱6,336,846	₱7,653,545

**excluding cash on hand amounting to ₱0.9 million and ₱0.7 million as at December 31, 2019 and 2018, respectively.*

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

	As at December 31, 2019			
	Grade A	**Grade B**	**Grade C**	**Total**
Cash in banks and cash equivalents	**₱5,646,441**	**₱ -**	**₱ -**	**₱5,646,441**
Trade and other receivables - net	**378,340**	**252,259**	**-**	**630,599**
Deposits	**57,154**	**-**	**-**	**57,154**
Equity securities	**2,652**	**-**	**-**	**2,652**
	₱6,084,587	**₱252,259**	**₱ -**	**₱6,336,846**

	As at December 31, 2018			
	Grade A	Grade B	Grade C	Total
Cash in banks and cash equivalents	₱6,867,826	₱ -	₱ -	₱6,867,826
Trade and other receivables - net	407,285	334,742	-	742,027
Deposits	41,040	-	-	41,040
Equity securities	2,652	-	-	2,652
	₱7,318,803	₱334,742	₱ -	₱7,653,545

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

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

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

	Note	**2019**	2018
Shipping lines		**₱376,234**	₱459,388
Others		**254,365**	282,639
	7	**₱630,599**	₱742,027

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

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

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

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

	Gross Carrying Amount	Impairment Loss Allowance	Credit-impaired
Current (not past due)	₱537,966	₱ -	No
1 - 30 days past due	19,733	-	No
31 - 60 days past due	2,533	-	No
61- 90 days past due	69,786	-	No
More than 90 days past due	7,560	6,979	Yes
Balance at December 31, 2019	**₱637,578**	**₱6,979**	

	Gross Carrying Amount	Impairment Loss Allowance	Credit-impaired
Current (not past due)	₱734,209	₱ -	No
1 - 30 days past due	2,887	-	No
31 - 60 days past due	3,570	-	No
61- 90 days past due	858	-	No
More than 90 days past due	13,155	12,652	Yes
Balance at December 31, 2018	**₱754,679**	**₱12,652**	

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

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

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

	2019	Individually Impaired	Collectively Impaired
Balance at January 1	**₱12,652**	₱3,296	₱9,356
Reversals during the year	**(3,550)**	-	(3,550)
Write-offs	**(2,123)**	(2,123)	-
Balance at December 31	**₱6,979**	₱1,173	₱5,806

	2018	Individually Impaired	Collectively Impaired
Balance at January 1 under PAS 39	**₱18,602**	₱3,296	₱15,306
Adjustment on initial application of PFRS 9	**-**	-	-
Balance at January 1 under PFRS 9	**18,602**	3,296	15,306
Reversals during the year	**(5,950)**	-	(5,950)
Balance at December 31	**₱12,652**	₱3,296	₱9,356

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

Cash in Banks and Cash Equivalents
The Group held cash in banks and cash equivalents of ₱5.6 billion and ₱6.9 billion as at December 31, 2019 and 2018, respectively. The cash and cash equivalents are held with bank and financial institution counterparties, which are rated Grade A.

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

Foreign Currency Risk
The Group has foreign currency financial assets and liabilities arising from USD denominated revenues, government share, and other foreign currency-denominated purchases by operating units.

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

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

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

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

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

The Group decided to terminate the Hedging instrument on November 30, 2018. A sensitivity analysis has been prepared comparing the impact on unrealized foreign exchange losses on the port concession rights payable under the Fair Value method and continuing the cash flow hedge. The fair value method is more beneficial to the Group.

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

	2019	2018
Assets		
Cash and cash equivalents	**US$55,955**	US$45,648
Liabilities		
Trade and other payables	**7,132**	2,998
Port concession rights payable	**138,805**	142,611
	145,937	145,609
Net foreign currency-denominated liabilities	**(US$89,982)**	(US$99,961)
Peso equivalent	**(₱4,556,688)**	(₱5,255,949)

The exchange rates applicable for USD as at December 31, 2019 and 2018 are ₱50.64 and ₱52.58, respectively.

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

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

Capital Management
The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholder value.

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

The Group is not subject to externally imposed capital requirements.

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

	Note	2019	2018
Capital stock		**₱2,000,000**	₱2,000,000
Additional paid-in capital		**264,300**	264,300
Retained earnings		**16,060,246**	13,585,013
Fair value reserve		**(5,820)**	(5,820)
Total	16	**₱18,318,726**	₱15,843,493

25. Financial Instruments

The table below presents a comparison by category of carrying amounts and estimated fair values of all the Group's financial instruments as at December 31, 2019 and 2018.

		2019		2018	
	Note	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets					
Cash and cash equivalents	6	**₱5,647,349**	**₱5,647,349**	₱6,868,485	₱6,868,485
Trade and other receivables - net	7	**630,599**	**630,599**	742,027	742,027
Deposits	12	**57,154**	**62,582**	41,040	44,298
		6,335,102	**6,340,530**	7,651,552	7,654,810
Equity securities	12	**2,652**	**2,652**	2,652	2,652
		₱6,337,754	**₱6,343,182**	P7,654,204	₱7,657,462
Financial Liabilities					
Other financial liabilities:					
Trade and other payables*	14	**2,568,477**	**2,568,477**	₱3,101,409	₱3,101,409
Port concession rights payable		**8,302,992**	**9,748,981**	8,866,882	9,060,531
Lease liabilities		**640,942**	**742,941**	-	-
		₱11,512,411	**₱13,060,399**	₱11,968,291	₱12,161,940

** excluding due to government agencies amounting to ₱0.7 million in 2019 and 2018.*

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

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

For noninterest-bearing deposits, the fair value is estimated as the present value of all future cash flows discounted using the prevailing market rate on interest for a similar instrument. The discount rates used are 3.7% in 2019 and 7.0% in 2018.

The fair value of port concession rights payable was estimated at the present value of all future cash flows discounted using the applicable rates for similar types of loans ranging from 4.20% to 5.13% in 2019 and 7.06% to 7.61% in 2018.

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

As at December 31, 2019	**Note**	**Level 1**	**Level 2**	**Level 3**
Equity securities	12	**₱933**	**₱ -**	**₱1,719**
Port concession rights payable		-	**9,748,981**	-
Lease liabilities		-	**640,942**	-
		₱933	**₱10,389,923**	**₱1,719**

As at December 31, 2018	Note	Level 1	Level 2	Level 3
Equity securities	12	₱933	₱ -	₱1,719
Port concession rights payable		-	9,060,531	-
		₱933	₱9,060,531	₱1,719

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

26. Revenues from Operations

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

	2019	2018	2017
Revenues from Operations			
Stevedoring	**₱6,027,019**	₱5,368,521	₱4,833,068
Arrastre	**4,666,414**	4,572,477	3,715,092
Logistics	**91,289**	72,726	104,286
Special and other services	**2,544,719**	2,262,954	1,950,726
	₱13,329,441	₱12,276,678	₱10,603,172

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