ASIAN TERMINALS INCORPORATED

2020 ANNUAL REPORT

ENGAGE
EXCEL
DIGITALIZE
CREATE
EVOLVE
ADAPT

FOR THE FUTURE

CONTENTS

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

OUR PRINCIPLES

Create Growth

- ALWAYS LOOKING FOR OPPORTUNITIES.
- SEES WHAT OTHERS DON'T.
- TAKES RISKS.

Make Others Excel

- CREATES AN ENVIRONMENT WHERE OTHERS SUCCEED.
- HAS NO COMFORT ZONE.
- EFFICIENT WITH TIME.

Drive Results

- END-RESULT FOCUSED.
- DELIVERS IN THE MIDST OF ADVERSITY.
- FINDS A SOLUTION.

Adapt & Evolve

- 'NO!' IS NEVER THE FIRST REACTION.
- LOOKS FOR PRACTICAL WAYS.
- ALWAYS CURIOUS.

CHAIRMAN'S & PRESIDENT'S MESSAGE

Year 2020 was unlike any as the world dealt with the Covid-19 pandemic. Across the globe, the pandemic triggered border closures, travel restrictions and quarantines, which unsettled businesses, disrupted industries and affected lives.

Consequently, the swift and massive pandemic shock sent ripples across markets and plunged the global economy into a severe contraction. The Philippines was no exemption with the economy shrinking 9.5%, a first since the 1997 Asian financial crisis.

Operating against this unfavorable economic backdrop, our Company remained resilient as we continued to fulfill our vital role as economic gateway and trade enabler. When the world stopped, we worked 24/7 to keep trade flowing – ensuring food, medicines, and other important goods moved in the supply-chain in the middle of the pandemic.

By following stringent health and safety standards, harnessing technology and adapting to the new normal, we kept our ports running, our people safe and productive, and our customers' needs served.

This enabled our terminals to handle 1.3 million teus (twenty-foot equivalent units) in consolidated container volume as our port-centric logistics framework continued to bring goods closer, faster and smarter to cargo owners and end-users. Volumes in our Manila and Batangas ports each contracted by around 20% mirroring industry trends and market conditions.

Meanwhile, at the financial end, ATI's revenues stood at Php10.96 billion with our net income reaching Php2.96 billion. Comparatively, this declined by 17.8% and 20.4%, respectively from the previous year. Although this is a step backward from 2019 figures, our bottom-line reflected our ability to sustain robust results even under extreme environments on the back of our solid business fundamentals, prudent cost management and institutional safety nets.

The same corporate resilience allowed ATI to continuously invest in port infrastructure, equipment and technologies in 2020 as we geared towards the future. Our investment appetite will continue this year with Php6.9 billion set aside to bankroll our port modernization and expansion projects, the development of new facilities and pursuit of more growth opportunities.

Truly, we are proud to be an organization which delivers positive impact, not just for our customers, our people and our shareholders, but also for the country and communities where we operate.

Responding to last year's pandemic, we converted our Cruise Terminal in Manila into a Covid-19 temporary isolation center to augment the country's healthcare facilities. South Harbor hosted floating hospitals and quarantine vessels for repatriated workers. We also distributed food aid to neighborhoods severely affected by lockdowns and purchased supplemental personal protective equipment, sanitation tools and other innovative devices for the added protection of our stakeholders.

In all, our COVID-19 response amounted to over Php50 million, accounting for a significant portion of our community investment in 2020. On top of these, our sustainability programs anchored on health, education and environment expanded their social outreach.

Collectively, these are hallmarks of a responsible and sustainable port organization. As we mark our 35th corporate anniversary this year, we shall sustain this tradition of excellence, carrying out our purpose of adding value, thinking ahead and leaving a legacy.

For all our accomplishments, we thank our colleagues in 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 professionally operating and managing our business safely and efficiently, especially during these difficult times.

Overall, we are pleased of how ATI navigated last year's shifting tides and turbulent times. Banking on our history of strength and resilience, our growing portfolio, and the competence of our people, we are confident of overcoming current and future challenges as we deliver safe, responsive and world-class services to our customers.

As the pandemic ultimately dissipates, and we believe it will soon, ATI will be instrumental in the resurgence of the Philippines, with our smart solutions and comprehensive facilities firmly in place, sustaining the pace of a bustling and growing economy into the future.

Glen C. Hilton
Chairman of the Board

Eusebio H. Tanco
President / Director

EVP'S REVIEW OF BUSINESS ACTIVITIES

Year 2020 had been an unprecedented period for ATI, the country, industries and nations across the world as we all coped with the COVID-19 pandemic. In an instant, COVID-19 brought drastic changes to our normal lives at a proportion never seen in our lifetime.

At this crucial time when businesses, public establishments and communities ground to a halt, Asian Terminals never wavered. As a trade enabler, we resiliently operated 24/7 to ensure the unhampered flow of goods in the supply-chain through our Manila, Batangas and Laguna facilities while following the strictest safety and health standards. Alongside healthcare and essential workers, our employees dutifully stepped up as frontliners to keep the economy moving.

Onward to our business, I am pleased to report that ATI continued to make significant strides in the various aspects of our operations even amidst the pandemic. For a more meaningful review, let me detail our eventful year by putting our 2020 achievements in the context of "Our Principles," our strategic guidepost and compass towards greater corporate success.

First, was our ability to ***Adapt and Evolve***. To ensure business continuity while protecting employee welfare and safety, our Company quickly established work environments that supported work quality, performance and productivity. We provided flexible work set-ups for office-based staff like compressed workweeks, alternate work schedules and work-from-home arrangements to ensure uninterrupted service delivery. Frontline employees, meanwhile, were given adequate support and resources, including alternative worksites within our terminals to space out staff and onsite living quarters for work continuity. Exclusive home-to-work shuttles were also made available for the safe daily commute of our staff.

The industry's greatest adaptation last year occurred at the technological front as the pandemic accelerated the digitalization of the supply-chain. As a technology pioneer, ATI was ready for this transition. Our modern IT infrastructure which has been solidly established for years allowed us to further expand into the digital space, introducing more automation and online platforms for smarter and contactless touch points for our customers. The same infrastructure served as launchpad for ATI's revitalized ePortals, which allowed safer, faster and more convenient remote transactions from settling fees, printing of documents, to real-time cargo visibility and operations transparency, all done online 24/7.

Even the way we communicated with colleagues, customers, suppliers and stakeholders was facilitated through technology from MS Teams, Skype and Zoom to ATI's social media platforms which went full steam last year. We connected and engaged with one another online in the new normal.

Second, we continued to ***Make Others Excel.*** Learning and Development activities were off the charts last year with local and global trainings happening all year round, mostly virtually, to enhance and advance the technical, behavioral, safety and leadership skills of our staff. In all, we accumulated 15,980 in total training hours last year with 2,414 employees benefitting from our programs.

The year was also big in terms of expanding our Diversity and Inclusion strategy as we continuously broke barriers in the traditionally male-dominated port industry. Our women empowerment programs had taken off especially with the launch of our Women Networking Group which aims to support, encourage and guide female employees towards more productive, well-balanced and empowered careers in ATI. On top of this, 12 female employees successfully completed DP World's MentorHer Program. Events like Mothers' Day, Women's Day, and Inclusion & Diversity Month were likewise institutionally celebrated.

Beyond our terminal gates, we sustained our positive impact in our communities as we rolled out our dynamic Corporate Sustainability programs despite last year's limitations. We expanded our Educational Scholarship Program to reach more student beneficiaries, assisted communities affected by natural calamities and the pandemic, advanced our environmental initiatives, constructed sanitation infrastructure for our surrounding port communities and supported the renaissance programs of our host city.

More importantly, we converted our international cruise terminal at Pier 15 into a temporary Covid-19 quarantine facility with a capacity of over 200 beds as we heeded government's call for private sector solidarity, particularly in mobilizing interim healthcare facilities. Pier 15 also hosted floating hospitals and quarantine vessels for repatriated Filipino workers.

Third, we have ***Driven Results.*** Despite the gloomy horizon, especially during the second quarter of last year, our cargo volumes picked up steam as economies restarted, allowing us to finish the year with a consolidated container volume of 1.3 million teus (twenty-foot equivalent units).

Our financial results followed suit, with respectable figures despite depressing market conditions. This speaks highly of our strength and resilience as we continue to practice disciplined and prudent cost management.

Our safety programs likewise delivered solid results as we kept our terminals healthy, environmentally responsive and secure. Apart from efforts against Covid-19, our institutional programs anchored on stakeholder engagement progressed. Through the cooperation of stakeholders, ATI improved its safety performance with a Reportable Injury Frequency Rate (RIFR) of 0.59, or better by 41% against target. RFIR is a global safety performance parameter wherein a lower figure indicates better risk mitigation.

Lastly, we continued to ***Create Growth*** opportunities. Despite the pandemic, we kept a keen eye on our port development and expansion projects in line with our commitment with the Philippine Ports Authority. Over in Batangas, a bigger and better Passenger Terminal is on the rise, one which will resemble the fastcraft hubs of Hong Kong and Macau. In time with post-pandemic recovery, the terminal will be able to handle over 4,000 passengers, or twice its current capacity, and accommodate more and bigger vessels upon full completion by 2023. In Manila, more container yards were unveiled last year on top other major infrastructure projects, including the ongoing berth extension at Pier 3, which will significantly increase our capacity and efficiency over the next few years.

Elsewhere, we aggressively pursued new projects and explored opportunities that would expand our portfolio and enhance our port-centric business philosophy as we bring cargoes faster, closer and smarter to our customers.

Collectively, all these accomplishments would have a big impact in our long-term sustainability as a Company and a solid kick-off to 2021 as we mark our milestone 35th founding anniversary.

In closing, allow me to thank our customers, the port authorities, our employees, unions, and other stakeholders for our achievements founded on engagement, excellence, adaptation, digitalization, evolution and value creation.

With our ability to Adapt and Evolve, Make Others Excel, Drive Results and Grow, we can confidently say that ATI is geared for the future and will be ready to support the strong economic rebound of the Philippines in the years ahead.

AND WILL BE READY TO SUPPORT THE STRONG ECONOMIC REBOUND OF THE PHILIPPINES IN THE YEARS AHEAD.

William W. Khoury
Executive Vice President

SOUTH HARBOR INTERNATIONAL CONTAINER TERMINAL

2020 THROUGHPUT

1.0 M teus

Manila South Harbor continued to fulfill its important role as a major trade facilitator and economic gateway in 2020 especially in the middle of the COVID-19 pandemic, working non-stop to ensure that vital commodities, medicines, medical equipment, and other essential goods flowed unimpededly in the supply-chain.

While trade slowdown marked the early part of the year due to the pandemic, the terminal took this as an opportunity to further consolidate its strength and sustain major port infrastructure projects as it gears up for the future.

FUTURE-READY

During the period, additional container yards were developed within the Manila South Harbor expanded port zone, including the conversion of old warehouses into added backup spaces. Two container blocks adjacent to the main yard came onstream last year, adding over 2,000 teus (twenty-foot equivalent units) in static container capacity for the terminal.

Road upgrades along major terminal roadways were likewise completed to further enhance truck and equipment mobility. Along with this, modern high masts outfitted with LED lights replaced traditional lampposts to facilitate safer nighttime operations.

Other major port infrastructure undertakings also made headway last year including the Pier 3 berth extension project which paves the way for the deployment of two additional ship-to-shore (STS) cranes and new rubber-tired gantry (RTG) cranes in the terminal. This would bring Manila South Harbor's fleet to 11 STS cranes and 28 RTGs upon project completion and more importantly increase the terminal's annual throughput capacity to around 1.9 million teus from 1.5 million teus currently, in time with the expected market resurgence post-pandemic.

NON-STOP OPERATIONS

The pandemic year highlighted the terminal's capacity to adapt and adjust its operations to challenging and unfamiliar circumstances. Through the cooperation and collaboration of port stakeholders, the terminal operated uninterruptedly 24/7 by strictly following the stringent safety and health protocols imposed by government and international and local health experts. On top of usual Personal Protective Equipment, dockworkers reported to duty with masks, gloves and face shields on while constantly observing physical distancing. These protocols allowed the terminal to operate safely and continuously, while minimizing the risk of Covid-19 in the supply-chain.

Meanwhile, terminal efficiency remained at par with international standards aided by innovations introduced early in 2019, such as the modern and more powerful Zodiac Terminal Operations System (TOS), the proprietary system developed by DP World and its global technology experts including ATI programmers, which harmonized vessel and yard operations, automated gate transactions and integrated equipment planning and execution for smarter operations and greater convenience to customers.

The TOS was complemented by the Differential Global Positioning System, an intelligent GPS-guided yard planning and execution tool, the Remote Reefer Monitoring System for automated temperature checks and the South Harbor Road Traffic CCTV Monitoring System for better traffic management.

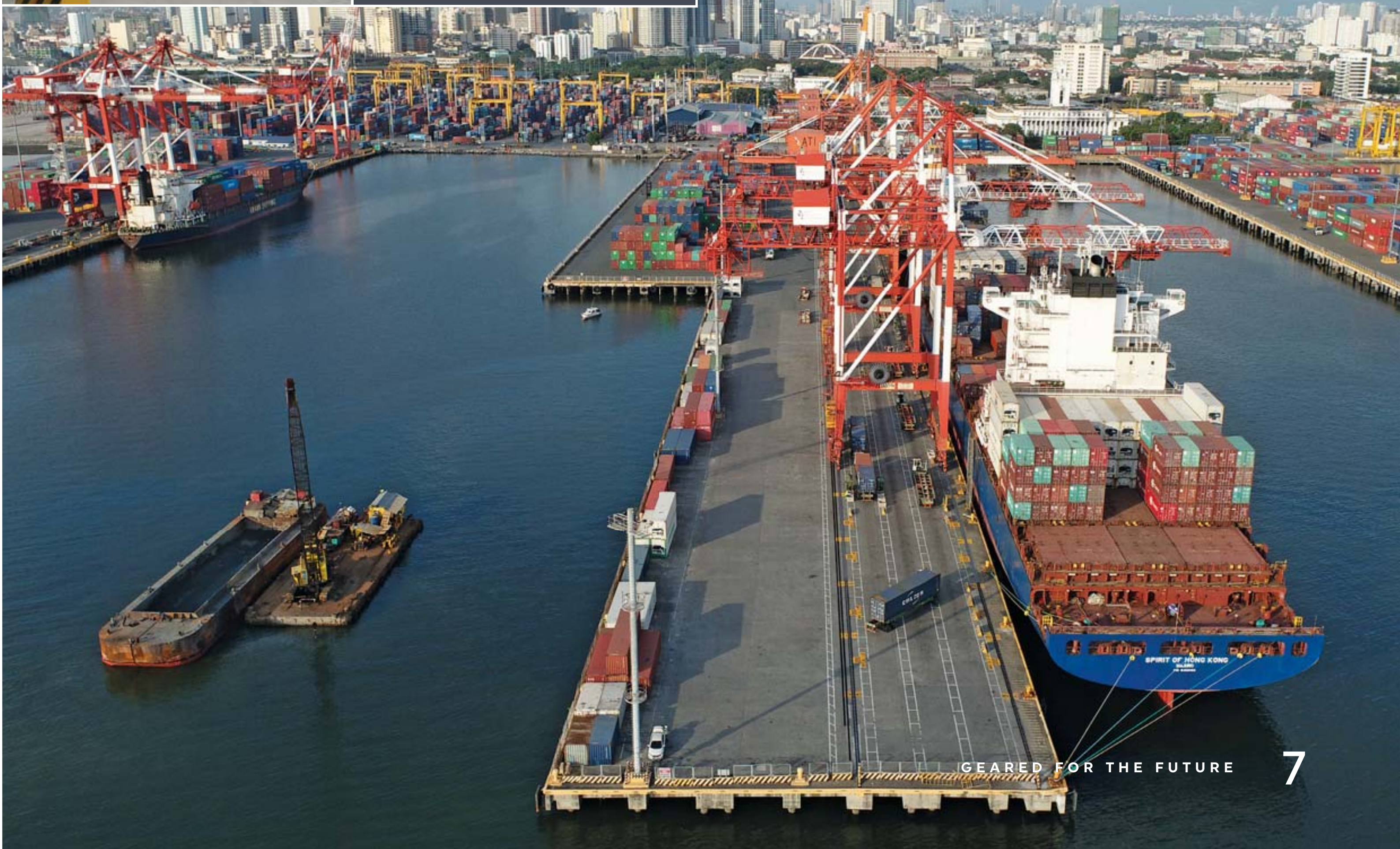
2020 VOLUME

As the unprecedented global health crisis ensued, Manila South Harbor's international container volumes remained prudently resilient. Coming off a record performance in 2019 and a strong first quarter in 2020, the terminal's volume dipped during the second quarter impacted by country lockdowns and global trade slowdown. Volume eventually picked up by the second half as conditions eased and economies restarted, allowing the terminal to close the year with a volume of over 1.0 million teus.

KEEPING TRADE FLOWING

24/7 UNINTERRUPTED
Operations

FUTURE ANNUAL CAPACITY
1.9 M teus



SOUTH HARBOR GENERAL STEVEDORING TERMINAL

ISOLATION FACILITY
+200 beds

Throughout three decades, ATI's dynamic General Stevedoring Terminal has demonstrated its valuable contribution to the Philippine economy by skillfully and safely handling various and often times precarious non-containerized and unconventional cargoes for the power, transport, mining, construction and other major industries. This has earned it the benchmark for general cargo operations.

In recent years, the terminal further showcased its flexibility as it opened Manila's international cruise terminal right at the heart of the country's history and heritage capital. Since 2017, the cruise terminal brought in thousands of foreign and local tourists to various destinations, placing the Philippines in the global tourism map.

HEEDING THE CALL

ATI's General Stevedoring Terminal is no stranger to the industry's shifting tides, always adapting to the changing times. Last year's pandemic was another case in point as the terminal stepped up the plate to serve a higher and timelier purpose in support of multi-sectoral efforts against Covid-19.

Heeding the call of government for private sector solidarity particularly in mobilizing interim healthcare facilities, ATI immediately converted its international cruise terminal at Pier 15 of Manila South Harbor into an added temporary quarantine facility. The terminal with 2,000-seating capacity was refurbished into an isolation center housing over 200 private cubicles with hospital beds, complete with mobile toilets and showers, and other open-air amenities.

The Philippine Ports Authority (PPA) and Philippine Coast Guard, agencies attached under the Department of Transportation, along with Public Works Department as members of the Inter-Agency Task Force for the Management of Emerging Infectious Diseases, led the terminal's conversion in record time.

Meanwhile, Pier 15's southside berths accommodated floating hospitals operated by other private sector volunteers and quarantine ships deployed by DOTr for returning Overseas Filipino Workers (OFWs).

CREW CHANGE HUB

ATI's General Stevedoring Terminal was also instrumental for repatriating thousands of returning OFWs, especially those on board international cruise vessels. For a time, nearly 30 gigantic cruise vessels were anchored off the Port of Manila simultaneously, giving shelter to the vessels and time for the crew to complete their mandatory quarantine requirements.

Before yearend, the Port of Manila was officially declared a dedicated crew change hub by PPA for international vessels, allowing the embarkation and disembarkation of ship's crew at Pier 15 who were ending or beginning their tour of duty. This move was important to ensure proper controls and documentation on the movement of seafarers while following the stringent health and safety protocols of government and the International Maritime Organization. Over a thousand ships have called at the Port of Manila for crew change since.

UNHAMPERED OPERATIONS

While ATI lent a helping hand, ATI's general stevedoring operations remained resilient, continuously handling essential industrial cargoes such as steel, heavy lifts, motor vehicles, project cargoes and other high-value commodities at the northside berths of Pier 15. Dockworkers wore masks, face shields, gloves on top of their complete Personal Protective Equipment, while following ATI's stringent protocols to ensure dockworkers' safety.

In day-to-day operations, the terminal always followed strict safety procedures for general cargo handling, including the deployment of proper lowbed truck chassis for project cargoes, use of industry-certified lashing belts and gears, and use of fall-arrest systems when loading cargoes onto trucks, among others.

ADAPTING TO CHANGING TIMES

CREW CHANGE
+1,000 ships

ANNUAL CAPACITY
1.0 M mt

BATANGAS CONTAINER TERMINAL

2020 THROUGHPUT

+250,000 teus

ATI's Batangas Container Terminal (BCT) sustained 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) especially amid the Covid-19 pandemic. Last year, BCT operated 24/7, accommodating vessels and efficiently discharging and loading containers while strictly following stringent health and safety protocols established by authorities and health experts.

EVOLVING TRADE

After unveiling a bigger and better BCT in 2019, the port maintained its momentum as an evolving trade alternative for goods further in Calabarzon. Last year's pandemic demonstrated its effectiveness as cargo access and security emerged as primary business considerations amid the community and mobility lockdowns. BCT was an ideal partner in bringing containers closer to customers given its proximity to manufacturing sites and major economic zones as well as its direct link to modern highway networks without truck bans and checkpoint restrictions. This ensured the seamless flow of raw materials and finished products from the port to factory doorsteps.

With regular shipping services via BCT, customers were also able to align their adjusted import and export requirements with the sailing schedules of major international shipping lines.

BCT's shipping line partners include Sealand-Maersk, SITC, Evergreen, Cosco, CMA-CGM and Wan Hai Lines, combining for a total of 11 weekly services that directly and regularly connect Batangas to Hongkong, Singapore, Taiwan, Japan, Thailand, China, Vietnam, Indonesia and other major trading hubs.

TECHNOLOGY & INNOVATIONS

Keeping pace with trends in the middle of the pandemic, BCT turned to technology to sustain port efficiency and productivity. To ensure the uninterrupted flow of goods and stakeholder safety, BCT introduced online payment options to customers to fast-track port transactions and minimize face-to-face interactions at the terminal.

At the operational end, BCT focused on streamlining and upgrading its automated gate processes, following its success migration to the smarter and more powerful Zodiac terminal operations system. Initiatives are underway to integrate gate transactions with security, documentary and regulatory requirements for faster truck ingress and egress which would redound to faster movement of goods.

In the yard, BCT adopted the Remote Reefer Monitoring System (RRMS), a technology that automatically checks temperature settings for reefer containers. This system ensured the integrity and freshness of chilled and frozen cargoes, on a real-time basis, while awaiting pullout by cargo owners.

Meanwhile, in line with efforts to reduce its carbon footprint, BCT welcomed last year its solar power generation facilities which were installed by Spectrum Inc., a wholly owned subsidiary of power distribution giant Meralco. Replicating the set up in Manila South Harbor, the solar panels were installed in BCT's covered warehouses. During daytime, it supplements the power requirement of BCT while switching to regular power source at night or as electricity demand requires.

2020 VOLUME

During the pandemic year, BCT handled over 250,000 teus (twenty-foot equivalent units) of boxed cargoes which translated to reducing 125,000 truck trips along Metro Manila roads at the minimum, with more consignees preferring to route cargoes via South Luzon's competitive gateway port.

More port users stand to benefit from the superior infrastructure at BCT which is complemented by a berth spanning over 600 meters, a 16-hectare container yard with ample backup spaces and modern container handling equipment bannered by four quay cranes, eight rubber-tired gantry cranes and other mobile handling machineries. With a capacity of around 500,000 teus, BCT is more than capable of handling the region's current and future volume, especially as trade conditions recover post-pandemic.

EVOLVING TRADE ALTERNATIVE

SHIP CONNECTIVITY

11 services weekly

ANNUAL CAPACITY

500,000 teus

BATANGAS
PAX, RORO AND GENERAL CARGO TERMINAL

FUTURE PAX CAPACITY
4,000
passengers

Year 2020 witnessed a major disruption in the transport sector brought about by the Covid-19 pandemic. As a quick response to the health crisis, the government imposed strict lockdowns and travel restrictions, including the suspension of all mass transport modalities whether through land, rail, air or sea to suppress the spread of the virulent disease.

Batangas Port was no exemption but while passenger operations momentarily grounded to a halt, the port remained buoyant in fulfilling its important role as a cargo gateway, particularly ensuring the unhampered flow of goods from Luzon to nearby islands, most especially the essentials in the fight against the pandemic and commodities to sustain communities.

LOCAL TRAVELS

As travel restrictions eased eventually, Batangas Port reopened its doors to passengers while adapting to new normal operations. It facilitated the safe transit of essential travelers daily such as medical workers, uniformed personnel, economic frontliners, and other Approved Persons Outside of Residence. Batangas Port was also instrumental in sending home thousands of locally stranded individuals caught up in local lockdowns.

At all times, ATI made sure that stringent health and safety protocols were strictly enforced and that all passengers complied with travel requirements mandated by port authorities and local government units.

PORT MODERNIZATION

While the pandemic might have slowed down port activities, ATI kept a keen eye on its vision to modernize the Batangas Port in line with its long-term commitment with the Philippine Ports Authority (PPA). It pursued its development plan to transform the Batangas Port into a bigger and better passenger terminal to resemble the fast craft terminals of Hongkong and Macau. Civil works began in 2020 shortly after its groundbreaking ceremony attended by port authorities, contractors and ATI representatives.

Upon completion in time with post-pandemic recovery, the new Batangas Port passenger terminal building would be able to accommodate over 4,000 passengers at any given time, or double its current daily capacity. The fully airconditioned terminal will be equipped with premium amenities such as modern passenger lounges, commercial stalls, food stations, entertainment areas, comfort rooms and special features for the differently-abled, senior citizens, and pregnant travelers. It will also accommodate the growing ships deployed by local ship operators who have been expanding their fleet to reach more destinations in the Mimaropa (Mindoro, Marinduque, Romblon and Palawan) and Visayas regions.

Batangas Port's modernization is also ready for PPA's automated ticketing systems for all domestic sea travels. The port hosted last year the pilot testing for the nationwide project which would allow online reservations, booking and ticket payment for the convenience of travelers. This would reduce human-to-human transactions, attain overall ease of doing business, and improve port processes for maritime safety and security.

CBU & CARGO HUB

Meanwhile, Batangas Port continued to serve as the primary hub for imported completely-built car units (CBUs), with its multilevel car storage building, pre-delivery inspection facility and open storage spaces offering competitiveness to importers of leading commercial and emerging car brands. The port can accommodate 12,000 car units at any given time and can also connect distributors to Visayas and Mindanao through RoRo vessels servicing the port.

Aside from cars, Batangas Port continued to play an important role in ensuring the unhampered flow of general cargoes like steel, cement and break-bulk shipment for factories, utilities and power generation facilities in nearby communities with a capacity of 500,000 metric tons annually. It also served as a reliable supply base partner for the biggest natural gas producer in offshore Palawan which significantly contributes to the country's drive towards self-sufficiency in power and electricity.

MODERNIZING SEA TRANSPORT

GEN. CARGO CAPACITY
500,000 mt
annually

CBU STATIC CAPACITY
12,000 units

COMPLEMENTARY PORT FACILITIES

ICD STATIC CAPACITY
2,500 teus

Aside from Manila and Batangas ports, ATI operates complementary offsite facilities that bring shipments closer to customers and make world-class cargo handling services available in key regions, a combination that creates value and opportunities for customers and stakeholders.

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 direct access to the country's main gateway ports. As an authorized extension of Manila South Harbor and Batangas Container Terminal (BCT), 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 requirements can be simultaneously processed through online systems electronically linked to BOC.

Aside from container storage, ICD provides end-to-end logistics services from the port to factories. 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 customers' manufacturing hubs 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 which contribute to Manila South Harbor's efficiency. 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, 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. 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 ATI currently uses as storage site for Customs-cleared overstaying boxes at Manila South Harbor, pursuant to directives by port authorities. This procedure is essential to sustain yard and berth productivity for overall terminal efficiency.

Over in Calamba, Laguna, ATI also operates the five-hectare Empty Container Depot which particularly supports the operations of ICD and BCT. Another major container yard, which will be linked operationally with Manila South Harbor, will come online soon to support the industrial zones of Cavite.

SOUTH COTABATO INTEGRATED PORT

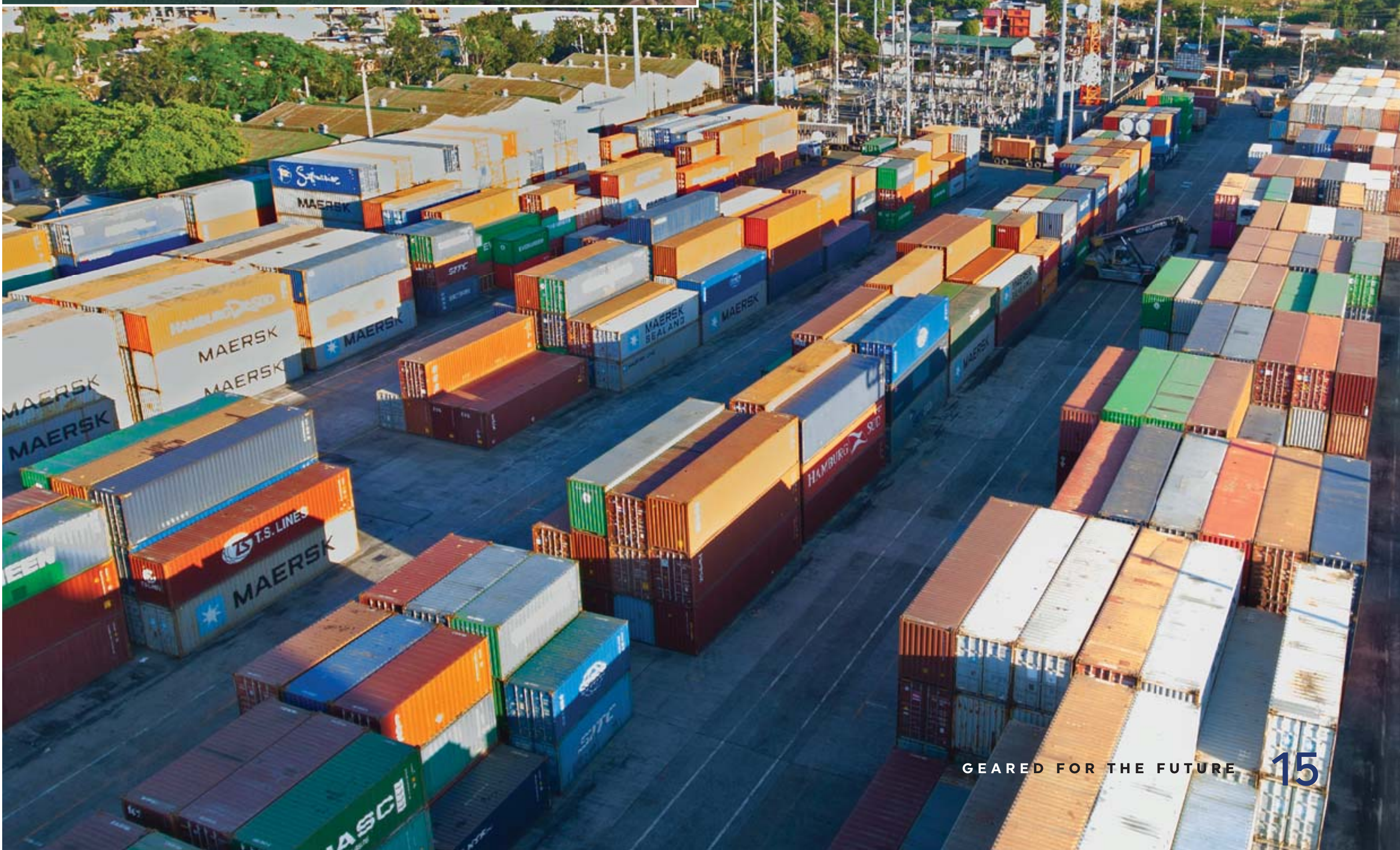
ATI extends its presence in southernmost Philippines through the South Cotabato Integrated Port, a pivotal maritime infrastructure supporting local trade and bridging Mindanao into the Southeast Asian market. The port, managed and operated by the South Cotabato Integrated Port Services Inc. (SCIPSI) where ATI is a strategic investor, handles international and domestic containerized and non-containerized cargoes in support of major industries and agro-commercial companies in the region.

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.

CREATING
VALUE &
OPPORTUNITIES

NCD STATIC CAPACITY
3,600 teus

ECD STATIC CAPACITY
8,000 teus



HEALTH, SAFETY ENVIRONMENT & SECURITY

SAFEGUARDING PORTS & STAKEHOLDERS

For a trade enabler like ATI, sustaining efficient port operations in the middle of the national health crisis was non-negotiable. ATI's ports never stopped during this precarious period as a vital component of the logistics guaranteeing unhampered cargo movement in the supply-chain, thus ensuring food, medicines and other essential products reached industries, consignees and communities on-time 24/7.

Achieving this required mitigating the risks and impacts of Covid-19 on its ports, offices and most importantly on employees and stakeholders, a gargantuan task given the size, scope and depth of ATI's operations. Such important responsibility was taken on by ATI's Corporate Health, Safety, Environment and Security (HSES) team, which on the back of its experienced safety practitioners, dedicated medical professionals and highly trained risk analysts and managers led ATI's campaign against Covid-19.

KEEPING STAKEHOLDERS SAFE

To protect the health and welfare of stakeholders, ATI implemented various initiatives right at the outset of the pandemic. The company provisioned for facemasks, gloves and face shields for all employees, practiced social distancing, heightened health surveillance and contact tracing, established an in-house medical response facility complete with healthcare staff, installed non-contact digital thermometers in entryways and reception

SAFETY METRIC
0.59
RIFR

SAFETY ENGAGEMENT
99.5%
Manila

SAFETY ENGAGEMENT
99.8
Batangas

areas, positioned automatic alcohol dispensers and air purifiers in shared spaces, fabricated acrylic partitions for workstations, mobilized exclusive home-to-work transport for employees, and frequently sanitized areas using ultraviolet light and misting machines.

Regular tests were also administered among staff to check on their health status. Isolation tents were erected as part of quick response measures should potential cases be identified, followed by the immediate referral to partner healthcare facilities for confirmatory testing and treatment as needed.

Moreover, in coordination with the government and industry consortium, reservation for the required number of Covid-19 vaccines for ATI employees has likewise been placed.

SUSTAINED SAFETY PERFORMANCE

Apart from efforts against Covid-19, HSES relentlessly pursued its institutional safety programs anchored on engagement. Toolbox meetings, safety orientations, field safety observations and other programs continued as scheduled aided by conventional tools and technology. Last year, the completion rate of ATI's safety engagement program continued to improve with compliance scores of 99.5% and 99.8% for Manila and Batangas ports, respectively.

Senior management also sustained its regular safety walks at the terminal to directly engage dockworkers and ensure compliance to operational and safety protocols.

Through the cooperation and collaboration of employees and stakeholders, ATI achieved a Reportable Injury Frequency Rate (RIFR) of 0.59 in 2020, or better by 41% against target, sustaining improvements over the last seven years. RFIR is a global safety performance parameter wherein a lower figure indicates better risk mitigation.

INNOVATIONS & ISO STANDARDS

The pandemic also did not hamper ATI's ability to pursue innovations to improve safety and operational practices. Such innovation resulted in the ingenious contraptions added at the base of ship-to-shore cranes to stow safety work cages which are used during vessel lashing and unlashing operations. As the cages are readily available in each crane, deployment of stevedores has become safer and quicker.

Furthermore, ATI sustained its comprehensive and world-class Occupational Health, Safety and Environment management systems which are international standards certified. ATI is certified for Occupational Health and Safety Management (ISO45001:2018), 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 port operator.

INFORMATION TECHNOLOGY

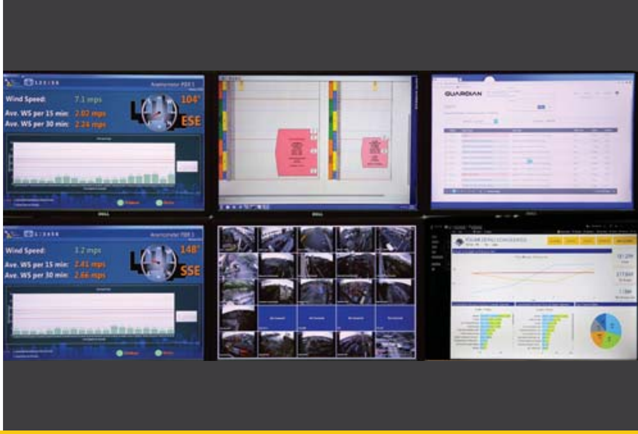
DIGITALIZING THE SUPPLY-CHAIN

ATI is no stranger to technological leaps and advancements, with a history of developing groundbreaking applications for efficient, transparent and secure industry transactions spanning over three decades. Given this, when the global Covid-19 pandemic hit – a massive eyeopener for businesses to accelerate technology upgrades and automation – ATI adjusted and adapted quickly to the new normal. With modern IT infrastructure solidly in place early on, which had been providing stakeholders smart trade solutions and contributing to supply-chain digitalization, ATI operated round-the-clock seamlessly.

ATI EPORTALS

As a timely response to the public health crisis, ATI launched ePortals early last year, its revitalized online platforms for faster, easier and more convenient contactless port transactions. The portals were built on the back of ATI's ePayment infrastructure which has been established for years, but has gained minimal traction from stakeholders until the digital rush during the pandemic.

The ePortals, developed by the company's IT experts, allow port users to make online payments on a real-time basis, 24/7. The portal is linked to ATI's existing and growing list of ebanking partners, enabling customers to conveniently and securely pay import



WebTrack Cargo Information

ATIePay Online Payments

GPass eGatepass Printing

TABS Booking System

CSpace SL Mty Slots

MPort MobileApp

RoadViz Traffic Monitoring

and export-related fees online, anytime, anywhere.

Apart from online payments, the portal enables customers to print their gate passes, invoices and receipts remotely. This allowed them to secure port documents at the safe confines of their offices or homes after settling all port duties and fees, for quicker pull out or delivery of cargoes at the terminal.

This important digital transformation is aligned with government's directive to use online platforms for filing, processing, and payment of all ports and cargo-related charges pursuant to Joint Memorandum Circular No. 01 issued by the Anti Red Tape Authority, Department of Trade and port authorities.

WEB APPS

Apart from ePortals, ATI's homegrown web applications such as MPort, WebTrack, Container Traffic Light System, among others came in handy as efficiency and transparency tools during the pandemic. MPort for instance enables users to view real-time vessel and container information through their smart phones, allowing them to check vessel schedules, slots for empty containers, container status, and even deficiencies with port authorities, if any, for better decision-making on cargo delivery timings. The app can be downloaded for free via Google Play or App Store. The above features are also available via ATI's WebTrack which can be accessed through computers, tablets and other gadgets.

Meanwhile, the Terminal Appointment Booking System or TABS has sustained the orderly movement of trucks and cargoes in the terminal and managed traffic flow along metro roads to avoid congestions.

PIONEERING SYSTEM

Early last year, ATI successfully switched to the modern and more powerful Zodiac Terminal Operations System (TOS), the proprietary system developed by its foreign equity partner DP World and its global technology experts alongside ATI programmers. ATI's container terminals in Manila and Batangas continue to benefit from Zodiac's superior capabilities which include harmonization of vessel and yard operations, automation of gate transactions and integration of equipment planning and execution for smarter and seamless operations and ultimately greater convenience for customers. Zodiac is the same TOS which powers Jebel Ali, DP World's flagship terminal in Dubai.

Following Zodiac's rollout in container operations, ATI Batangas adopted the TOS for its general cargo segment, making it the pioneer terminal among DP World-affiliated ports globally to successfully transition to the new system.

HUMAN RESOURCES

CHAMPIONING PEOPLE EXCELLENCE

The pandemic year of 2020 caught organizations by surprise, triggering rapid shifts in processes, structures and norms amid the unprecedented health crisis. While anxiety and uncertainty were common travails, the pandemic somehow revealed the positives among companies. For ATI, this period highlighted its resilience, dynamism and agility as it quickly evolved and established work environments that supported employees' work quality, performance and productivity, while protecting their welfare under extreme circumstances.

STAYING PRODUCTIVE AND CONNECTED

As the pandemic and lockdowns ensued, the top priority for ATI was to ensure business continuity while guaranteeing employee safety. Adapting to the new normal, ATI provided office-based employees with flexible work set-ups like compressed workweeks, alternate work schedules and work-from-home arrangements. Operations-based employees, meanwhile, were given adequate support and resources, including alternative worksites within the terminal to space out staff and onsite living quarters for work continuity.

Moreover, time and distance became relative throughout the pandemic as departments hosted productive online meetings and engagement sessions with

CROSS TRAINING
19
Employees

TALENT DEVELOPMENT
15,980
Training hours

LEARNING PROGRAMS
2,414
Participants

colleagues, customers and stakeholders anytime of the day using Skype, MS Teams, Zoom and other messaging and social media apps. The same platforms allowed teammates to regularly monitor deliverables, coordinate projects and more importantly stay in-touch and boost morale. Top management also regularly connected with employees through electronic channels as they provided timely company updates.

CHAMPIONING EXCELLENCE

Given the limited face-to-face interactions, Human Resources turned to technology to sustain its drive for people excellence. Digital learning platforms such as iLearn, DP World Hub and Coursera gave ATI employees access to world-class training programs which honed their operational, technical, managerial, and leadership skills. Local trainings likewise continued mostly through virtual sessions at greater frequency which allowed wider reach especially among operations-based and union-affiliated employees.

ATI's cross-training program, meanwhile, continued last year through online channels, drawing 19 participants who completed their immersion in the company's different departments to further enrich their skills and institutional knowledge under the tutelage of ATI's subject matter experts.

In all, ATI accumulated 15,980 in total training hours in 2020 with 2,414 personnel participating in learning sessions.

DIVERSITY & WELLNESS

Women empowerment resonated as a major organizational theme last year across ATI as it continued to promote greater inclusion and diversity in a traditionally male-dominated industry. Aligned with this, ATI's Women's Networking Group was born led by emergent female leaders. The group aims to support, encourage and guide female employees towards more productive, well-balanced and empowered careers in ATI. Its initial projects included online stress management, yoga, financial literacy and movie night sessions to promote mental, physical, fiscal and overall women's health amid last year's pandemic.

On top of this, 12 female employees successfully completed DP World's MentorHer Program, a six-month professional development program under the supervision of senior managers and female mentors across DP World's global portfolio. Women-focused activities were likewise held online to commemorate special occasions like Mothers' Day, International Women's Day, and Inclusion and Diversity Month.

Over to talent acquisition, HR continued with its blind CV program to eliminate potential gender bias in personnel selection. Improvement on women recruitment and eventual employment were recorded last year resulting from this initiative.

ENGAGING & EMPOWERING COMMUNITIES

ATI believes that working sustainably is essential to building a progressive company and resilient communities. Consistent with this philosophy, ATI sustained its social investment programs last year to help stakeholders endure the most challenging period of this lifetime. Aligned with DP World's revitalized global sustainability framework and in support of the UN Sustainable Development Goals, ATI pursued programs to engage and empower communities and more importantly respond to national exigencies.

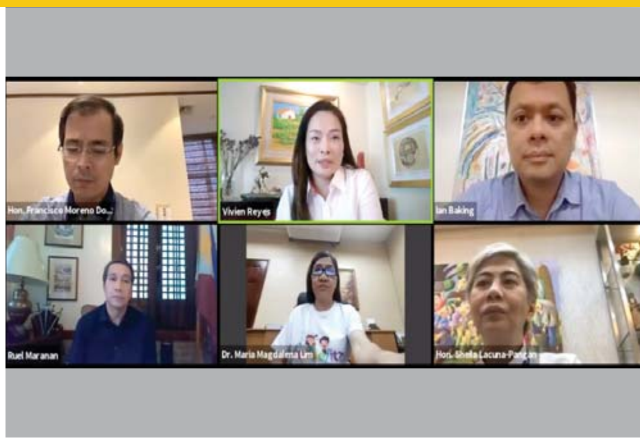
SDG 3: GOOD HEALTH AND WELL-BEING

As a responsible port organization known to prioritize the health and safety of stakeholders, the Company heeded government's call for private sector solidarity as the country grappled with the Covid-19 health crisis. ATI repurposed its cruise terminal building in Manila South Harbor into a temporary isolation facility to add capacity to the healthcare system. Through the assistance of Philippine Ports Authority, Philippine Coast Guard and Public Works Department, the 2,000-seating capacity building was transformed into a 200-bed medical facility in record-time. Berthing facilities were also used to moor floating hospitals, quarantine vessels and repatriation ships operated by other private companies.

COVID RELIEF EFFORTS
+5,000
Families

<CODE/IT> BENEFICIARIES
130,000
Students

ATI SCHOLARSHIP PROGRAM
+100
Scholars



Last year's health crisis underscored the vulnerability of underprivileged communities, especially with limited access to necessities during government imposed lockdowns. Recognizing this, ATI purchased and distributed rice and canned goods to its neighboring communities through local government units, benefiting over 5,000 families.

Early in the year, ATI also responded to the humanitarian emergency caused by the Taal Volcano eruption. ATI sent mattresses and hygiene kits packed by employee volunteers to affected areas.

SDG 4: QUALITY EDUCATION

ATI continues to allocate the biggest share of its community investment on education programs for the Filipino youth, annually supporting over 100 students. Under ATI's Scholarship Program, the Company has produced professionals in various sectors and plans to support more to upskill the talent pool in aligned industries.

While last year's pandemic shuttered schools, education continued in the middle of the health crisis through alternative learning modes. During this dire time, ATI extended its program for needy but deserving senior high school students, offering educational assistance in partnership with STI, whose infrastructure was well-suited for distance learning. This ensured that their education continued at a crucial time when family resources shifted towards subsistence.

In related developments, ATI's partnership with Ayala Foundation, Department of Education and the Manila government for the <Code/IT> computer programming literacy program gained traction. Hundreds of public elementary school teachers in Manila began their virtual training sessions, who would cascade the program to all of Manila's 73 public schools with an estimated 130,000 student beneficiaries.

SDG 14: LIFE BELOW WATER

As a ports business, ATI actively sustained its advocacy for ocean protection. Last year, it built public comfort rooms with proper sewerage facilities in surrounding port communities as part of the Department of Environment-led Manila Bay Rehabilitation Program. ATI will also plant thousands of mangroves and endemic trees in nearby areas, in support of the program, as soon as conditions permit.

OTHER COMMUNITY INITIATIVES

Apart from these initiatives, ATI also supported the community redevelopment program spearheaded by its host city. Through such initiatives, public spaces and historical landmarks in Manila have been restored and preserved for the next generations.

On its own, ATI also promoted public health reminders on Covid-19. Through the Keep Your Safe Distance Shirts purposely worn by employees, ATI visually prompted the public on the importance of wearing face masks, proper distancing and heightened hygiene practices to protect people's health.

OUR BOARD OF DIRECTORS

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Eusebio H. Tanco
President/Director

Felino A. Palafox, Jr.
Director

Andrew R. Hoad
Director

Monico V. Jacob
Director

Artemio V. Panganiban
Independent Director

Ahmad Yousef Ahmad Alhassan Al Simreen
Director

Atty. Roberto C. O. Lim
Independent Director

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GLEN C. HILTON
Chairman

CEO and Managing Director
- DP World CEO & Managing Director
  Asia Pacific & Australasia Region

EUSEBIO H. TANCO
President/Director

Chairman
- STI Education Systems Holdings, Inc.
- Leisure Resorts World Corporation
- Mactan Electric Company
- DLS-STI College
- Eximious Holdings, Inc.
- GROW Vite
- Venture Securities, Inc.
- iACADEMY

Executive Committee Chairman
- STI Education Services Group, Inc.

Chairman and President
- Prime Power Holdings
- Prudent Resources, Inc.
- Philippines First Insurance Co.

Chief Executive Officer
- Classic Finance, Inc.

President
- Philippines First Insurance Co.
- Global Resource for Outsourced Workers, Inc.
- Bloom with Looms Logistics, Inc.
- First Optima Realty Corporation
- Total Consolidated Asset Management Inc.
- Eujo Philippines, Inc.
- Tantivy Holdings, Inc.
- Mar-Bay Homes Inc.
- Cement Center, Inc.
- Biolim Holdings and Management Corp.

Director
- Philhealthcare Inc.
- Philplans First, Inc.
- Philippine Life Financial Assurance
- STI West Negros University
- United Coconut Chemicals, Inc.
- M.B. Paseo
- Philippine Health Educators, Inc.
- Maestro Holdings, Inc.
- Philippine Racing Club
- Leisure & Resorts World Corporation
- Philippine Stock Exchange

Professional Associations
- Philippines-Thailand Business Council
- Philippines-UAE Business Council
- Philippine Chamber of Commerce and Industry

ANDREW R. HOAD
Director

Chief Network Officer Supply Chain & Logistics
DP World

MONICO V. JACOB
Director

President
- STI Education Systems Holdings, Inc.
- STI West Negros University

CEO and Vice-Chairman
- STI Education Services Group

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

Director
- iACADEMY
- PhilCare

Independent Director
- Jollibee Foods, Inc.
- 2Go Group
- Phoenix Petroleum Philippines
- Rockwell Land Inc.
- Lopez Holdings, Inc.

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

FELINO A. PALAFOX, JR.
Director

Principal Architect
- Urban Planner and Founder of Palafox Associates

Chairman
- National Real Estate Association Fellow
- United Architects of the Philippines

Affiliations
- American Institute of Architects, International

Associate
- Council of Tall Buildings and Urban Habitat, Country Leader

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

APEC Architect

ARTEMIO V. PANGANIBAN
Independent Director

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

Independent Director
- Philippine Stock Exchange
- First Philippine Holdings Corp.
- Metro Pacific Investments Corp.
- Manila Electric Company
- Robinsons Land Corp.
- GMA Holdings, Inc.
- Petron Corporation
- Philippine Long Distance Telephone Company

Non-Executive Director
- Jollibee Foods Corporation

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

Adviser
- DoubleDragon Properties Corp.

ATTY. ROBERTO C. O. LIM
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.

AHMAD YOUSEF AHMAD ALHASSAN AL SIMREEN
Director

Head of Finance
- DPWorld

LIST OF SENIOR OFFICERS

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Executive Vice President

SEAN JAMES L. PEREZ
Senior Vice President for Commercial & Outports

JOSE TRISTAN P. CARPIO
Vice President for Finance/CFO

PATRICK CHAN
Vice President for Manila and Cavite Operations

RODOLFO G. CORVITE JR.
Vice President for Business Support Services

RODRIGO SANCHEZ
Vice President for Batangas and Laguna Operations

CHRISTOPHER JOE STYLES
Vice President for Engineering

AMABEL N. SANGALANG
Assistant Vice President for Information Technology

ARMANDO J. SISON
Assistant Vice President for Asset Management

MARIA CECILIA D. AGATEP
Assistant Vice President for Legal

ADRIAN EDWARD A. BAKING
Assistant Vice President for Business Development

MARIE CELINE C. DIMACULANGAN
Assistant Vice President for Compliance & Leadership

MITOS R. LARA
Assistant Vice President for Accounts Management & Treasury

MAXILINDA M. LEE
Assistant Vice President for Human Resources

STEVE FRANCIS R. REALUYO
Assistant Vice President for South Harbor Operations

JOSEPH C. TAJO
Assistant Vice President for Procurement

CHARLES DONALD TAN
Assistant Vice President for HSES

MANAGEMENT DISCUSSION AND ANALYSIS

Revenues for the year ended December 31, 2020 of ₱10,961.0 million went down by 17.8% from ₱13,329.4 million in 2019. Revenues from South Harbor (SH) international containerized cargo operations and Batangas Container Terminal (BCT) decreased from last year by 16.9% and 20.2%, respectively, on account of lower container volumes resulting from the negative economic impact of COVID-19. Container volumes at SH and BCT declined by 20.4% and 19.7%, respectively.

Port authorities' share in revenues in 2020 of ₱1,805.6 million decreased by 22.5% from ₱2,329.1 million in 2019 as a result of lower revenues subject to port authorities' share.

Cost and expenses in 2020 amounted to ₱5,062.2 million, 9.7% lower than ₱5,606.4 million in 2019. Labor costs in 2020 of ₱1,447.0 million were lower by 6.8% compared to ₱1,551.9 million in 2019 due to lower deployment and overtime related to lower volume as well as the implementation of cost savings measures. Equipment running in 2020 went down by 32.5% to ₱548.3 million from ₱812.3 million in 2019 due to lower usage of equipment spare parts and tyres, lower electricity and lower fuel costs resulting from lower consumption and lower fuel price. Management fees in 2020 decreased by 19.8% to ₱184.4 million from ₱229.8 million in 2019 following lower earnings before tax. Security, health, environment and safety in 2020 of ₱167.0 million were lower by 21.5% compared to ₱212.7 million in 2019 due to cost saving initiatives. Facilities-related expenses in 2020 went down by 26.1% to ₱155.6 million from ₱210.5 million in 2019 due to lower repair and maintenance costs on buildings and lightings. Provision for claims of ₱2.3 million in 2020 decreased by 97.9% compared to ₱109.5 million last year due to lower provision for claims. Professional fees in 2020 of ₱14.0 million went down by 46.8% from ₱26.3 million last year due to lower consultancy fees. Marketing, commercial, and promotion in 2020 decreased by 82.7% to ₱9.7 million from ₱56.0 million due to lower advertising costs. Entertainment, amusement and recreation in 2020 of ₱2.3 million went down by 74.1% from ₱8.9 million last year. Other expenses in 2020 totaled ₱111.0 million, went down by 50.1% from ₱222.2 million in 2019 due to lower general operations.

Meanwhile, depreciation and amortization in 2020 increased by 13.3% to ₱1,733.7 million from ₱1,530.0 million in 2019. Taxes and licenses in 2020 increased by 5.7% to ₱412.4 million from ₱390.2 million in 2019 due to higher real property taxes and business taxes. Insurance of ₱144.2 million in 2020 increased by 30.2% compared to ₱110.7 million last year due to higher insurance premiums.

Finance income amounted to ₱28.6 million in 2020, 81.8% down from ₱157.3 million in 2019 due to lower interest rates for money market placements and lower cash balance. Finance costs in 2020 of ₱544.1 million were lower by 2.6% compared to ₱558.9 million in 2019. Others-net in was higher 176.5% to ₱559.4 million in 2020 from ₱216.7 million in 2019 mainly due to unrealized foreign exchange gain on fair value of concession liability and accrued interest following the depreciation of the Philippine Peso against the US Dollar.

Income before income tax in 2020 of ₱4,177.0 million was lower by 19.8% compared to P5,209.1 in 2019. Provision for income tax in 2020 decreased by 18.2% to ₱1,221.0 million from ₱1,493.5 million in 2019.

Net income for the year ended December 31, 2020 decreased by 20.4% to ₱2,956.0 million from ₱3,715.6 million last year. Earnings per share was down to ₱1.48 in 2020 from ₱1.86 in 2019.

Plans for 2021

As a smart trade enabler, Asian Terminals Inc. (ATI) actively pursues its port-centric logistics philosophy anchored on bringing competitive and comprehensive port services closer to beneficial cargo owners.

Aligned with this, ATI continuously enhances its ports in Manila and Batangas for containerized cargo, non-containerized cargo, and passenger handling operations, upgrading the capacity, capabilities and technologies of these gateway facilities to support customer growth, respond to future market demand, and contribute to the post-pandemic recovery of the Philippine economy.

For 2021, ATI is investing an estimated Php 6.9 billion in step with its growth strategy and in line with its investment commitment with the Philippine Ports Authority. This will support the acquisition of more modern cargo handling equipment and the development of related logistics infrastructure projects in Manila, Batangas, Laguna and Cavite.

As a forward-looking company, ATI explores new business growth drivers, including developing additional cargo storage spaces within and outside 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, management capabilities and industry expertise spanning 35 years to bring its competencies where growth potential is high, where it could deliver greater value to its shareholders and where it could positively impact economies and communities.

Consolidated Financial Condition

Total assets as of December 31, 2020 decreased by 1.4% to ₱30,824.4 million from ₱31,254.1 million as of December 31, 2019. Total current assets as of December 31, 2020 down by 8.8% to ₱7,684.0 million from ₱8,422.3 million as of December 31, 2019. Cash and cash equivalents as of December 31, 2020 were lower by 21.4% to ₱4,437.9 million from ₱5,647.3 million as of December 31, 2019. Trade and other receivables - net as of December 31, 2020 down by 1.0% to ₱624.5 million from ₱630.6 million as of December 31, 2019. Spare parts and supplies - net as of December 31, 2020 of ₱890.3 million were higher by 18.9% compared to ₱748.5 million as of December 31, 2019 in support of operational requirements and equipment maintenance program. Prepaid expenses of ₱1,731.3 million as of December 31, 2020 went up by 24.0% from ₱1,395.9 million as of December 31, 2019 on account of higher input taxes on PPA fees and various purchases and advance payment on real property taxes for 2021 for South Harbor.

Total non-current assets of ₱23,140.4 million as of December 31, 2020 were higher by 1.4% compared to of ₱22,831.8 million as of December 31, 2019. Property and equipment-net increased by 28.3% to ₱1,198.8 million as of December 31, 2020 from ₱934.1 million as of December 31, 2019. Additions to property and equipment which were not subject of the service concession arrangement totaled ₱421.0 million in 2020. Intangible assets - net as of December 31, 2020 of ₱20,226.6 million were higher by 0.9% compared to ₱20,051.2 million as of December 31, 2019. Acquisitions of intangible assets which consisted of civil works and cargo handling equipment that were subject of the service concession arrangement amounted to ₱1,432.4 million in 2020. Right-of-use assets – net was at ₱615.5 million as of December 31, 2020, was lower by 9.0% compared to ₱676.1 million as of December 31, 2019. Deferred tax assets - net as of December 31, 2020 of ₱880.5 million went down by 13.1% to ₱1,013.2 million as of December 31, 2019, pertaining to adjustment on deferred tax on unrealized foreign exchange gain on fair value of concession liability and accrued interest. Other noncurrent assets as of December 31, 2020 increased by 61.6% to ₱173.9 million from ₱107.6 million as of December 31, 2019.

Total liabilities went down by 15.6% to ₱10,911.6 million as of December 31, 2020 from ₱12,924.1 million as of December 31, 2019. Trade and other payables as of December 31, 2020 of ₱2,114.9 million were lower by 35.0% than ₱3,253.0 million as of December 31, 2019. Trade and other payables are covered by agreed payment schedules. Provision for claims went down to ₱58.0 million as of December 31, 2020 from ₱259.8 million as of December 31, 2019. Income and other taxes payable increased by 9.8% to ₱311.1 million as of December 31, 2020 from ₱283.2 million as of December 31, 2019. Port concession rights payable (current and noncurrent) as of December 31, 2020 totaled ₱7,639.8 million, 8.0% lower than ₱8,303.0 million as of December 31, 2019 due to payments of government share in 2020. Lease liabilities (current and noncurrent) was at ₱599.8 million as of December 31, 2020, decreased by 6.4% from ₱640.9 million as of December 31, 2019. Pension liability as of December 31, 2020 of ₱188.1 million were higher by 2.1% compared to ₱184.1 million as of December 31, 2019.

Consolidated Cash Flows

Net cash provided by operating activities decreased by 22.8% to ₱3,116.1 million in 2020 from ₱4,038.4 million in 2019 due to lower operating income and decrease in trade and other payables and provision for claims.

Net cash used in investing activities in 2020 of ₱1,847.3 million were 40.9% lower than P3,125.1 million in 2019 due to lower acquisitions of intangible assets reduced by higher acquisitions of property and equipment.

Cash used in financing activities in 2020 of ₱2,322.7 million were higher by 14.4% than the ₱2,030.5 million in 2019 due to higher payments of cash dividends and payments of lease liabilities. Cash dividends paid amounted to ₱1,406.0 million and ₱1,125.0 million in 2020 and 2019, respectively.

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

The Group has adopted the following amendments to standards starting January 1, 2020 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.

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.

Definition of a Business (Amendments to PFRS 3, Business Combinations). 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.

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.

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

A number of amendments to standards are effective for annual periods beginning after January 1, 2020. 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 June 1, 2020

- COVID-19-Related Rent Concessions (Amendment to PFRS 16, Leases). The amendments introduce an optional practical expedient that simplifies how a lessee accounts for rent concessions that are a direct consequence of COVID-19. A lessee that applies the practical expedient is not required to assess whether eligible rent concessions are lease modifications, and accounts for them in accordance with other applicable guidance. The practical expedient applies if:

  - the revised consideration is substantially the same or less than the original consideration;
  - the reduction in lease payments relates to payments due on or before
  - June 30, 2021; and
  - no other substantive changes have been made to the terms of the lease.

Lessees applying the practical expedient are required to disclose that fact, whether they have applied the practical expedient to all eligible rent concessions and, if not, the nature of the contracts to which they have applied the practical expedient; and the amount recognized in profit or loss for the reporting period arising from application of the practical expedient. No practical expedient is provided for lessors.

The amendment is effective for annual reporting periods beginning on or after June 1, 2020. Earlier application is permitted. A lessee applies the amendments retrospectively, recognizing the cumulative effect of the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate.

Effective January 1, 2022

Property, Plant and Equipment – Proceeds before Intended Use (Amendments to PAS 16, Property, Plant and Equipment). The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment the proceeds from selling items produced before that asset is available for use. The proceeds before intended use should be recognized in profit or loss, together with the costs of producing those items which are identified and measured in accordance with PAS 2, Inventories.

The amendments also clarify that testing whether an item of property, plant and equipment is functioning properly means assessing its technical and physical performance rather than assessing its financial performance.

For the sale of items that are not part of a company's ordinary activities, the amendments require the company to disclose separately the sales proceeds and related production cost recognized in profit or loss and specify the line items in which such proceeds and costs are included in the statement of comprehensive income. This disclosure is not required if such proceeds and cost are presented separately in the statement of comprehensive income.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted. The amendments apply retrospectively, but only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the company first applies the amendments.

Onerous Contracts - Cost of Fulfilling a Contract (Amendment to PAS 37, Provisions, Contingent Liabilities and Contingent Assets). The amendments clarify that the cost of fulfilling a contract when assessing whether a contract is onerous includes all costs that relate directly to a contract - i.e. it comprises both incremental costs and an allocation of other direct costs.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other component of equity, as appropriate. The comparatives are not restated. Earlier application is permitted.

Annual Improvements to PFRS Standards 2018-2020. This cycle of improvements contains amendments to four standards:

- ***Subsidiary as a First-time Adopter (Amendment to PFRS 1, First-time Adoption of Philippine Financial Reporting Standards).*** The amendment simplifies the application of PFRS 1 for a subsidiary that becomes a first-time adopter of PFRS later than its parent. The subsidiary may elect to measure cumulative translation differences for all foreign operations at amounts included in the consolidated financial statements of the parent, based on the parent's date of transition to PFRS.

- ***Fees in the '10 per cent' Test for Derecognition of Financial Liabilities (Amendment to PFRS 9, Financial Instruments).*** The amendment clarifies that for the purpose of performing the '10 per cent' test for derecognition of financial liabilities, the fees paid net of fees received included in the discounted cash flows include only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

- ***Lease Incentives (Amendment to Illustrative Examples accompanying PFRS 16, Leases).*** The amendment deletes from the Illustrative Example 13 the reimbursement relating to leasehold improvements to remove the potential for confusion because the example had not explained clearly enough the conclusion as to whether the reimbursement would meet the definition of a lease incentive in PFRS 16.

- ***Taxation in Fair Value Measurements (Amendment to PAS 41, Agriculture).*** The amendment removes the requirement to exclude cash flows for taxation when measuring fair value, thereby aligning the fair value measurement requirements in PAS 41 with those in PFRS 13, ***Fair Value Measurement***.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted.

Reference to the Conceptual Framework (Amendment to PFRS 3 Business Combinations). The amendments:

- updated PFRS 3 so that it now refers to the 2018 Conceptual Framework;

- added a requirement that, for transactions and other events within the scope of PAS 37 ***Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies***, an acquirer applies PAS 37 or IFRIC 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and

- added an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.

The amendments are effective for business combinations occurring in reporting periods starting on or after January 1, 2022. Earlier application is permitted.

Effective January 1, 2023

Classification of Liabilities as Current or Non-current (Amendments to PAS 1, Presentation of Financial Statements). To promote consistency in application and clarify the requirements on determining whether a liability is current or non-current, the amendments:

- removed the requirement for a right to defer settlement of a liability for at least twelve months after the reporting period to be unconditional and instead requires that the right must have substance and exist at the end of the reporting period;

- clarified that a right to defer settlement exists only if the company complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date; and

- clarified that settlement of a liability includes transferring a company's own equity instruments to the counterparty, but conversion options that are classified as equity do not affect classification of the liability as current or non-current.

The amendments apply retrospectively for annual reporting periods beginning on or after January 1, 2023. 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, Consolidated Financial Statements and PAS 28, Investments in Associates and Joint Ventures). 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.

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 2020:

- ATIB's total assets were only 9.1% 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]

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

Consolidated KPI	Manner of Calculation	2020	2019	Discussion
Return on Capital Employed	Percentage of income before interest and tax over capital employed	16.0%	20.1%	Decreased due to lower income before interest and taxes during the period and higher capital employed.
Return on Equity attributable to equity holders of the parent	Percentage of net income over equity attributable to equity holders of the parent	15.5%	21.7%	Decreased due to lower net income.
Current ratio	Ratio of current assets over current liabilities	2.61 : 1.00	1.98 : 1.00	Increased due to lower current liabilities.
Asset to equity ratio	Ratio of total assets over equity attributable to equity holders of the parent	1.55 : 1.00	1.71 : 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	0.55 : 1.00	0.71 : 1.00	Improved due to decrease in liabilities.
Days Sales in Receivables (DSR)	Gross trade receivables over revenues multiplied by number of days	6 days	11 days	Decreased due to improved collection.
Net Income Margin	Net income over revenues less government share in revenues	32.3%	33.8%	Decreased due to lower net income
Reportable Injury Frequency Rate (RIFR)[1]	Number of reportable injuries within a given accounting period relative to the total number of hours worked in the same accounting period.	0.59	0.82	Decreased due to lower number of injuries.

Summary of Selected Financial Data (in millions)

Description	Year ended December 31, 2020	Year ended December 31, 2019
Revenues	₱10,961.0	₱13,329.4
Net income	2,956.0	3,715.6
Total assets	30,824.4	31,254.1
Total liabilities	10,911.6	12,924.1

(Footnotes)

[1] RIFR is the new KPI for injuries introduced in 2014 to replace LTIFR. RIFR is a more stringent KPI as it covers not only Lost Time Injuries (LTIs) but also 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, 2020 and 2019 and for each of the three years in the period ended December 31, 2020, 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.

GLEN CHRISTOPHER HILTON
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, 2020 and 2019, 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, 2020, 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, 2020 and 2019, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2020, 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 (P10,960,959 - 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, 2020, 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, 2020 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, actions taken to eliminate threats or safeguards applied.

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. 08-001987-027-2020
Issued July 20, 2020; valid until July 19, 2023
PTR No. MKT 8533895
Issued January 4, 2021 at Makati City

March 3, 2021
Makati City, Metro Manila

ASIAN TERMINALS, INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Amounts in Thousands)

		December 31	
	Note	2020	2019
ASSETS			
Current Assets			
Cash and cash equivalents	*6, 25*	**₱4,437,874**	₱5,647,349
Trade and other receivables - net	*7, 25*	**624,516**	630,599
Spare parts and supplies		**890,289**	748,499
Prepaid expenses	*8*	**1,731,317**	1,395,876
Total Current Assets		**7,683,996**	8,422,323
Noncurrent Assets			
Investment in an associate	*9*	**45,115**	49,507
Property and equipment - net	*10*	**1,198,815**	934,111
Intangible assets - net	*11*	**20,226,591**	20,051,240
Right-of-use assets - net		**615,510**	676,129
Deferred tax assets - net	*13*	**880,505**	1,013,174
Other noncurrent assets	*12*	**173,875**	107,602
Total Noncurrent Assets		**23,140,411**	22,831,763
		₱30,824,407	₱31,254,086
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	*14, 20*	**₱2,114,850**	₱3,253,008
Provisions for claims	*15*	**58,024**	259,799
Port concession rights payable - current portion	*25*	**327,521**	313,263
Income and other taxes payable		**311,097**	283,228
Lease liabilities - current portion		**134,452**	136,701
Total Current Liabilities		**2,945,944**	4,245,999
Noncurrent Liabilities			
Port concession rights payable - net of current portion	*25*	**7,312,248**	7,989,729
Pension liability - net	*21*	**188,090**	184,146
Lease liabilities - net of current portion		**465,323**	504,241
Total Noncurrent Liabilities		**7,965,661**	8,678,116
		10,911,605	12,924,115
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		**17,642,548**	16,060,246
Fair value reserve		**(5,820)**	(5,820)
		19,901,028	18,318,726
Non-controlling Interest		**11,774**	11,245
Total Equity		**19,912,802**	18,329,971
		₱30,824,407	₱31,254,086

See Notes to the Consolidated Financial Statements.

ASIAN TERMINALS, INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(Amounts in Thousands, Except Per Share Data)

		Years Ended December 31		
	Note	2020	2019	2018
REVENUES FROM OPERATIONS	*26*	**₱10,960,959**	₱13,329,441	₱12,276,678
GOVERNMENT SHARE IN REVENUES	*17*	**(1,805,558)**	(2,329,105)	(2,270,116)
		9,155,401	11,000,336	10,006,562
COSTS AND EXPENSES EXCLUDING GOVERNMENT SHARE IN REVENUES	*18, 20, 21*	**(5,062,192)**	(5,606,428)	(4,940,862)
OTHER INCOME AND EXPENSES				
Finance income	*19*	**28,554**	157,296	113,188
Finance cost	*19*	**(544,101)**	(558,881)	(540,426)
Others - net	*19*	**599,339**	216,736	(627,781)
		83,792	(184,849)	(1,055,019)
CONSTRUCTION REVENUES	*11*	**1,595,105**	2,747,425	3,222,423
CONSTRUCTION COSTS	*11*	**(1,595,105)**	(2,747,425)	(3,222,423)
		–	–	–
INCOME BEFORE INCOME TAX		**4,177,001**	5,209,059	4,010,681
INCOME TAX EXPENSE	*13*			
Current		**1,102,599**	1,511,488	1,348,499
Deferred		**118,366**	(18,032)	(221,207)
		1,220,965	1,493,456	1,127,292
NET INCOME		**₱2,956,036**	₱3,715,603	₱2,883,389
Income Attributable to				
Equity holders of the Parent Company		**₱2,954,904**	₱3,714,060	₱2,881,448
Non-controlling interest		**1,132**	1,543	1,941
		₱2,956,036	₱3,715,603	₱2,883,389
Basic/Diluted Earnings per Share Attributable to Equity Holders of the Parent Company	*22*	**₱1.48**	₱1.86	₱1.44

See Notes to the Consolidated Financial Statements.

ASIAN TERMINALS, INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in Thousands)

		Years Ended December 31		
	Note	**2020**	2019	2018
NET INCOME FOR THE YEAR		**₱2,956,036**	₱3,715,603	₱2,883,389
OTHER COMPREHENSIVE INCOME (LOSS)				
Item that will never be reclassified to profit or loss				
Actuarial gains (losses) on pension liability	*21*	**47,678**	(146,124)	39,830
Tax on item taken directly to equity	*13*	**(14,303)**	43,837	(11,949)
		33,375	(102,287)	27,881
Items that are or may be reclassified to profit or loss				
Cash flow hedge - effective portion		**–**	–	(357,154)
Cash flow hedge - reclassified to profit or loss		**–**	–	653,753
Tax on items taken directly to equity		**–**	–	(88,979)
	16	**–**	–	207,620
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR - Net of tax		**33,735**	(102,287)	235,501
TOTAL COMPREHENSIVE INCOME		**₱2,989,411**	₱3,613,316	₱3,118,890
Total Comprehensive Income Attributable to				
Equity holders of the Parent Company		**₱2,988,302**	P3,611,849	P3,116,981
Non-controlling interest		**1,109**	1,467	1,909
		₱2,989,411	₱3,613,316	₱3,118,890

See Notes to the Consolidated Financial Statements.

ASIAN TERMINALS, INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

For The Years Ended December 31, 2020, 2019 and 2018
(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, 2020		₱2,000,000	₱264,300	₱12,900,000	₱3,160,246	₱–	(₱5,820)	₱18,318,726	₱11,245	₱18,329,971
Cash dividends - ₱0.703 a share	16	–	–	–	(1,406,000)	–	–	(1,406,000)	(580)	(1,406,580)
Reversal of appropriation of retained earnings	16	–	–	(2,200,000)	2,200,000	–	–	–	–	–
Appropriations during the year	16	–	–	3,300,000	(3,300,000)	–	–	–	–	–
Net income for the year		–	–	–	2,954,904	–	–	2,954,904	1,132	2,956,036
Other comprehensive income:										
Actuarial gain - net of tax	21	–	–	–	33,398	–	–	33,398	(23)	33,375
Balance at December 31, 2020		**₱2,000,000**	**₱264,300**	**₱14,000,000**	**₱3,642,548**	**₱–**	**(₱5,820)**	**₱19,901,028**	**₱11,774**	**₱19,912,802**
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		–	–	–	(11,616)	–	–	(11,616)	–	(11,616)
Adjusted Balance at January 1, 2019		2,000,000	264,300	10,500,000	3,073,397	–	(5,820)	15,831,877	10,358	P15,842,235
Cash dividends - ₱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

		Attributable to Equity Holders of the Parent Company								
				Retained Earnings						
	Note	Capital Stock	Additional Paid-in Capital	Appropriated for Port Development	Unappropriated	Hedging Reserve	Fair Value Reserve	Total	Non-controlling Interest	Total Equity
Balance at January 1, 2018		₱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

See Notes to the Consolidated Financial Statements.

ASIAN TERMINALS, INC. AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

	Note	2020	2019	2018
			Years Ended December 31	
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		**₱4,177,001**	₱5,209,059	₱4,010,681
Adjustments for:				
Depreciation and amortization	*10, 11, 18, 23*	**1,733,668**	1,529,979	1,130,882
Finance cost	*19*	**544,101**	558,881	540,426
Current service cost	*21*	**43,711**	29,847	35,582
Provisions for spare parts and supplies obsolescence	*18*	**7,000**	29,221	20,000
Net unrealized foreign exchange losses (gains)		**(237,509)**	(211,056)	565,357
Reversal of provision for claims - net	*15*	**(127,673)**	–	–
Equity in net earnings of an associate	*9, 19*	**(49,341)**	(51,129)	(59,299)
Finance income	*19*	**(28,554)**	(157,296)	(113,188)
Gain on disposals of:				
Intangible assets		**(10,861)**	(5,849)	(532)
Property and equipment		**(4,769)**	(6,788)	(4,724)
Reversal of allowance for doubtful accounts	*7*	**(2,700)**	(3,550)	(5,950)
Amortization of noncurrent prepaid rental		**–**	–	984
Operating income before working capital changes		**6,044,074**	6,921,319	6,120,219
Decrease (increase) in:				
Trade and other receivables		**5,047**	102,412	(231,848)
Spare parts and supplies		**(148,790)**	(270,182)	(123,837)
Prepaid expenses		**(335,441)**	(493,308)	(332,490)
Increase (decrease) in:				
Trade and other payables		**(1,306,476)**	(796,299)	(88,588)
Provisions for claims		**(74,101)**	40,440	14,815
Income and other taxes payable		**(24,618)**	14,465	(65,560)
Cash generated from operations		**4,159,695**	5,518,847	5,292,711
Finance income received		**32,290**	169,862	97,303
Finance cost paid		**(25,743)**	(27,914)	(366)
Income tax paid		**(1,050,112)**	(1,573,598)	(1,267,353)
Contributions to retirement funds		**–**	(48,795)	(60,469)
Net cash provided by operating activities		**3,116,130**	4,038,402	4,061,826
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of:				
Intangible assets	*11*	**(₱1,432,434)**	(₱3,101,456)	(₱2,295,504)
Property and equipment	*10*	**(421,024)**	(182,502)	(165,649)
Proceeds from disposals of:				
Intangible assets		**13,882**	5,918	534
Property and equipment		**4,771**	7,601	4,724
Dividends received	*9*	**53,733**	85,258	62,690
Decrease (increase) in:				
Other noncurrent assets		**8,524**	68,489	(95,899)
Deposits		**(74,797)**	(8,386)	(5,073)
Net cash used in investing activities		**(1,847,345)**	(3,125,078)	(2,494,177)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments of:				
Cash dividends	*16*	**(1,406,000)**	(1,125,000)	(900,000)
Cash dividends to non-controlling interest		**(580)**	(580)	(580)
Port concession rights payable	*23*	**(775,542)**	(773,340)	(781,790)
Lease liabilities	*23*	**(140,550)**	(131,625)	–
Net cash used in financing activities		**(2,322,672)**	(2,030,545)	(1,682,370)
NET DECREASE IN CASH AND CASH EQUIVALENTS		**(1,053,887)**	(1,117,221)	(114,721)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**(155,588)**	(103,915)	38,017
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	*6*	**5,647,349**	6,868,485	6,945,189
CASH AND CASH EQUIVALENTS AT END OF YEAR	*6*	**₱4,437,874**	₱5,647,349	₱6,868,485

See Notes to the Consolidated Financial Statements.

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.

The consolidated financial statements were authorized for issue by the Board of Directors (BOD) on February 24, 2021.

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, 2020 and 2019. TCTI was incorporated on January 18, 2018, and a 100% owned subsidiary as at December 31, 2020 and 2019.

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 amendments to standards, including any consequential amendments to other standards, with date of initial application of January 1, 2020.

Adoption of Amendments to Standards

The Group has adopted the following amendments to standards starting January 1, 2020 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.

- *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.

- *Definition of a Business (Amendments to* PFRS 3, *Business Combinations).* 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.

▪ *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.

<u>Standards Issued but Not Yet Adopted</u>
A number of amendments to standards are effective for annual periods beginning after January 1, 2020. 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 June 1, 2020

▪ *COVID-19-Related Rent Concessions (Amendment to* PFRS 16*, Leases)***.** The amendments introduce an optional practical expedient that simplifies how a lessee accounts for rent concessions that are a direct consequence of COVID-19. A lessee that applies the practical expedient is not required to assess whether eligible rent concessions are lease modifications, and accounts for them in accordance with other applicable guidance. The practical expedient applies if:

  - the revised consideration is substantially the same or less than the original consideration;
  - the reduction in lease payments relates to payments due on or before June 30, 2021; and
  - no other substantive changes have been made to the terms of the lease.

  Lessees applying the practical expedient are required to disclose that fact, whether they have applied the practical expedient to all eligible rent concessions and, if not, the nature of the contracts to which they have applied the practical expedient; and the amount recognized in profit or loss for the reporting period arising from application of the practical expedient. No practical expedient is provided for lessors.

  The amendment is effective for annual reporting periods beginning on or after June 1, 2020. Earlier application is permitted. A lessee applies the amendments retrospectively, recognizing the cumulative effect of the amendments as an adjustment to the opening balance of retained earnings or other component of equity, as appropriate.

Effective January 1, 2022

▪ *Property, Plant and Equipment - Proceeds before Intended Use (Amendments to* PAS 16*, Property, Plant and Equipment).* The amendments prohibit an entity from deducting from the cost of an item of property, plant and equipment the proceeds from selling items produced before that asset is available for use. The proceeds before intended use should be recognized in profit or loss, together with the costs of producing those items which are identified and measured in accordance with PAS 2, *Inventories*.

  The amendments also clarify that testing whether an item of property, plant and equipment is functioning properly means assessing its technical and physical performance rather than assessing its financial performance.

  For the sale of items that are not part of a company's ordinary activities, the amendments require the company to disclose separately the sales proceeds and related production cost recognized in profit or loss and specify the line items in which such proceeds and costs are included in the statement of comprehensive income. This disclosure is not required if such proceeds and cost are presented separately in the statement of comprehensive income.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted. The amendments apply retrospectively, but only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the company first applies the amendments.

▪ *Onerous Contracts - Cost of Fulfilling a Contract (Amendment to* PAS 37*, Provisions, Contingent Liabilities and Contingent Assets).* The amendments clarify that the cost of fulfilling a contract when assessing whether a contract is onerous includes all costs that relate directly to a contract - i.e. it comprises both incremental costs and an allocation of other direct costs.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022 to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other component of equity, as appropriate. The comparatives are not restated. Earlier application is permitted.

▪ *Annual Improvements to PFRS Standards 2018-2020.* This cycle of improvements contains amendments to three standards:

  - *Subsidiary as a First-time Adopter (Amendment to* PFRS 1*, First-time Adoption of Philippine Financial Reporting Standards).* The amendment simplifies the application of PFRS 1 for a subsidiary that becomes a first-time adopter of PFRS later than its parent. The subsidiary may elect to measure cumulative translation differences for all foreign operations at amounts included in the consolidated financial statements of the parent, based on the parent's date of transition to PFRS.

  - *Fees in the '10 per cent' Test for Derecognition of Financial Liabilities (Amendment to* PFRS 9*, Financial Instruments).* The amendment clarifies that for the purpose of performing the '10 per cent' test for derecognition of financial liabilities, the fees paid net of fees received included in the discounted cash flows include only fees paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf.

  - *Lease Incentives (Amendment to Illustrative Examples accompanying* PFRS 16*, Leases).* The amendment deletes from the Illustrative Example 13 the reimbursement relating to leasehold improvements to remove the potential for confusion because the example had not explained clearly enough the conclusion as to whether the reimbursement would meet the definition of a lease incentive in PFRS 16.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2022. Earlier application is permitted.

▪ *Reference to the Conceptual Framework (Amendment to PFRS 3 Business Combinations).* The amendments:

  - updated PFRS 3 so that it now refers to the 2018 Conceptual Framework;

- added a requirement that, for transactions and other events within the scope of PAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or IFRIC 21 *Levies*, an acquirer applies PAS 37 or IFRIC 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination; and

- added an explicit statement that an acquirer does not recognize contingent assets acquired in a business combination.

The amendments are effective for business combinations occurring in reporting periods starting on or after January 1, 2022. Earlier application is permitted.

Effective January 1, 2023

- *Classification of Liabilities as Current or Non-current (Amendments to* PAS 1*, Presentation of Financial Statements)*. To promote consistency in application and clarify the requirements on determining whether a liability is current or non-current, the amendments:

  - removed the requirement for a right to defer settlement of a liability for at least twelve months after the reporting period to be unconditional and instead requires that the right must have substance and exist at the end of the reporting period;

  - clarified that a right to defer settlement exists only if the company complies with conditions specified in the loan agreement at the end of the reporting period, even if the lender does not test compliance until a later date; and

  - clarified that settlement of a liability includes transferring a company's own equity instruments to the counterparty, but conversion options that are classified as equity do not affect classification of the liability as current or non-current.

  The amendments apply retrospectively for annual reporting periods beginning on or after January 1, 2023. 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*, Consolidated Financial Statements and* PAS 28*, Investments in Associates and Joint Ventures)*. The amendments address an inconsistency between the requirements in PFRS 10 and in PAS 28, in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

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

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

Financial Instruments

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

Recognition and Initial Measurement. Trade receivables and debt securities issued are initially recognized when they are originated. All other financial assets and financial liabilities are initially recognized when the 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 is 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.

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

<u>Derecognition of Financial Instruments</u>
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.

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, *Revenue from Contracts with Customers*. When the construction or upgrade services are provided or delivered under concession arrangement accounted within the scope of Philippine Interpretation IFRIC 12, *Service Concession Arrangements* 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 consolidated statement of financial position. Payments made under operating leases were recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognized as an integral part of the total lease expense, over the term of the lease.

Employee Benefits

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- where the VAT incurred on a purchase of assets or services is not recoverable from the tax authority, in which case the sales tax is recognized as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- receivables and payables that are stated with amount of VAT included.

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

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

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

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

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

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

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

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

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

5. Significant Accounting Judgments, Estimates and Assumptions

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

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

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

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

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

The intangible assets pertaining to concession rights as at December 31, 2020 and 2019 are presented in Note 11 to the consolidated financial statements.

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

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

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

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

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

Provisions for claims amounted to ₱58.0 million and ₱259.8 million as at December 31, 2020 and 2019, respectively (see Note 15).

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

Lease liabilities on property leases on which extension options were exercised amounted to ₱92.3 million and ₱161.4 million as at December 31, 2020 and 2019.

6. Cash and Cash Equivalents

	Note	**2020**	2019
Cash on hand and in banks		**₱1,335,943**	₱395,470
Short-term investments		**3,101,931**	5,251,879
	24, 25	**₱4,437,874**	₱5,647,349

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 ₱28.6 million, ₱157.3 million and ₱111.1 million in 2020, 2019 and 2018, respectively (see Note 19).

7. Trade and Other Receivables

	Note	**2020**	2019
Trade receivables		**₱399,852**	₱507,092
Receivable from insurance		**102,197**	33,994
Due from related parties	*20*	**63,930**	33,772
Advances to officers and employees		**25,597**	26,948
Receivable from escrow fund		**13,635**	13,635
Interest receivable		**359**	4,095
Other receivables		**23,141**	18,042
		628,711	637,578
Allowance for impairment losses		**(4,195)**	(6,979)
	24, 25	**₱624,516**	₱630,599

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, 2019	₱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
Reversals during the year	–	(2,700)	(2,700)
Write-offs	(84)	–	(84)
Balance at December 31, 2020	**₱1,089**	**₱3,106**	**₱4,195**

8. Prepaid Expenses

	Note	**2020**	2019
Taxes		**₱1,686,889**	₱1,297,595
Insurance		**13,105**	71,277
Advances to contractors		**4,918**	5,538
Rental	*12, 23*	**3,927**	4,004
Advances to government agencies		**101**	101
Others		**22,377**	17,361
		₱1,731,317	₱1,395,876

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

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

9. Investment in an Associate

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

	Note	**2020**	2019
Acquisition cost		**₱11,222**	₱11,222
Accumulated equity in net earnings:			
Balance at beginning of year		**38,285**	72,414
Equity in net earnings for the year	*19*	**49,341**	51,129
Dividends received during the year		**(53,733)**	(85,258)
		33,893	38,285
		₱45,115	₱49,507

The information presented in the table includes the result of SCIPSI's operations for the years ended December 31, 2020 and 2019. The following table also reconciles the summarized financial information to the carrying amount of the Group's interest in SCIPSI.

	2020	2019
Current assets	**₱140,916**	₱98,217
Noncurrent assets	**64,471**	77,793
Total assets	**₱205,387**	₱176,010
Current liabilities	**P50,907**	₱44,109
Noncurrent liabilities	**47,105**	2,382
Total liabilities	**₱98,012**	₱46,491
Net assets	**₱107,375**	₱129,519
Share in net assets	**₱38,344**	₱46,251
Excess of cost over the interest	**6,771**	3,256
Carrying amount of interest	**₱45,115**	₱49,507
Revenues	**₱345,105**	₱363,202
Expenses	**(206,937)**	(220,023)
Net income	**₱138,168**	₱143,179

Based on unaudited financial statements

Dividend income of ₱53.7 million and ₱85.3 million was received in 2020 and 2019, respectively.

10. Property and Equipment - net

The movements in this account are as follows:

2020

	Port Facilities and Equipment	Leasehold Improvements	Furniture, Fixtures and Equipment	Transportation and Other Equipment	Construction in-progress	Total
Cost						
Balance at beginning of year	**₱198,215**	**₱678,688**	**₱703,245**	**₱240,691**	**₱224,328**	**₱2,045,167**
Additions	**66,628**	**7,407**	**48,217**	**54,848**	**246,721**	**423,821**
Disposals	**(39,596)**	**–**	**(3,021)**	**(16,238)**	**–**	**(58,855)**
Reclassifications	**–**	**(1,286)**	**3,324**	**3,682**	**6,535**	**12,255**
Balance at end of year	**225,247**	**684,809**	**751,765**	**282,983**	**477,584**	**2,422,388**
Accumulated Depreciation and Amortization						
Balance at beginning of year	**134,673**	**413,632**	**429,469**	**133,282**	**–**	**1,111,056**
Depreciation and amortization	**9,724**	**31,694**	**97,037**	**32,915**	**–**	**171,370**
Disposals	**(39,596)**	**–**	**(3,019)**	**(16,238)**	**–**	**(58,853)**
Reclassifications	**–**	**–**	**–**	**–**	**–**	**–**
Balance at end of year	**104,801**	**445,326**	**523,487**	**149,959**	**–**	**1,223,573**
Carrying Amount	**₱120,446**	**₱239,483**	**₱228,278**	**₱133,024**	**₱477,584**	**₱1,198,815**

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

The Group has non-cash additions for the years ended December 31, 2020 and 2019 which amounted to ₱2.8 million and ₱11.9 million, respectively.

Cost of fully depreciated property and equipment which are still being used by the Group amounted to ₱528.23 million and ₱403.0 million as at December 31, 2020 and 2019, respectively.

11. Intangible Assets - net

The movements in this account are as follows:

2020

	Port Concession Rights					
	Upfront Fees (Note 23)	Fixed Government Share	Port Infrastructure	Subtotal	Goodwill	Total
Cost						
Balance at beginning of year	**₱882,000**	**₱9,279,694**	**₱20,757,720**	**₱30,919,414**	**₱42,060**	**₱30,961,474**
Additions	**–**	**–**	**1,595,105**	**1,595,105**	**–**	**1,595,105**
Reclassifications	**–**	**–**	**(14,437)**	**(14,437)**	**–**	**(14,437)**
Disposals	**–**	**–**	**(121,234)**	**(121,234)**	**–**	**(121,234)**
Balance at end of year	**882,000**	**9,279,694**	**22,217,154**	**332,378,848**	**42,060**	**32,420,908**
Accumulated Amortization						
Balance at beginning of year	**74,654**	**3,559,370**	**7,276,210**	**10,910,234**	**–**	**10,910,234**
Amortization	**11,280**	**386,596**	**1,004,420**	**1,402,296**	**–**	**1,402,296**
Reclassifications	**–**	**–**	**–**	**–**	**–**	**–**
Disposals	**–**	**–**	**(118,213)**	**(118,213)**	**–**	**(118,213)**
Balance at end of year	**85,934**	**3,945,966**	**8,612,416**	**12,194,316**	**–**	**12,194,316**
Carrying Amount	**₱796,066**	**₱5,333,728**	**₱14,054,737**	**₱20,184,531**	**₱42,060**	**₱20,226,591**

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

The unamortized capitalized borrowing costs as at December 31, 2020 and 2019 amounted to ₱64.1 million and ₱68.8 million, respectively. No borrowing costs were capitalized in 2020 and 2019.

The Group has non-cash additions for the years ended December 31, 2020 and 2019 which amounted to ₱162.7 million and ₱246.0 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:

	2020	2019
Balance at beginning of year	**₱2,144,577**	₱2,762,999
Additions during the year	**1,595,105**	2,747,425
Reclassification during the year	**(896,996)**	(3,365,847)
Balance at end of year	**₱2,842,686**	₱2,144,577

Goodwill

Key Assumptions

In testing impairment of goodwill, the recoverable amount of ATIB is the value in use, which has been determined by calculating the present value of cash flow projections from the operations of ATIB. The average revenue growth rate assumption used was 5.0%. The discount rate applied to cash flow projections is 2.3% in 2020 and 5.9% in 2019 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 ₱1.7 billion and ₱0.6 billion in 2020 and 2019, 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	**2020**	2019
Deposits	*24, 25*	**₱131,953**	₱57,154
Taxes		**39,270**	47,796
Equity securities	*24, 25*	**2,652**	2,652
		₱173,875	₱107,602

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 15.6%. The carrying amounts of these refundable security deposits at amortized cost amounted to ₱14.8 million as at December 31, 2020 and 2019.

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:

	2020	2019	2018
Statutory income tax rate	**30.00%**	30.00%	30.00%
Changes in income tax rate resulting from:			
Income subjected to final tax	**(0.72)**	(0.98)	(0.94)
Others	**(0.05)**	(0.35)	(0.95)
Effective income tax rate	**29.23%**	28.67%	28.11%

The movements in deferred tax balances are as follows:

2020	*Note*	**Net Balance at January 1**	**Recognized in Profit or Loss**	**Recognized in OCI**	**December 31 Deferred Tax Assets**	**December 31 Deferred Tax Liabilities**	**Net**
Port concession rights payable related to fixed government share		**₱471,748**	**₱31,465**	**₱–**	**₱503,213**	**₱–**	**₱503,213**
Unrealized foreign exchange loss - net		**376,514**	**(102,427)**	**–**	**274,087**	**–**	**274,087**
Provisions for claims		**77,940**	**(60,533)**	**–**	**17,407**	**–**	**17,407**
Pension liability	*21*	**62,712**	**14,259**	**(14,303)**	**62,668**	**–**	**62,668**
Excess of cost over net realizable value of spare parts and supplies		**26,235**	**994**	**–**	**27,229**	**–**	**27,229**
Accrued expenses		**16,845**	**(4,845)**	**–**	**12,000**	**–**	**12,000**
Impairment losses on receivables	*7*	**2,730**	**(25)**	**–**	**2,705**	**–**	**2,705**
Right-of-use and lease liability		**186**	**1,171**	**–**	**1,357**	**–**	**1,357**
Unamortized capitalized borrowing costs and custom duties		**(21,736)**	**1,575**	**–**	**–**	**(20,161)**	**(20,161)**
Net tax assets (liabilities)		**₱1,013,174**	**(₱118,366)**	**(₱14,303)**	**₱900,666**	**(₱20,161)**	**₱880,505**

2019	*Note*	Net Balance at January 1	Recognized in Profit or Loss	Recognized in OCI	December 31 Deferred Tax Assets	December 31 Deferred Tax Liabilities	Net
Port concession rights payable related to fixed government share		₱433,373	₱38,375	₱–	₱471,748	₱–	₱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	₱43,837	₱1,034,910	(₱21,736)	₱1,013,174

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	**2020**	2019
Accrued expenses:			
Finance costs		**₱129,744**	₱141,330
Marketing, commercial and promotion		**123,848**	677,068
Personnel costs		**112,818**	171,019
Repairs and maintenance		**47,338**	89,097
Professional fees		**41,204**	153,315
Security expenses		**27,443**	36,921
Corporate social responsibility		**15,203**	13,414
Trucking expense		**11,109**	31,296
Rentals	*23*	**10,698**	14,729
Utilities		**9,812**	13,639
Safety and environment		**5,656**	4,659
Miscellaneous		**100,472**	102,958
Due to government agencies	*23*	**614,674**	684,531
Equipment acquisitions		**306,991**	572,418
Trade		**254,212**	288,681
Shippers' and brokers' deposits		**114,493**	95,642
Management fee payable	*20*	**20,104**	15,488
Other payables		**169,031**	146,803
	24, 25	**₱2,114,850**	₱3,253,008

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. This account includes dividends and other non-trade payables.

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

	2020	2019
Balance at beginning of year	**₱259,799**	₱219,359
Provisions (reversals) during the year	**(127,673)**	109,541
Payments during the year	**(74,102)**	(69,101)
Balance at end of year	**₱58,024**	₱259,799

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, 2020, the Parent Company has a total of 2 billion issued and outstanding common shares and 822 stockholders.

Capital Stock - P1 Par Value
The Parent Company has 2.0 billion issued and fully paid capital stock, from its 4.0 billion authorized common shares, as at December 31, 2020 and 2019.

Retained Earnings
The Group's unappropriated retained earnings includes the subsidiaries' unappropriated net earnings of ₱21.1 million and ₱9.6 million and the Group's accumulated equity in the net earnings of an associate amounting to ₱33.9 million and ₱38.3 million as at December 31, 2020 and 2019, 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 March 30, 2020, the BOD approved the declaration of cash dividends amounting to ₱1,406.0 million or ₱0.70 per share payable on May 26, 2020 to common shareholders of record as at April 29, 2020.

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 P0.45 per share payable on June 18, 2018 to common shareholders of record as at May 22, 2018.

Appropriation and Reversal of Appropriation of Retained Earnings
On December 20, 2020, the Group's BOD approved the reversal to the unappropriated retained earnings of the amount of ₱2.2 billion out of the already approved appropriation of ₱12.9 billion, for capital expenditures for 2019 and 2020. Furthermore, the Group's BOD approved an appropriation of the retained earnings amounting to ₱3.3 billion for capital expenditures for the next 2 years. The Group's BOD also approved on the same date a budget amounting to ₱11.8 billion for capital expenditures which include yard and berth development as well as construction of new facilities and equipment acquisition for 2021 to 2022. The capital expenditures will strengthen the Group's operations and capability to handle growth.

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 ₱9.0 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.

Fair Value Reserve
Fair value reserve amounting to ₱5.8 million as at December 31, 2020 and 2019 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, 2020 and 2019, the effective fair value changes of the Group's cash flow hedge that was recognized in other comprehensive income, net of tax, amounted to nil. For the year ended December 31, 2018, this amounted to ₱250.0 million.

For the years ended December 31, 2020 and 2019, the Group's cash flow hedge that was reclassified to profit or loss from other comprehensive income, net of tax, amounted to nil. For the year ended December 31, 2018, this amounted to ₱457.6 million.

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 ₱1.8 billion, ₱2.3 billion and ₱2.3 billion in 2020, 2019 and 2018, respectively (see Note 23).

18. Costs and Expenses Excluding Government Share in Revenues

	Note	**2020**	2019	2018
Depreciation and amortization	10, 11, 23	**₱1,733,668**	₱1,529,979	₱1,130,882
Labor costs	21	**1,447,015**	1,551,941	1,462,559
Equipment running		**548,285**	812,343	797,971
Taxes and licenses		**412,407**	390,164	272,084
Management fees	20	**184,380**	229,821	176,083
Security, health, environment and safety		**167,014**	212,654	205,407
Facilities-related expenses		**155,600**	210,506	200,520
Insurance		**144,182**	110,743	87,280
General transport		**109,249**	96,442	46,128
Rental	23	**21,130**	38,883	148,134
Professional fees		**13,958**	26,255	80,469
Marketing, commercial and promotion		**9,708**	56,009	86,450
Provision for claims	15	**2,327**	109,541	25,738
Entertainment, amusement and recreation		**2,306**	8,908	7,787
Others		**110,963**	222,239	213,370
		₱5,062,192	₱5,606,428	₱4,940,862

Labor costs include salaries, benefits and pension expense.

Spare parts and supplies used and included under equipment running amounted to ₱184.4 million, ₱310.9 million and ₱296.3 million in 2020, 2019 and 2018, respectively.

Provision for spare parts and supplies obsolescence included under other costs and expenses amounted to ₱7.0 million, ₱29.2 million and ₱20.0 million in 2020, 2019 and 2018, 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	**2020**	2019	2018
Interest on cash in banks and short-term investments	*6*	**₱28,554**	₱157,296	₱111,066
Accretion of rental deposits	*12, 23*	**–**	–	2,122
		₱28,554	₱157,296	₱113,188

Finance cost is broken down as follows:

	Note	**2020**	2019	2018
Interest on port concession rights payable		**₱510,447**	₱528,747	₱533,664
Interest on lease liability	*23*	**25,540**	27,696	–
Interest component of pension expense	*21*	**7,911**	2,220	6,396
Interest on bank loans/credit facilities		**203**	218	366
		₱544,101	₱558,881	₱540,426

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	**2020**	2019	2018
Foreign exchange gains (losses) - port concession rights payable		**₱291,455**	₱184,487	(₱136,851)
Reversal of prior year provision and accruals		**255,503**	–	–
Income from insurance claims		**104,666**	44,046	–
Equity in net earnings of an associate	*9*	**49,341**	51,129	59,299
Gain on disposal of equipment and intangible assets		**15,630**	12,637	5,256
Management income	*20*	**9,226**	9,672	10,285
Foreign exchange gains (losses) - others		**(146,107)**	(94,430)	35,461
Foreign exchange losses - cash flow hedge		**–**	–	(603,374)
Other income - net		**19,625**	9,195	2,143
		₱599,339	₱216,736	(₱627,781)

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

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

Reversal pertains to prior year provision for claims and accruals of professional fees and advertising expenses in excess of settlement paid which resulted to abnormal balances of the related expense accounts and were reclassified to other income.

Income from insurance claims includes amounts received in excess of the amount of liquidated damages to the properties of the Group caused by fire, earthquake and typhoon.

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	*Note*	**Year**	**Amount of the Transaction**	**Due from Related Parties**	**Due to Related Parties**	**Lease Liability**	**Terms**	**Conditions**
Associate								
▪ Management income	*20A*	**2020**	**₱9,226**	**₱1,696**	**₱–**	**₱–**	**Payable on demand**	**Unsecured; no impairment**
		2019	9,672	891	–	–	Payable on demand	Unsecured; no impairment
▪ Dividend income	*9*	**2020**	**53,733**	**17,911**	**–**	**–**	**Payable on demand**	**Unsecured; no impairment**
		2019	85,258	–	–	–	Payable on demand	Unsecured; no impairment

Outstanding Balance
Category/ Transaction | Note | Year | Amount of the Transaction | Due from Related Parties | Due to Related Parties | Lease Liability | Terms | Conditions

Post-Employment Benefit Plan

(Forward)

Category/ Transaction	Note	Year	Amount of the Transaction	Outstanding Balance: Due from Related Parties	Outstanding Balance: Due to Related Parties	Lease Liability	Terms	Conditions
▪ Retirement fund	*20B*	**2020**	**71,438**	**43,978**	–	–	**Payable on demand**	**Unsecured; no impairment**
		2019	75,449	32,459	–	–	Payable on demand	Unsecured; no impairment
Others								
▪ Management fees	*20C*	**2020**	**184,380**	–	**20,104**	–	**Payable within ten (10 days) of the following month**	**Unsecured**
		2019	229,821	–	15,488	–	Payable within ten (10) days of the following month	Unsecured
▪ Advances	*20D*	**2020**	**2,105**	**345**	–	–	**Payable on demand**	**Unsecured; no impairment**
		2019	2,207	422	–	–	Payable on demand	Unsecured; no impairment
▪ Lease	*20E*	**2020**	**25,008**	–	–	**81,172**	**Payable within five (5 days) of the following month**	**Unsecured**
		2019	16,672	–	–	99,767		
TOTAL		**2020**		**₱63,930**	**₱20,104**	**₱81,172**		
TOTAL		2019		₱33,772	₱15,488	₱99,767		

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

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 27, 2020 for another five years until August 31, 2025. 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:

	2020	2019
Short-term employee benefits	**₱188,722**	₱202,850
Post-employment benefits	**12,741**	8,569
	₱201,463	₱211,419

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, 2020. 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		
	2020	2019	2018	**2020**	2019	2018	**2020**	2019	2018
Current service cost	**₱39,747**	₱27,718	₱33,874	**₱3,964**	₱2,129	₱1,708	**₱43,711**	₱29,847	₱35,582
Interest cost on defined benefit obligation	**28,014**	31,529	28,809	**2,436**	2,430	1,652	**30,450**	33,959	30,461
Interest income on plan assets	**(20,710)**	(29,379)	(22,252)	**(1,829)**	(2,360)	(1,813)	**(22,539)**	(31,739)	(24,065)
Net pension expense	**₱47,051**	₱29,868	₱40,431	**₱4,571**	₱2,199	₱1,547	**₱51,622**	₱32,067	₱41,978

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	
	2020	2019	**2020**	2019	**2020**	2019
Present value of pension obligations	**(₱568,642)**	(₱602,339)	**(₱59,776)**	(₱48,576)	**(₱628,418)**	(₱650,915)
Fair value of plan assets	**403,310**	432,407	**37,018**	34,362	**440,328**	466,769
Pension liability	**(₱165,332)**	(₱169,932)	**(₱22,758)**	(₱14,214)	**(₱188,090)**	(₱184,146)

Changes in the Present Value of Pension Obligations

	ATI		ATIB		TOTAL	
	2020	2019	**2020**	2019	**2020**	2019
Present value of pension obligations at beginning of year	**₱602,339**	₱474,061	**₱48,576**	₱33,941	**₱650,915**	₱508,002
Current service cost	**39,747**	27,718	**3,964**	2,129	**43,711**	29,847
Interest cost	**28,014**	31,529	**2,436**	2,430	**30,450**	33,959
Benefits paid	**(50,488)**	(71,518)	**(3,243)**	(3,550)	**(53,731)**	(75,068)
Actuarial loss (gain)	**(50,970)**	140,549	**8,043**	13,626	**(42,927)**	154,175
Present value of pension obligations at end of year	**₱568,642**	₱602,339	**₱59,776**	₱48,576	**₱628,418**	₱650,915

Changes in the Fair Value of Plan Assets

	ATI		ATIB		TOTAL	
	2020	2019	**2020**	2019	**2020**	2019
Fair value of plan assets at beginning of year	**₱432,407**	₱422,308	**₱34,362**	₱30,941	**₱466,769**	₱453,249
Interest income	**20,710**	29,379	**1,829**	2,360	**22,539**	31,739
Actual contributions	**–**	44,703	**–**	4,092	**–**	48,795
Remeasurement gain on plan assets	**681**	12,776	**1,257**	836	**1,938**	13,612
Benefits paid	**(50,488)**	(76,759)	**(430)**	(3,867)	**(50,918)**	(80,626)
Fair value of plan assets at end of year	**₱403,310**	₱432,407	**₱37,018**	₱34,362	**₱440,328**	₱466,769

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

	ATI			ATIB			TOTAL		
	2020	2019	2018	**2020**	2019	2018	**2020**	2019	2018
Actuarial gain (loss) due to:									
Changes in financial assumptions	**(₱32,713)**	(₱107,477)	₱47,701	**(₱4,551)**	(₱11,072)	₱5,894	**(₱37,264)**	(₱118,549)	₱53,595
Changes in demographic assumptions	**47,365**	–	29,153	**(4,155)**	–	(3,669)	**43,210**	–	25,484
Experience adjustment	**36,317**	(38,315)	(2,043)	**3,477**	(2,872)	(5,756)	**39,794**	(41,187)	(7,799)
Remeasurement gain (loss) on plan assets	**681**	12,776	(29,526)	**1,257**	836	(1,924)	**1,938**	13,612	(31,450)
	₱51,650	(₱133,016)	₱45,285	**(₱3,972)**	(₱13,108)	(₱5,455)	**₱47,678**	(₱146,124)	₱39,830

The cumulative amount of actuarial gain (loss) recognized in the consolidated statements of changes in equity included under "Retained earnings" account amounted to ₱11.8 million and (₱35.9) million as at December 31, 2020 and, 2019, 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	
	2020	2019	**2020**	2019	**2020**	2019
Cash and cash equivalents	**₱2**	₱5,574	**₱5**	₱363	**₱7**	₱5,937
Investment in UITF	**14,994**	5,776	**2,296**	825	**17,290**	6,601
Equity instruments	**55,544**	62,563	**4,359**	4,587	**59,903**	67,150
Investment in government securities	**301,283**	326,024	**27,952**	26,002	**329,235**	352,026
Debt instruments	**28,563**	13,909	**2,172**	1,203	**30,735**	15,112
Other receivables	**2,924**	18,561	**234**	1,382	**3,158**	19,943
	₱403,310	₱432,407	**₱37,018**	₱34,362	**₱440,328**	₱466,769

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	
	2020	2019	**2020**	2019
Discount rate at end of year	**3.8%**	4.9%	**4.1%**	5.0%
Salary increase rate	**3.0%-6.0%**	3.5%-6.0%	**3.0%-6.0%**	3.5%-6.0%

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	
	2020	2019	**2020**	2019
Average expected future service years	**13**	11	**18**	13

Maturity analysis of the benefit payments:

	2020	
	Expected Benefit Payments	
	ATI	ATIB
Within 1 Year	**₱76,841**	**₱2,150**
Within 1 - 5 Years	**204,227**	**7,930**
More than 5 Years	**1,494,904**	**566,182**

	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

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:

2020

	ATI		ATIB	
	1% Increase	**1% Decrease**	**1% Increase**	**1% Decrease**
Discount rate	**(₱42,064)**	**₱48,957**	**(₱7,704)**	**₱9,531**
Salary increase rate	**50,911**	**(44,529)**	**9,541**	**(7,869)**

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)

The Group expects to pay ₱51.0 million in contributions to defined benefit pension plans in 2021.

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

Basic EPS is computed as follows:

		2020	2019	2018
(a)	Net income attributable to Equity Holders of the Parent Company (in thousands)	**₱2,954,904**	₱3,714,060	₱2,881,448
(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)		**₱1.48**	₱1.86	₱1.44

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 USD385.7 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.

   In 2020, the reclamation of the Engineering Island Basin, which is part of the South Harbor, was subject to jurisdictional dispute between the PPA and the Philippine Reclamation Authority. The opinion of the Department of Justice (DOJ) on the matter is still pending. It is the opinion of the Group that any opinion rendered by the DOJ will not have any material impact on the Group's ability to use the subject reclaimed land.

   Some of the Group's budgeted expansions for 2020 were delayed, amounting to approximately USD90.0 million, due to the impact of COVID-19. The revenues for the year ended December 31, 2020 decreased by 18% and expenses amounting to around ₱84.0 million were incurred relative to addressing the COVID-19 situation in the workplace and providing support to the nearby communities and employees. These expenses include food assistance to nearby communities as part of corporate social responsibility of the Group; medical expenses, financial assistance, and quarantine meals for employees; vehicle rentals for transport of employees; and expenses incurred for the disinfection of the Group's offices. Capital expenditures will proceed as planned, but timelines are adjusted.

   ii. Government Share

   - For storage operations, the Parent Company shall pay an annual fixed government share of ₱55.0 million payable quarterly and a government share of 30% of its annual gross storage revenue in excess of ₱273.0 million.

   - For international containerized cargo operations, the Parent Company shall pay quarterly fixed government share of USD2.25 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 USD2.26 million for the first 2 years, USD4.68 million for the 3rd year, USD5.08 million for the 4th-7th year, and USD5.33 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:

	2020	2019
Balance as at January 1	**₱8,302,992**	₱8,866,882
Accretion of port concession rights payable	**505,416**	524,421
Payments during the year	**(775,542)**	(773,340)
Effects of exchange rate changes	**(393,097)**	(314,971)
Balance as at December 31	**₱7,639,769**	₱8,302,992

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, ₱1.3 million and ₱1.2 million in 2020, 2019 and 2018, respectively.

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

	2018
Within one year	₱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 ₱0.6 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.

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

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	**2020**	2019
Balance at January 1		**₱676,129**	₱587,088
Additions to right-of-use assets		**99,383**	216,932
Depreciation during the year	*18*	**(160,002)**	(127,891)
Balance at December 31		**₱615,510**	₱676,129

ii. Lease Liabilities

	Note	2020	2019
Balance at January 1		**₱640,942**	₱555,635
Additions to lease liabilities		**99,383**	216,932
Interest expense during the year	19	**25,540**	27,696
Payments made		**(166,090)**	(159,321)
Balance at December 31		**₱599,775**	₱640,942

As at December 31, 2020 and 2019, the Group has current and noncurrent lease liabilities included in the statement of financial position as follows:

	2020	2019
Current	**₱134,452**	₱136,701
Noncurrent	**465,323**	504,241
	₱599,775	₱640,942

iii. Amounts to Recognized in Profit or Loss

	Note	2020	2019
Depreciation expense	18	**₱160,002**	₱127,891
Interest on lease liabilities	19	**25,540**	27,696
Expenses relating to short-term and/ or low value leases	18	**21,130**	38,883

iv. Amounts Recognized in Statements of Cash Flows

	2020	2019
Payments of lease liabilities	**₱140,550**	₱131,625
Interest paid	**25,540**	27,696
Cash outflow relating to short-term and/or low value leases	**21,130**	38,883
Total cash outflow for leases	**₱187,220**	₱198,204

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

24. Financial Risk and Capital Management Objectives and Policies

The Group has various financial assets and liabilities such as cash and cash equivalents, trade and other receivables, deposits, equity securities, trade and other payables, 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, 2020 and 2019, the interest rate profile of the Group's interest- bearing financial instrument is as follows:

	2020	2019
Fixed Rate Instruments		
Cash and cash equivalents*	**₱4,436,490**	₱5,646,441

** Excluding cash on hand amounting to ₱1.4 million and ₱0.9 million as at December 31, 2020 and 2019, 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, 2020	**Carrying Amount**	**On Demand**	**Less than 3 Months**	**3 to 12 Months**	**1 to 5 Years**	**> 5 Years**	**Total**
Trade and other payables*	**₱1,500,176**	**₱227,771**	**₱397,340**	**₱875,065**	**₱–**	**₱–**	**₱1,500,176**
Port concession rights payable	**7,639,769**	**–**	**199,201**	**597,601**	**3,859,042**	**6,927,877**	**11,583,721**
Lease liabilities	**599,775**	**11,307**	**22,614**	**101,765**	**206,526**	**422,595**	**764,807**
	₱9,739,720	**₱239,078**	**₱619,155**	**₱1,574,431**	**₱4,065,568**	**₱7,350,472**	**₱13,848,704**

**excluding due to government agencies amounting to ₱0.6 million and ₱0.7 million as at December 31, 2020 and 2019, respectively.*

		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
	₱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*

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, 2020 and 2019, without considering the effects of collaterals and other risk mitigation techniques, is presented below.

	Note	**2020**	2019
Cash and cash equivalents*	*6*	**₱4,436,490**	₱5,646,441
Trade and other receivables - net	*7*	**624,516**	630,599
Deposits	*12*	**131,953**	57,154
Equity securities	*12*	**2,652**	2,652
		₱5,195,611	₱6,336,846

* *excluding cash on hand amounting to ₱1.4 million and ₱0.9 million as at December 31, 2020 and 2019, 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, 2020			
	Grade A	**Grade B**	**Grade C**	**Total**
Cash in banks and cash equivalents	**₱4,436,490**	**₱–**	**₱–**	**₱4,436,490**
Trade and other receivables - net	**352,587**	**271,929**	**–**	**624,516**
Deposits	**131,953**	**–**	**–**	**131,953**
Equity securities	**2,652**	**–**	**–**	**2,652**
	₱4,923,682	**₱271,929**	**₱–**	**₱5,195,611**

	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

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	**2020**	2019
Shipping lines		**₱372,605**	₱376,234
Others		**251,911**	254,365
	7	**₱624,516**	₱630,599

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, 2020 and 2019:

	Gross Carrying Amount	**Impairment Loss Allowance**	**Credit-impaired**
Current (not past due)	₱464,823	₱–	No
1 - 30 days past due	62,650	–	No
31 - 60 days past due	76,671	–	No
61- 90 days past due	13,271	–	No
More than 90 days past due	11,296	4,195	Yes
Balance at December 31, 2020	**₱628,711**	**₱4,195**	

	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	

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

	2020	**Individually Impaired**	**Collectively Impaired**
Balance at January 1	**₱6,979**	**₱1,173**	**₱5,806**
Reversals during the year	**(2,700)**	**–**	**(2,700)**
Write-offs	**(84)**	**(84)**	**–**
Balance at December 31	**₱4,195**	**₱1,089**	**₱3,106**

	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

The significant change in the gross carrying amount of trade receivables that contributed also to the change in the impairment loss allowance during 2020 and 2019 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 ₱4.4 billion and ₱5.6 billion as at December 31, 2020 and 2019, 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:

	2020	2019
Assets		
Cash and cash equivalents	**USD53,141**	USD55,955
Liabilities		
Trade and other payables	**1,040**	7,132
Port concession rights payable	**134,718**	138,805
	135,758	145,937
Net foreign currency-denominated liabilities	**(USD82,617)**	(USD89,982)
Peso equivalent	**(₱3,967,516)**	(₱4,556,688)

The exchange rates applicable for USD as at December 31, 2020 and 2019 are ₱48.03 and ₱50.64, 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**
2020		
+5%	**(₱198,376)**	**(₱138,863)**
-5%	**198,376**	**138,863**
2019		
+5%	(₱227,834)	(₱159,484)
-5%	227,834	159,484

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, except for the investment it has committed in accordance with the investment plan discussed in Note 23.

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

	Note	**2020**	2019
Capital stock		**₱2,000,000**	₱2,000,000
Additional paid-in capital		**264,300**	264,300
Retained earnings		**17,642,548**	16,060,246
Fair value reserve		**(5,820)**	(5,820)
Total	*16*	**₱19,901,028**	₱18,318,726

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, 2020 and 2019.

		2020		2019	
	Note	**Carrying Amount**	**Fair Value**	Carrying Amount	Fair Value
Financial Assets					
Cash and cash equivalents	*6*	**₱4,437,874**	**₱4,437,874**	₱5,647,349	₱5,647,349
Trade and other receivables - net	*7*	**624,516**	**624,516**	630,599	630,599
Deposits	*12*	**131,953**	**138,262**	57,154	62,582
		5,194,343	**5,200,652**	6,335,102	6,340,530
Equity securities	*12*	**2,652**	**2,652**	2,652	2,652
		₱5,196,995	**₱5,203,304**	₱6,337,754	₱6,343,182
Financial Liabilities					
Other financial liabilities:					
Trade and other payables*	*14*	**₱1,500,176**	**₱1,500,176**	₱2,568,477	P2,568,477
Port concession rights payable		**7,639,769**	**9,817,086**	8,302,992	9,748,981
Lease liabilities	*23*	**559,775**	**599,775**	640,942	742,941
		₱9,699,720	**₱11,917,037**	₱11,512,411	₱13,060,399

**excluding due to government agencies amounting to ₱0.6 million and ₱0.7 million as at December 31, 2020 and 2019, respectively.*

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

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

For noninterest-bearing deposits, the fair value is estimated as the present value of all future cash flows discounted using the prevailing market rate on interest for a similar instrument. The discount rates used are 1.8% in 2020 and 3.7% in 2019.

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 2.65% to 3.97% in 2020 and 4.20% to 5.13% in 2019.

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

As at December 31, 2020	***Note***	**Level 1**	**Level 2**	**Level 3**
Equity securities	*12*	**₱933**	**₱–**	**₱1,719**
Port concession rights payable		**–**	**9,817,086**	**–**
Lease liabilities		**–**	**599,775**	**–**
		₱933	**₱10,416,861**	**P1,719**

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

There have been no transfers from one level to another in 2020 and 2019.

26. Revenues from Operations

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

	2020	2019	2018
Revenues from Operations			
Stevedoring	**₱4,580,562**	₱6,027,019	₱5,368,521
Arrastre	**3,637,336**	4,666,414	4,572,477
Logistics	**117,159**	91,289	72,726
Special and other services	**2,625,902**	2,544,719	2,262,954
	₱10,960,959	₱13,329,441	₱12,276,678

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