Asian Terminals Incorporated

EXPANDING Perspectives

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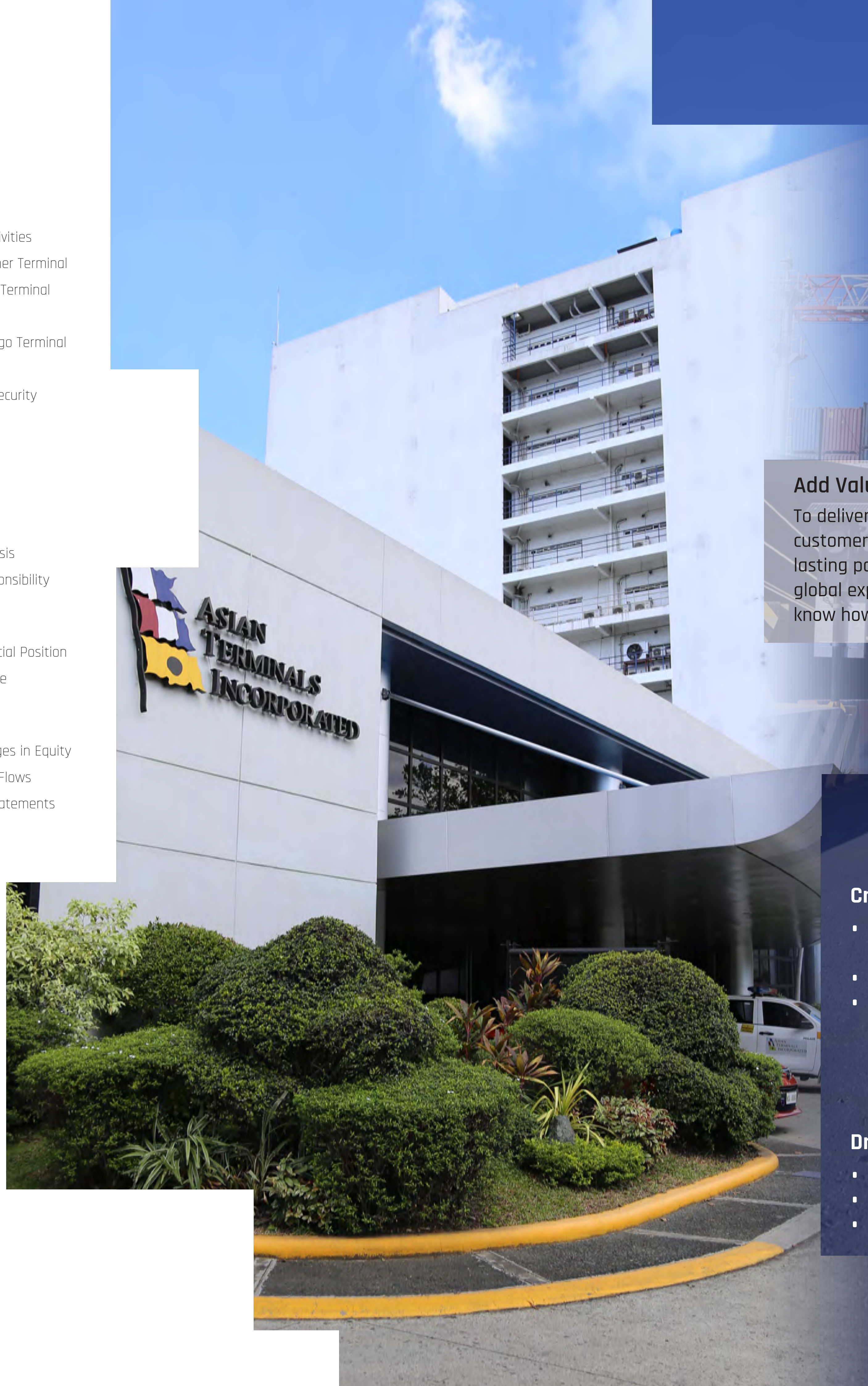


VISION

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 MESSAGE

OUR APPRECIATION OF THE PAST AND OUR CLEAR VISION OF THE FUTURE SERVE AS OUR COMPASS TO GREATER THINGS AHEAD AS WE CONTINUE TO EVOLVE AND TRANSFORM OUR BUSINESS IN A BROADER, SMARTER, AND FASTER SCALE. THIS IS INTEGRAL TO OUR EFFORTS AS WE PROVIDE COMPREHENSIVE END-TO-END LOGISTICS CHANNELS FOR OUR CUSTOMERS LEVERAGED ON THE STRENGTH OF OUR PORT BUSINESS.

Year 2021 ushered yet another challenging period for international trade as industries, including our own, continued to operate against a backdrop largely influenced by the COVID-19 pandemic.

For the second straight year, we found ourselves in familiar territory with community lockdowns, mobility restrictions, sluggish market conditions, among other external factors impacting the overall flow of cargoes and people – a trend which cut across geographies and demographics.

Under this overarching theme, the Philippine economy again displayed its resilience posting a 5.7% growth from a 9.6% contraction the year prior despite struggling with pandemic spikes and natural calamities. The economy rallied behind strong household consumption, record-high remittances, and public-sector spending under the administration's signature Build-Build-Build infrastructure platform.

The nationwide inoculation drive and government's COVID-19 response, which our Company and other industry stakeholders fully supported in numerous ways, also contributed to easing restrictions, positively stimulating economic activities by year-end and hinting towards new normalcy.

Consistently, the year highlighted the robustness of Asian Terminals as we continued to fulfil our vital role as economic gateway and trade enabler in this part of the world. The strength and resilience of our ports and logistics business were fitting attributes as we proudly marked ATI's milestone 35th anniversary as a pioneer in the Philippine port industry.

By following international and government-mandated protocols on health and safety, implementing innovative technologies, and actively engaging with our stakeholders, our trade infrastructure remained bullish, responsive to market requirements, and supportive of the country's road to recovery.

As the year ended, our gateway terminals in Manila and Batangas handled 1.37 million teus (twenty-foot equivalent units) in consolidated international container volumes. This reflects a 3.7% volume growth mirroring industry trends and signs of revitalized trade.

In the non-containerized cargo segment, our facilities in Batangas handled over 136,000 units of imported vehicles and nearly 360,000 domestic roll-on/roll-off traffic, rebounding from last year's downtrend, while passenger flow remained modest at over 800,000. On top of this, we supported major industries in efforts to boost food security, energy sufficiency, and other vital infrastructure projects, by handling their unique cargo requirements.

Driven by our dynamic port activities, I am pleased to report that our business delivered strong financial results for 2021 led by our revenues which stood at Php11.16 billion, up by 1.8% from ₱10.96 billion in 2020 on account of higher container volumes.

Our net income reached ₱2.24 billion, declining 24.3% from Php2.95 billion in the previous year due to volume-driven expenses, rising fuel prices, our sustained Covid-19 resiliency measures, and unfavorable foreign exchange rate impact. Although a step-back from earlier expectations, our bottom-line reflects robust results given these extreme market conditions.

With our solid business fundamentals, prudent cost management and institutional safety nets, ATI is in a solid position to operate efficiently, sustain our growth trajectory, explore new business opportunities, and provide sustainable returns to our investors and communities.

In 2021, we continuously invested in port infrastructure, equipment, and technologies to prepare us for the future. More rubber-tired gantry cranes were deployed in Manila South Harbor to support our expanded yard operations. Our modern Batangas Passenger Terminal is living up to expectations as the country's premier interisland transport hub. It has partially operated to handle the passenger surge this summer and will be ready for full operation by 2023. Our terminal systems were upgraded to cover both container and non-container segments of our operations while our digital platforms also levelled-up to deliver greater customer convenience.

As we expand our business perspectives, capital build-up on our port-centric logistics framework continues this 2022 as we allocate a minimum of Php5.0 billion for our market-responsive port infrastructure, ongoing trade facilitation projects, and our growth strategy in line with our long-term commitment with the port authority.

Indeed, marking our company's 35th year in the industry in the middle of a pandemic was especially significant as this highlighted our ability to operate sustainably through market uncertainties.

This also gave us the opportunity to revisit our rich corporate history and take pride in our noteworthy contributions that have kept Philippine trade buoyant and vibrant through the years.

Our appreciation of the past and our clear vision of the future serve as our compass to greater things ahead as we continue to evolve and transform our business in a broader, smarter, and faster scale. This is integral to our efforts as we provide comprehensive end-to-end logistics channels for our customers leveraged on the strength of our port business.

For all our accomplishments, we thank our colleagues in the Board of our Directors, our fellow shareholders, our valued customers, and the port authorities for their valuable contributions. We are also grateful to our management team and employees for operating and managing our business competently, efficiently, and safely all throughout these very challenging period.

I look forward to your continued partnership as we steer our organization to remain a transformative force in the economic and social development of the country as we build on the trade momentum and upward trajectory towards post-pandemic recovery.

GLEN C. HILTON
Chairman

REVIEW of Business Activities

OUR SAFE AND EFFICIENT OPERATIONS ARE CONSISTENTLY ANCHORED ON WORLD-CLASS PORT INFRASTRUCTURE, STATE-OF-THE-ART EQUIPMENT, INDUSTRY-LEADING OPERATIONAL FRAMEWORK, AND GAME-CHANGING DIGITAL SOLUTIONS FOR OUR CUSTOMERS. THROUGHOUT THE YEAR, WE SUSTAINED OUR CAPITAL OUTLAY ACROSS THESE FRONTS, ENABLING US TO DELIVER COMPREHENSIVE AND COMPETITIVE SERVICES FROM THE PORTS TO FACTORY DOORS.

Despite prevailing industry headwinds brought about by the ensuing Covid-19 pandemic, I am pleased to report that Asian Terminals has effectively sustained our mandate of keeping trade flowing in support of the Philippine economy.

ATI has emerged as a stronger and smarter trade enabler, competently navigating through uncharted conditions, resiliently adapting to shifting trends, and confidently exploring new opportunities by banking on our proven track-record, organizational synergy, and operational expertise spanning 35 years in the port industry.

At the international cargo front, our gateway ports in Manila and Batangas handled over 1.37 million teus (twenty-foot equivalent units) of containers as customers shipped high-value commodities from food, manufactured goods, and raw materials to life-saving medicines and equipment vital to pandemic response. Our ports also supported various infrastructure projects under the Build-Build-Build flagship program of government.

Over in Batangas, the resurgence of the car industry which was momentarily sidelined by the pandemic had a ready and reliable trade conduit. Our spacious Batangas Port served as the integrated hub for the importation and nationwide redistribution of over 136,000 completely-built cars units entering the Philippine market. Leading and emergent car brands brought in more units and introduced new variants through Batangas, which for us was a vote of confidence on our capability and indicator of industry recovery on a wider scale. Major industries also explored Batangas as a transshipment hub to Asean markets and optimized our terminal's capability to handle bulk shipment of food and other infrastructure aggregates.

Our safe and efficient operations are consistently anchored on world-class port infrastructure, state-of-the-art equipment, industry-leading operational framework, and game-changing digital solutions for our customers. Throughout the year, we sustained our capital outlay across these fronts, enabling us to deliver comprehensive and competitive services from the ports to factory doors.

In Manila South Harbor, we welcomed five new Rubber-Tired Gantry (RTG) cranes during the first quarter, increasing our modern container stacking fleet by 22% for a total of 28 RTG units. The arrival of these RTGs augurs well with our ongoing landside infrastructure projects which are nearing completion. We began utilizing portions of these new facilities, including a bigger Container Freight Station, towards the latter part of the year enabling us to better handle volume surges and begin our seaside extension project along Pier 3.

More infrastructure projects are also underway to further boost our operational capability and efficiency, including inland logistics corridors within and outside terminal gates. These facilities would not only complement our container handling capacity but more importantly bring cargoes closer to our customers and contribute to easing of road gridlocks for a more robust supply-chain.

In step with our corporate mantra of making trade flow, our Manila South Harbor likewise served as launchpad for the global sailing of Iris Paoay, the first-ever Philippine-flagged container vessel. This service opened viable trade options for US shippers amid the logistics backlogs in the Westcoast.

Meanwhile, at the domestic front, our modern Batangas Passenger Terminal has quickly taken shape as we transition towards the new normal. Phase 1 of the project has been activated in time for peak travel season during the summer months, while the full passenger complex is expected to come through by mid-2023. Upon full completion, our Batangas Passenger Terminal would resemble the modern fast-craft terminals in Hongkong and Macau, providing seagoing passengers, especially women, elderly, and the differently abled, with convenient and world-class amenities for a pleasant interisland travel.

At the people level, we are grateful as a company to attract and retain highly talented professionals. As our top-prized asset, we provide them with sustainable careers opportunities, even in the middle of the pandemic, while also building on our reputation as a changemaker in diversity and inclusion in a male-dominated trade arena.

We scored big in championing our diversity and inclusion agenda with the entry of more female employees in our frontline units and the progression of women managers as decision-makers and industry shapers across our business. Our Women Empowerment Network for port employees has further gained traction as it expanded its engagement opportunities to include career counselling, professional support as well as personality development.

Relatedly, our first ever Virtual Fun Run – in celebration of our 35th corporate anniversary – generated over 1,000-kilometers in collective steps dedicated for women empowerment through the participation of our employees, customers, and industry stakeholders.

World-class learning and development programs were likewise within reach for our staff as we provided hybrid sessions on leadership, terminal management, women empowerment, lean processes, and commercial strategies, just to name a few, in partnership with local and global training experts.

Equally important, our focus on safety remained relentless. We launched revitalized programs around our Safety Rules to Live-By initiative and safety interactions. Safety engagement sessions begin from the top all the way down reporting lines. As a port organization, our thought leadership on safety is verbalized in our safety talks and visualized in safe actions in our day-to-day operations.

We also reached 100% vaccination rate for our qualified employees and administered succeeding booster shots in collaboration with trade partners, industry stakeholders and local government units. These life-saving vaccines alongside our institutional health programs, in partnership with our unions, have been instrumental in sustaining a COVID-resilient port environment.

On Corporate Sustainability, our programs ran alongside our business growth trajectory as we help build self-reliant communities. Our initiatives on education, women, and oceans have positively impacted the lives of stakeholders from digital literacy, gender equality, to protecting the ecology by planting thousands of mangroves in coastal communities. We have also expanded the use of renewable sources of energy and leveraged our facilities to support government in its COVID-19 response capabilities.

Truly, as a responsible and sustainable port organization, we have accomplished so much throughout the year more so over the past 35 years in the business of moving cargoes and people.

For all these accomplishments, I would like to thank our Board of Directors for its guidance, our leadership and management teams across ATI for their deep commitment and engagement across many fronts, our business partners, port authorities and all our customers for their continued trust and support.

Inspired by the past, focusing on the present and cautiously looking towards the future with great optimism, we shall continue combining our world-class assets and talents, our safety and operational discipline, our pioneering digital platforms, and our drive towards greater sustainability in expanding our perspectives for a more robust Philippine supply-chain.

EUSEBIO H. TANCO
President & Director

Sustaining efficiency in trade connectivity

SOUTH HARBOR
International Container Terminal

Manila South Harbor (MSH) continued to fulfill its role as a major Philippine trade enabler, working round-the-clock to ensure that vital raw materials, consumer goods, medicines, health equipment, and other essential cargoes flowed seamlessly in the supply-chain amid the second year of the pandemic.

As a linchpin in international trade connectivity, ATI optimized efforts to steadily upgrade its equipment fleet, key infrastructure, and processes, even while volume remained prudent owing to prevailing market conditions. This further boosted operational efficiency, capacity, and safety in Metro Manila's major gateway port in anticipation of increased cargo flow in the new normal. It has also facilitated faster options for logistics, a segment stymied by the global health exigency, in partnership with stakeholders.

EQUIPMENT & INFRASTRUCTURE UPGRADE

Starting the year on a high note, ATI welcomed five state-of-the-art ZPMC rubber-tired gantry (RTG) cranes to MSH as part of its strategic capital investment program and in line with its commitment with the port authority.

The RTGs, equipped with fuel-efficient engines and eco-friendly features, effectively increased MSH's yard crane fleet by 22% to 28 units. The new cranes, which can stack up to six containers high, support faster and safer container handling, redounding to quicker turn-around cycles at berth- and yard-side.

The commissioning of the RTGs was well-timed with the progress of yard infrastructure projects within the MSH expanded port zone, including the completion of a bigger Container Freight Station and additional truck-mounted examination ramps to expedite cargo release after mandatory inspection by authorities.

Following the successful deployment of the new RTGs, two new Ship-to-Shore cranes are scheduled to arrive in MSH to complement the ongoing berth extension project at Pier 3. Alongside periodic dredging activities, these operations critical equipment would boost the terminal's berthing capacity and capability to accommodate bigger container ships deployed by international carrier partners.

Altogether, these infrastructure projects and equipment upgrades would increase MSH's annual throughput capacity to nearly 2.0 million teus (twenty-foot equivalent units) from 1.5 million teus. Last year, MSH handled more than 1.07 million teus of international boxes, 3.9% higher than the year prior.

TRANSPACIFIC TRADE CONNECTIVITY

The pandemic has disrupted global supply-chains with ports, carriers and beneficial cargo owners impacted by strict lockdowns and operation downtime across major regional and global hubs. This has triggered unprecedented delays most notably in transpacific trade cycles.

Cognizant of this, MSH stepped up its trade facilitation role as it welcomed MV Iris Paoay to its shores. The country's first Philippine-flagged container vessel, operated by Royal Cargo subsidiary Iris Logistics, began its non-stop direct sailing from the country to the US in September via MSH, offering a faster and reliable trade alternative for shippers in the middle of major gridlocks experienced in Westcoast terminals.

LEAN AND OTHER PROGRAMS

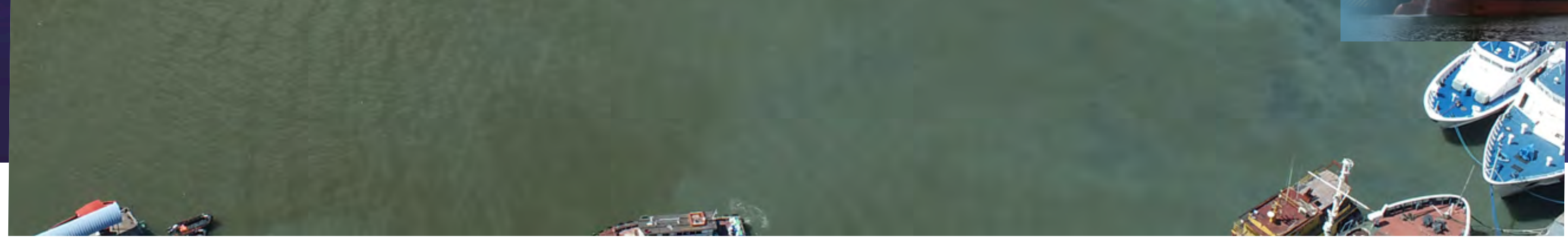
MSH also integrated LEAN programs and initiatives in its operations. The valued-added program anchored on continual improvement results in better, faster, and safer business activities with higher productivity, equipment reliability, and customer satisfaction as hallmarks of success. ATI pioneered the adoption of LEAN among its regional peers with the assistance of strategic partners in global operations and engineering.

MSH likewise played a key role in the successful pilot-testing and full rollout of cargo integrity initiatives of government, such as cargo-in-transit monitoring to further facilitate secure and transparent trade practices compliant with local and international customs and border-control standards.

Balancing the economy and health resiliency

SOUTH HARBOR

General Stevedoring Terminal



Manila South Harbor's General Stevedoring Terminal has consistently demonstrated its valuable contribution to the Philippine economy by skillfully and safely handling various and often precarious non-containerized and unconventional cargoes for major industries such as power generation and distribution, transportation, mining, construction, among other equally important economic drivers.

The terminal plays a vital role in government's Build-Build-Build flagship program by extending its cargo handling expertise to various infrastructure projects. Back in 2017, it helped strengthen the Philippines' tourism sector by launching a world-class Cruise Terminal in Manila. Beyond operational excellence and as an added proof-point of its dynamic flexibility, the terminal has augmented the country's health resiliency efforts in the time of pandemic by offering facilities for COVID-19 response.

PIONEERING CARGO TECHNOLOGY

Living up to its standards as an industry pioneer, the terminal marked a milestone in 2021 as it transitioned to a new operating system under the Cargoes GC+ platform.

The proprietary system features paperless operation via mobile application and handheld devices, real-time cargo inventory updates, tracking of cargo and truck movements, and seamless report generation covering vessel, yard, and gate activities.

The system has integrated ATI's billing process resulting in faster and more convenient customer transactions via ePayment options. It is also accessible via ATI's Webtrack app, allowing carriers to manage cargo delivery validation procedures online for quicker cargo pullouts. Under Cargoes GC+, the terminal has sustained high vessel productivity with notable net productivity gains of at least 10% from benchmarks.

COMMUNITY HEALTH RESILIENCE

At the onset of the COVID-19 pandemic in 2020, ATI immediately converted its Cruise Terminal at Pier 15 into an added quarantine facility as part of private-sector response to the community health exigency. As the pandemic ensued the following year with the emergence of new variants, the terminal further expanded its role in government's health response as a step-down medical facility.

The state health department through the port authority tapped ATI's retrofitted facility with 200 private cubicles, complete with hospital beds, mobile toilets and showers, and other open-air amenities, to manage less severe cases and to alleviate utilization rates during case surges in nearby hospitals.

CREW CHANGE HUB

Apart from cargo handling and Covid-19 response, the terminal continued to assist international vessels as Manila's exclusive Crew Change Hub. This service was important to ensure proper controls and documentation of seafarer movement while following the stringent health and safety protocols mandated by government and the International Maritime Organization. The hub also doubled as an inoculation site in support of government's aggressive vaccination drive for returning Overseas Filipino Workers.

For sustaining the safe and efficient embarkation and disembarkation of ship's crew along Pier 15, the state transport department through the maritime authority recognized ATI and other stakeholders for collectively assisting more than 4,000 ships and around 500,000 foreign and Filipino seafarers.

SAFE & UNHAMPERED OPERATIONS

ATI's general stevedoring operations remained resilient throughout the year, handling industrial cargoes at the northside berths of Pier 15 while its southside berths supported government's quarantine and crew change hub services. To ensure safe operations, the terminal followed stringent protocols, utilized industry-rated lifting tools and gears, and introduced a rail-guarded lashing platform among other innovations for safe cargo preparation by general cargo haulers.

Linking industries to major economies

BATANGAS
Container Terminal

ATI's Batangas Container Terminal (BCT) is a comprehensive international gateway port for Southern Luzon, facilitating smarter and faster trade for the industry movers and shapers in the Calabarzon (Cavite, Laguna, Batangas, Rizal and Quezon) growth corridor.

Offering modern port infrastructure and reliable international connectivity, BCT links industries to major economies by aligning terminal assets with trade networks that suit the usually time-sensitive import and export requirements of Calabarzon customers. 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 trade hubs.

CARGO GATEWAY & TRADE ENABLER

After unveiling a bigger and better BCT in 2019, the port maintained its momentum as an integral trade enabler for Calabarzon and nearby environs, especially amid the COVID-19 pandemic. BCT facilitated greater cargo accessibility and logistics fluidity in the middle of shifting quarantine levels and mobility lockdowns in Metro Manila throughout the year.

With or without pandemic, BCT serves as an ideal partner in bringing containers closer to customers given its proximity to manufacturing sites and export processing zones as well as its direct link to modern highway networks with no truck bans and road restrictions. Currently, a by-pass bridge is being constructed to connect the port diversion road directly to the Southern Tagalog tollway. Upon completion in 2023, this is expected to further ease traffic flow in the area and expedite the cycle of raw materials and finished products from the terminal floor to factory doors.

TECHNOLOGY-ENABLED OPERATIONS

Keeping pace with new trends, BCT continued to tap new technologies to sustain port efficiency and productivity. As part of this, new high-resolution CCTV systems have been installed throughout the terminal to aid its 24/7 operations. Complete with zooming, panning and 360-field degree view capabilities, personnel stationed at the operations center can immediately visualize on-the-ground activities and monitor prevailing conditions on a real-time basis for better terminal management.

Meanwhile, following its successful migration to the smarter and more powerful Zodiac terminal operations system in 2020, the terminal has started rolling out its automated gate system. Online soon, the smart system integrates operations, security, documentary and regulatory requirements for faster truck ingress and egress which would redound to faster movement of goods.

INNOVATION & RELIABILITY INFRASTRUCTURE

As part of continual improvement, BCT reviewed and optimized its operational area for better asset deployment and terminal housekeeping, resulting in productivity and safety gains. A designated parallel parking space was setup for internal transfer vehicles which contributed to safer shift-changes and quicker deployment of tractors. The shuffling area for back-to-back 20-foot containers was likewise specified to aid in faster operations without impeding usual terminal traffic flow.

A new engineering workshop was also unveiled during the year as part of the terminal's reliability program. The spacious facility allows for the safe conduct of predictive and preventive maintenance activities regardless of weather conditions to ensure the ready-line status of operations-critical equipment.

In 2021, BCT handled over 260,000 teus (twenty-foot equivalent units) of boxed cargoes which translated to a reduction of 130,000 truck trips along Metro Manila roads at the minimum, with more consignees preferring to route cargoes via South Luzon's premier international gateway port.

Advancing trade, food security and interisland mobility

BATANGAS Pax, RORO and General Cargo Terminal

The Batangas Port is an important infrastructure in regional transport and trade, serving as the premier nautical connectivity between mainland Luzon, the Mimaropa (Mindoro, Marinduque, Romblon, Palawan) region and key parts of Visayas and Mindanao. Optimizing its modern facilities, market advantages, and operational synergy, Batangas Port has contributed to advancing trade, food security, and interisland mobility for the country.

ADVANCING TRADE

At the domestic front, Batangas Port handled nearly 360,000 outbound cars, buses and trucks and administered the safe transit of over 800,000 outbound travelers mostly medical workers, uniformed personnel, economic frontliners, and other Approved Persons Outside of Residence, during the second year of the pandemic.

In partnership with port stakeholders and government, Batangas Port enforced stringent health and safety protocols, including the utilization of the government-mandated Traze System, a real-time health and contact-tracing app to ensure the safe and hassle-free voyage of the riding public.

At the international segment, Batangas Port saw the resurgence of the automotive industry. Buoyed by demand recovery and consumer confidence, leading car manufacturers introduced new variants and recalibrated car importation strategies via Batangas Port, leveraging on the port's capacity, industry-leading port inventory system, and direct connectivity to Visayas and Mindanao.

Batangas Port handled over 136,000 completely-built car units (CBUs) in 2021, representing majority of imports by leading and emerging manufacturers and distributorships. With its multilevel car storage facility, open storage spaces and back-up areas combining for a static capacity of 13,000 CBUs, on top of its compelling market advantages, Batangas Port has attracted car transshippers in the region.

MODERN INTERISLAND MOBILITY

The COVID-19 pandemic which temporarily subdued passenger movement in the past two years did not obscure ATI's vision for modernizing interisland mobility via Batangas Port. In preparation for the new normal, the construction of the biggest, busiest, and best passenger terminal in the Philippines gained significant traction in 2021 in line with ATI's long-term commitment with the port authority. The first phase of the terminal has been activated in time for the peak travel period in the summer season.

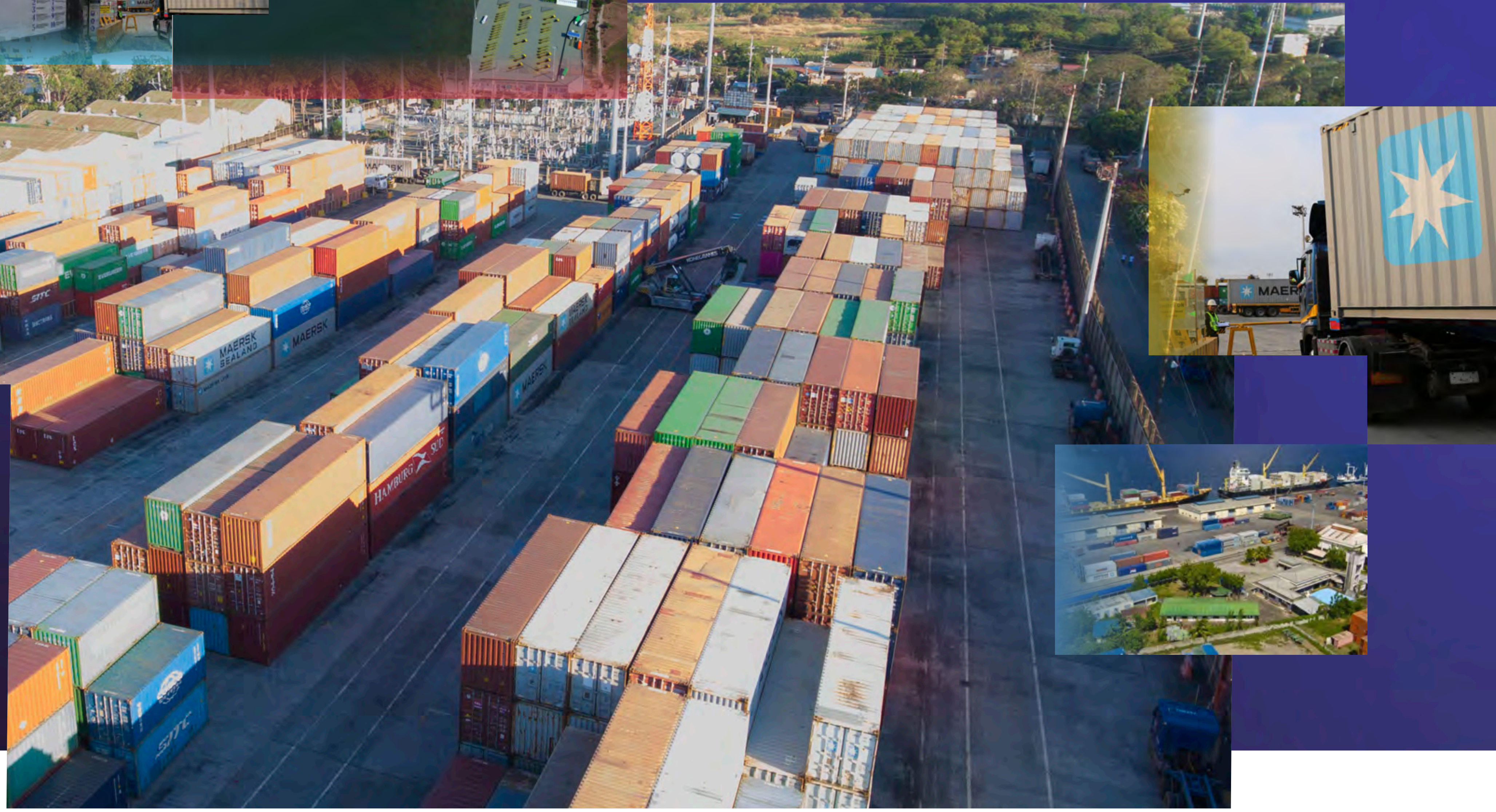
Upon full completion in 2023, the 15,000 sqm. modern Batangas Passenger Terminal Building will be the benchmark interisland travel hub in the Philippines, comparable to world-class fastcraft terminals of Hong Kong and Macau. Complete with full-airconditioned lounges, technology connectivity, all-gender comfort rooms, a worship center, food and entertainment kiosks, and essential amenities for women, children and the differently abled, the terminal will be able to conveniently accommodate around 5,000 passengers in any given time.

SUPPORTING FOOD & ENERGY SECURITY

Batangas Port extended its expertise in supporting the country's food security efforts, especially amid disruptions of global food supply-chains. In particular, the port capably handled specialized reefer vessels commissioned by a leading food conglomerate to augment manufactured food inventories in the market.

The food commodities, shipped onboard dedicated reefer vessels and in special palletized packaging, were carefully and expertly handled by Batangas Port's dockworkers and equipment. In collaboration with the state agriculture department, the port authorities and other stakeholders, the pioneering vessel ship calls were successfully handled in Batangas Port which offered competitive end-to-end terminal and ancillary services to the customer.

Batangas Port also continued to serve as the 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.



Trade opportunities and supply-chain efficiencies

INLAND LOGISTICS Terminals

Aside from its Manila and Batangas gateway terminals, ATI operates strategic Inland Logistics Terminals (ILT) that bring the ports closer to customers and make world-class cargo handling solutions available to key hinterland markets. By providing competitive end-to-end service offerings, these ILTs create greater value, open new trade opportunities, and deliver unmatched efficiencies for the supply-chain.

LAGUNA INLAND LOGISTICS TERMINALS

Located along the shoulders of the South Luzon Expressway is ATI's 4.2-hectare Canlubang Inland Logistics Terminal, traditionally known as the Inland Clearance Depot. ATI's strategic dry port serves as a perfect supply-chain partner for major industries in the Cavite, Laguna and Batangas provinces.

CILT is operationally linked to ATI's Manila and Batangas facilities, providing nearby industrial zones with 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 the ILT upon the request of government-accredited consignees. While stored at the ILT, cargo clearances and other mandatory requirements can be simultaneously processed through online systems electronically linked to trade facilitation authorities.

Aside from container storage, CILT provides end-to-end logistics services from the port to factories. The terminal can process container handling, trucking, brokerage, customs-clearing and other ancillary services at the customer's preference, making it an ideal one-stop-shop partner for shippers.

CILT 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 franchise trucks with GPS-guided monitoring systems, thus affording clients with visibility and real-time monitoring capability for their shipments while in transit.

Meanwhile in Calamba, ATI's operates a five-hectare ILT which particularly supports the operations of CILT and BCT. The Calamba ILT supports efficient recirculation of containers for major production hubs in nearly Cavite, Laguna, and Quezon provinces.

Other ILTs are being explored with operational linkage with Manila South Harbor and BCT to support the industrial zones in the Calabarzon region.

MANILA INLAND LOGISTICS TERMINALS

In Manila, ATI operates two inland logistics terminals which contribute to the efficiency of Manila-based port users. First, is the two-hectare Sta. Mesa Inland Logistics Terminal 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 ILT in Tondo, Manila in 2019. Located three kilometers from Manila South Harbor, the five-hectare North Inland Logistics Terminal adds 3,600 teus (twenty-foot equivalent units) of static capacity which ATI currently uses as storage site for 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.

SOUTH COTABATO INTEGRATED PORT

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

Ensuring port stakeholders' health, safety, and security

Health, Safety Environment & Security

State-of-the-art port facilities where high-value goods and millions of passengers converge as conduits of the economy are not only driven by efficiency, reliability, or cutting-edge technologies. Equally important, premier maritime assets need to constantly encompass the highest standards on health, safety, environment, and security (HSES) to ensure a sustainable groundwork for trade.

Consistently, for a leading trade enabler like ATI, safety is the topmost priority. This resonates across ATI's corporate culture as embodied by its leaders and employees and distinctively highlighted in institutional programs, engagement initiatives and industry best practices implemented 24/7 for a healthy, safe, and secure port environment.

WALKING THE SAFETY TALK

Safety walks and interactions happening regularly throughout the business exemplify this culture. Like townhall meetings, key corporate officers – from decision-makers to managers across all functional lines – roll-up their sleeves and periodical immerse in the field to engage with port stakeholders. Apart from discussing safety, overall wellness, recognition of good practices and on-the-spot rectification of improvement areas, interactions serve as an effective platform gather feedback and suggestions directly from stakeholders. At an individual level, safety is enshrined as a key criterion in the annual performance review of all employees to underscore that safety is a shared responsibility.

Moreover, to further drive home ATI's safety culture, the company cascades its Safety Rules to Live-By to dockworkers, truckers, and other port users. These rules comprise of five basic principles, namely: Pedestrian Protections, Working at Heights, Handling Loads, Mobile Equipment and Stop Work Authority which all stakeholders need to follow while inside the terminal. To ensure compliance, the Rules to Live-by are visualized in huge signages across facilities, supplemented by bilingual flyers, and form part of mandatory Safety Induction Seminars for stakeholders.

SAFETY AND TECHNOLOGY

Leveling up its industry-leading safety practices, ATI has tapped cloud-based platforms for data gathering, analytics and overall safety management. ATI's HSES portal particularly empowers employees to record and update evidence-based health, safety, environment, and security-related incidents and practices for proper communication, escalation, resolution, and curation.

In 2021 alone, ATI's HSES team collated over 8,000 observations, inspections, and interactions in the system, including critical incidents, near-misses, and commendable practices, allowing for meaningful data mining and mapping. Using the same system, actionable items are marked in a digital hotspot chart, for greater accountability, transparency, and timely corrective measures by concerned units.

Through disciplined and collaborative safety practices companywide, ATI's Reportable Injury Frequency Rate (RIFR), an international standard measurement of safety performance, has sustained improvements over the past years, with the 2021 rate recorded at 0.56, well within the global target.

EMERGENCY PREPAREDNESS AND RESPONSIVENESS

Meanwhile, ATI's emergency response teams (ERT) in all its sites have remained sharp and ready for any exigency, complete with up-to-date firefighting equipment and trainings as facilitated by government's fire bureau. In several instances, ATI's ERTs have demonstrated their capability and expertise as first responders to fires and other exigencies in surrounding port communities.

COVID-19 RESILIENCY EFFORTS

As a pandemic-resilient workforce is an essential to uninterrupted trade facilitation, ATI actively pursued efforts to have its 1,700-strong dockworkers inoculated at the soonest possible time. Through its partnership with trade networks, port stakeholders and local government units, ATI achieved 100% vaccination coverage for all qualified individuals by the third quarter of 2021. ATI's stringent health and safety protocols, following global and local best practices, have likewise been sustained, on top of leveraging port assets to support government's stakeholder-based approach to pandemic response.

INNOVATIVE SAFETY TOOLS

Apart from these efforts, ATI also invested in road management tools. Velocity speed guns are used to ensure compliance to the 20-kph speed limit at the terminal. RFID-activated boom barriers have also been installed in gates to augment facility security and deter against unauthorized access.

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.

Pioneering technologies
for trade expediency

Information Technology

As a technology pioneer and integrated supply-chain driver, ATI again placed IT infrastructure and innovations as cornerstones of its terminal upgrade activities in 2021 as the company continuously kept up with rapidly shifting trade environments and evolving logistics demands, while developing scalable platforms supportive of the company's current and future growth.

The year saw the successful rollout of trailblazing infrastructure projects, including world-class digital solutions for better and safer operational performance, advanced customer transactions portals, and online tools for stakeholder engagement, among others, all geared towards greater trade expediency.

TERMINAL SYSTEMS UPGRADE

After successfully transitioning to the modern and more powerful Zodiac Terminal Operations System (TOS) a year earlier, ATI further expanded the system's coverage to include its general cargo operations in Manila South Harbor, a first among its regional peers. The proprietary system has since digitally harmonized vessel, yard, and gate processes for faster and safer terminal operations. The system facilitates real-time data exchange, via handheld digital devises and cloud-based platforms, leading to better monitoring of cargo flow, equipment deployment and shipment inventory at yard. It also integrated ePayment functionalities for more convenient end-to-end services for customers.

Sustaining its technology momentum, ATI is leveraging the system's unique features as it next gravitates towards the Terminal Internet of Things (TiOT) technology. TiOT renders 3D digital visualization of the terminal environment, giving key personnel access to highly accurate real-time simulations of ports assets and processes for efficient terminal management. The improved situational awareness and transparency offered by TiOT can further be used for real-time monitoring, maintenance, security, and safety, as well as data-driven performance insights for greater resource optimization and utilization. Aligned with this, infrastructure outlay towards automated gate systems have likewise gained traction in Batangas Port to be followed in ATI's Manila gateway and strategic inland logistics terminals.

REVITALIZED ONLINE APPS

Following the successful launch in 2020 of ePortals – ATI's consolidated digital platforms for faster, easier, and more convenient contactless port transactions – efforts were underway to upgrade the homegrown ATI Webtrack, a real-time app for terminal inquiries and cargo monitoring with direct linkage to fees payment. It is accessible anytime, anywhere using desktop computers or smart gadgets for safe and efficient customer transactions, proving its efficacy and suitability especially during the pandemic.

In line with this, ATI's ePayment module has been upgraded to include more online payment options for the real-time and hassle-free settlement of arrastre, stevedoring and other ancillary services. Upon transaction completion, stakeholders can securely print invoices, receipts, and QR-coded gatepasses using ATI's ePortals at the convenience of their offices or homes to facilitate the seamless pullout of containers from the terminal. Meanwhile, other features of the ePortals such as CSpace (empty container monitoring system), RoadViz (cctv visibility around the terminal), among others, came in handy as efficiency and transparency tools for better trade facilitation.

NEW DIGITAL TOOLS

In the age of virtual connectivity, ATI likewise upgraded its digital communication tools powered by 5G technology to facilitate better quality stakeholder interactions. Behind state-of-the-art broadcast infrastructure, the new digital tool has enabled ATI's senior management and key officers to host uninterrupted virtual meetings, including cross-geographic interactions, in growing frequency, under high-definition modalities.

Digital boards were likewise installed and further expanded, alongside its multiple-view CCTV infrastructure, to aid in the real-time visualization of activities within and outside the terminal gates of both ATI's Manila and Batangas ports. Aside from remote monitoring, the tool has supplemented safe and efficient overall terminal management.

Advancing capability and cultivating diversity

Human Resources

ATI's success as a trade enabler has always been hinged on its most important asset – its skillful, dedicated, and highly versatile workforce. Cognizant of this, ATI has constantly advanced its people development agenda, utilizing local and global resources as well as online and offline channels, to keep its talent pool technically adept, in-step with industry demand, and agile in a rapidly shifting trade environment while ensuring safe and conducive workspaces especially amidst the pandemic.

In recent years, ATI has also gained headway in cultivating a diverse and inclusive workplace, bridging opportunity gaps and transcending gender barriers, by institutionalizing programs on women empowerment, mentorship, and gender-neutral talent selection, while constantly ensuring a healthy and rewarding career environment for its 1,700-strong workforce.

WOMEN TRADE ENABLERS

Even in the middle of the pandemic, ATI continued to remain a sustainable value generator and responsible job creator especially for surrounding port communities. This includes employing and deploying more women dockworkers across frontline and decisional roles. The year also saw female employees rise as leaders and changemakers in key areas of ATI's trade facilitation business.

Meanwhile, after its successful launch a year earlier, ATI's Women Trade Enablers Network (WETEN), which is moderated and coordinated by the company's emergent female leaders, further expanded its role and scope as champion of women empowerment across the organization. WETEN conducts weekly online forums which provide avenues for women-focused dialogue, supportive cross-functional interaction, and career counselling. It also hosts interactive workshops aimed at personal and professional advancement, including skills in public speaking, corporate presentations, stress management, and other holistic interests like mental health, physical fitness, sports, and wellness.

On top of this, 14 female employees successfully completed the global MentorHer program in partnership with The Hub, ATI's foreign equity partner's premier center for people excellence. MentorHer is a six-month program which aims to augment the professional development of women colleagues under the stewardship of senior managers across local and global sites.

DYNAMIC TALENT MANAGEMENT

Working within the challenges and limitations of the pandemic, Human Resources turned to hybrid modalities to sustain its drive for people excellence. Virtual learning platforms such as The Hub's iLearn portal and real-time online sessions gave ATI employees access to diverse and world-class training programs which advanced their skills in terminal operations, lean principles, overall management, business development, and safety leadership, among others. Offline trainings sessions, particularly for frontline dockworkers, were likewise held as practicable while following stringent safety protocols.

Overall, ATI logged 13,320 in total training hours benefitting over 3,463 participants in both online and offline learning platforms covering the areas of behavioral reinforcement, engineering, safety, operations, and business support.

CAREER MONITORING AND ADVANCEMENT

To complement its diverse people development programs and initiatives, ATI successfully transitioned to an industry-leading cloud-based platform for talent management. The system has covered all management-affiliated employees, providing a robust and real-time digital platform for monitoring task accomplishment and talent advancement based on well-defined individual performance targets which in turn are strategically aligned with departmental, divisional, and organizational goals. The platform also records training completion for practical indexing and progress scanning by line managers.

In related developments, ATI locally rolled out the Emerge Program with the support of its regional and global talent management peers as it strengthened its career advancement and succession planning process. Emerge is a trailblazing platform which comprehensively screens key talents across the organization and prepares them for next-in-line leadership roles and functions throughout the business.

Empowering Sustainable Communities

Corporate Sustainability

As a responsible port organization, ATI actively pursued its corporate sustainability program designed to promote more resilient and self-reliant communities, especially in the time of pandemic. For a more impactful approach, ATI's sustainability initiatives were anchored on women, education, and oceans, among other equally relevant sectors, in support of its foreign equity partner's global sustainability framework and in alignment with the UN Sustainable Development Goals.

SDG 3: GOOD HEALTH AND WELL-BEING

Covid-19 response remained the top priority by public and private sectors to cope with the challenges of the times. Consistently, ATI continued to extend its port resources in Manila South Harbor to increase Metro Manila's health resiliency measures. ATI's cruise terminal in Pier 15 was transitioned by the Department of Health into a step-up medical hub from an isolation center a year prior to support hospitals in case of infection surges.

Apart from health intervention, social support for communities that were heavily impacted by recurring lockdowns and mobility restrictions all year-round were crucial. In response, capable civic stakeholders launched community-based pantries in the spirit of volunteerism and humanitarian solidarity to provide access to free food and other necessities, especially for underprivileged families. ATI joined such initiatives in nearby port settlements, replenishing food stocks and other health provisions for easy access by families in need. ATI also aided families displaced by a massive fire and those impacted by inclement weather in neighboring port communities. As an emergency response, ATI deployed food, blankets, and other resources to help families restart their lives.

SDG 4: QUALITY EDUCATION

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

In related developments, ATI's partnership with Ayala Foundation, Department of Education, and the Manila government for the <Code/IT> computer programming literacy program has sustained its expansion. Hundreds of public elementary school teachers in Manila completed their virtual training sessions and have begun cascading the program to all of Manila's 73 public schools with an estimated 130,000 student beneficiaries.

SDG5: GENDER EQUALITY

Despite last year's pandemic, ATI was able to sustain its corporate advocacy on inclusivity and gender equality though stakeholder engagement activities. After a lull of one year owing to shifting community quarantine conditions, ATI was able to hold its annual fun run for women empowerment. But instead of a traditional program, ATI hosted the run in a virtual environment in compliance to public health standards. The virtual run held in celebration of Diversity and Inclusion month in November also coincided with ATI's 35th founding anniversary. Dockworkers and staff of partner carrier lines, shippers, brokerage firms, freight conduits and port authorities joined the two-week-long activity, collectively covering the distance of over 1,000-kilometers, with every step and sweat devoted to raising greater awareness on gender equality in the traditionally male-dominated port industry.

SDG 14: LIFE BELOW WATER

As a ports business, ATI actively sustained its advocacy for ocean protection by planting mangroves along waterfronts in Manila and Batangas in collaboration with dockworkers, port authorities, volunteers, and the environment department. This forms part of ATI's commitment to plant thousands of endemic mangrove species in port communities to support climate-change resiliency efforts.

OTHER INITIATIVES

Apart from planting trees, ATI supported the government-led rehabilitation of the Manila Bay, LaMesa Watershed protection, community sanitation programs, battery recycling, school grooming activities, and other environmental initiatives such as greater utilization of renewable energy sources by installing more solar-power panels across its terminal facilities.

Building on the Past. Gearing towards the Future.

1986

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

1990

Australia's P&O Ports invests in MPSI

PPA integrates MSH's stevedoring, storage and arrastre service contracts under ATI

1992

The Company is renamed Asian Terminals Inc.

1995

ATI is listed with the Philippine Stock Exchange

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

1998

Inland Clearance Depot, a bonded facility, is set up in Laguna

ATI extends presence in Mindanao via South Cotabato Integrated Port Services Inc. (SCIPSI)

2000

ATI Web Track is launched, a pioneering real-time cargo monitoring system via the Internet or SMS

ATI unveils the MSH Development Master Plan

2003

Eva Macapagal Super Terminal, then the country's premier domestic hub, opens at MSH

2004

ATI is certified as IMO-ISPS Code compliant

2006

ATI becomes part of Dubai-based global port giant DP World through acquisition of P&O Ports

2007

PPA renews ATI's contract to manage and develop MSH until 2038

2008

ATI becomes first PHL firm to achieve ISO 28000:2007

ATI achieves ISO 14001:2004 and OHSAS 18001:2007 certifications

2010

ATI secures 25-yr BCT concession

2011

ATI marks 25 years; commissions two new Quay Cranes at MSH

2013

Pier 3 is expanded and equipped with new quay crane

2014

ATI increases MSH's RTG and SL fleet by 50% since 2012

2015

ATI pioneering MPort mobile app goes live

Government rolls out TABS for road efficiency

2016

ATI celebrates 30 yrs of success in PHL; gets IMS certification

2017

Cruise Tourism finds home in MSH

Batangas Port handles 200k imported cars

2018

Two new QCs arrive at MSH; ATI becomes first PHL firm to achieve ISO45001:2018; ATI launches biggest facility for CBU storage in Batangas Port

2019

ATI inaugurates bigger and better Batangas Container Terminal

ATI opens North Inland Logistics Terminal

1.6m TEUs MSH BCT Record Year 2019

Empty Loadout Shipping Alliance kicks off; ATI develops Calamba Inland Logistics Terminal; ATI sets record consolidated volume of 1.6M teus

2020

ATI leverages Pier 15 and other resources to respond to COVID-19

ATI ePortals go live for faster, easier and convenient port transactions

2021

ATI marks 35 years of enabling smarter trade in the Philippines

Five new RTGs arrive at MSH increasing fleet by 22%

Board of Directors

Glen C. Hilton
Chairman

Eusebio H. Tanco
President/Director

William Wassaf Khoury Abreu
Director

Monico V. Jacob
Director

Felino A. Palafox, Jr.
Director

Zissis Jason Varsamidis
Director

Artemio V. Panganiban
Independent Director

Roberto C. O. Lim
Independent Director

Glen C. Hilton
Chairman of the Board

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

Previous Leadersh ip Posts
- CEO Port of Tanjung Pelepas, Malaysia
- VP and Managing Director of DP World Southeast Asia
- Executive Director of DP World Caucedo
- General Manager of DP World Adelaide

Eusebio H. Tanco
President/Director

President and Director
- Bloom with Looms Logistics, Inc.
- Total Consolidated Asset Management Inc.
- Eujo Philippines, Inc.
- Tantivy Holdings, Inc.
- Mar-Bay Homes Inc.
- Cement Center, Inc.
- Biolim Holdings and Management Corp.

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

Executive Committee Chairman
- STI Education Services Group, Inc.

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

Director
- Philhealthcare Inc.
- Philippine Life Financial
- United Coconut Chemicals, Inc.
- M.B. Paseo (since 1980), Philippine Racing Club

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

William Wassaf Khoury Abreu
Director

Chief Executive Officer
- DP World Philippines Holdings

Board Member
- CRIBS Foundation, Inc.

Previous Leadership Posts
- Executive Vice President of Asian Terminals Inc.
- Vice President of PT Terminal Petikemas Surabaya (TPS) Indonesia
- CEO of DP World-Saigon Premier Container Terminal
- Operations Director of DP World Korea
- Various management positions at DP World Dominican Republic and CSX World Terminals (Caucedo)

Monico V. Jacob
Director

President
- STI Education Systems Holdings, Inc. (2011),

Chairman
- STI West Negros University
- Rosehills Memorial Management, Inc.
- Philippine Life Financial Assurance, Inc.
- Global Resource for Outsourced Workers, Inc.
- Total Consolidated Asset Management Inc.
- GROW Vite
- TechZone Philippines, Inc.

CEO and Vice-Chairman
- STI Education Services Group

Director
- iACADEMY
- PhilCare
- Phoenix Petroleum Philippines

Independent Director
- Rockwell Land Inc.
- Lopez Holdings, Inc.

Member
- Integrated Bar of the Philippines

Felino A. Palafox Jr.
Director

Architect
- Palafox Associates Principal Architect-Urban Planner and Founder
- United Architects of the Philippines, Fellow
- Registered APEC Architect and a recipient of several local and international awards

President
- FIABCI (International Real Estate Federation) Philippines
- Philippine Institute of Environmental Planners and the Management Association of the Philippines, Past President

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

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

Zissis Jason Varsamidis
Director

Chief Financial Officer
- DP World Asia Pacific & Australasia

Director
- Pusan Newport Company
- Laem Chabang International Terminal
- AWH Limited
- Maritime Super Limited

Previous Leadership Post
- CFO of DP World Australia
- Head of Strategy & Development - DP World Australia

Artemio V. Panganiban
Independent Director

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

Independent Director
- GMA Network, Inc.
- Metro Pacific Investments Corp.
- Manila Electric Company
- GMA Holdings, Inc.
- Petron Corporation
- Philippine Long Distance Telephone Company
- RL Commercial REIT, Inc.

Member of Advisory Councill
- Bank of the Philippine Islands

Non-executive Director
- Jollibee Foods Corporation

Senior Adviser
- Metropolitan Bank & Trust Company

Adviser
- DoubleDragon Properties Corp.
- Merrymart Consumer Inc.

Roberto C.O. Lim
Independent Director

Independent Director
- Pacific Online Systems Inc.
- Atlas Consolidated Mining & Development Corporation

Member
- Integrated Bar of the Philippines

Previous Leadership Posts
- Department of Transportation Undersecretary for Aviation and Airports
- 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.

LIST OF Senior Officers

EUSEBIO H. TANCO
President

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

JOSE TRISTAN P. CARPIO
Vice President for Finance/CFO

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

MANAGEMENT Discussion and Analysis

Revenues for the year ended December 31, 2021 of ₱11,162.7 million went up by 1.8% from P10,961.0 million in 2020. Revenues from international containerized cargo operations in South Harbor (SH) and Batangas Container Terminal (BCT) increased from last year by 2.8% on account of higher container volumes. Container volumes at SH and BCT increased by 3.9% and 3.8% respectively.

Port authorities' share in revenues in 2021 of ₱1,947.7 million increased by 7.9% from ₱1,805.6 million in 2020 as a result of higher revenues subject to port authorities' share.

Cost and expenses in 2021 amounted to ₱5,426.2 million, 7.2% higher than ₱5,062.2 million in 2020. Depreciation and amortization in 2021 increased by 6.7% to ₱1,849.7 million from ₱1,733.7 million in 2020. Equipment running in 2021 went up by 21.4% to ₱665.4 million from ₱548.3 million in 2020 due to the following: i) higher usage of equipment spare parts and consumables; and ii) higher fuel costs related to higher volume and higher fuel price. Facilities-related expenses in 2021 went up by 37.8% to ₱214.4 million from ₱155.6 million in 2020 due to higher repairs and maintenance costs for building, surface/pavement, lightings and wharves related to safety as well as higher IT costs. Insurance of ₱198.4 million in 2021 increased by 37.6% compared to ₱144.2 million last year due to higher insurance premiums. Labor costs in 2021 of ₱1,495.2 million were higher by 3.3% compared to ₱1,447.0 million in 2020 due to salary rate increases. Taxes and licenses in 2021 increased by 1.8% to ₱419.7 million from ₱412.4 million in 2020 due to higher real property taxes and business taxes. General transport of ₱116.5 million in 2021 were higher by 6.7% than ₱109.2 million in 2020 on account of higher trucking costs. Provision for claims of ₱7.2 million in 2021 increased by 208.2% compared to ₱2.3 million last year due to higher provision for claims. Entertainment, amusement and recreation in 2021 of ₱3.5 million went up by 49.7% from ₱2.3 million last year. Other expenses in 2021 totaled ₱136.2 million, went up by 22.8% from ₱111.0 million in 2020 due to higher general operations.

Meanwhile, management fees in 2021 decreased by 27.5% to ₱133.6 million from ₱184.4 million in 2020 following lower earnings before tax. Security, health, environment and safety in 2021 of ₱152.5 million were lower by 8.7% compared to ₱167.0 million in due to lower security costs related to lower passenger volume and continued cost savings initiatives. Professional fees in 2021 of ₱12.9 million went down by 7.6% from ₱14.0 million last year due to lower consultancy fees related to Business Development Projects. Marketing, commercial, and promotion in 2021 decreased by 27.7% to ₱7.0 million from ₱9.7 million due to lower advertising costs. Rentals of ₱14.0 million in 2021 declined by 33.9% compared to ₱21.1 million in the same period last year due to lower rental costs of generator sets and shuttles to services to employees during pandemic

Finance income amounted to ₱5.8 million in 2021, 79.8% down from ₱28.6 million in 2020 due to lower interest rates for money market placements and lower cash balance. Finance costs in 2021 of ₱504.1 million were lower by 7.4% compared to ₱544.1 million in 2020. Others-net was lower was negative ₱254.9 million in 2021 from ₱599.4 million in 2020 mainly due to unrealized foreign exchange losses 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 2021 of ₱3,035.6 million was lower by 27.3% compared to ₱4,177.0 in 2020. Provision for income tax decreased by 34.7% to ₱797.9 million in 2021 from ₱1,221.0 million in the same period last year due to lower results and decrease in income tax rate to 25% due to the implementation of CREATE LAW

Net income for the year ended December 31, 2021 decreased by 24.3% to P2,237.7 million from ₱2,956.0 million last year. Earnings per share was down to ₱1.12 in 2021 from ₱1.48 in 2020.

Plans for 2022

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

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

For 2022, ATI is investing an estimated Php 5.43 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 ports and logistics infrastructure across ATI's sites.

Building on its long-term sustainability, ATI explores new business growth drivers, including developing smart 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, 2021 increased by 2.9% to ₱31,710.8 million from ₱30,824.4 million as of December 31, 2020. Total current assets as of December 31, 2021 up by 2.1% to ₱7,847.8 million from ₱7,684.0 million as of December 31, 2020. Cash and cash equivalents as of December 31, 2021 were lower by 10.9% to ₱3,954.2 million from ₱4,437.9 million

MANAGEMENT Discussion and Analysis

as of December 31, 2020. Trade and other receivables - net as of December 31, 2021 up by 29.6% to ₱809.2 million from ₱624.5 million as of December 31, 2020. Spare parts and supplies - net as of December 31, 2021 of ₱935.5 million were higher by 5.1% compared to ₱890.3 million as of December 31, 2020 in support of operational requirements and equipment maintenance program. Prepaid expenses of ₱2,149.0 million as of December 31, 2021 went up by 24.1% from ₱1,731.3 million as of December 31, 2020 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 ₱23,863.0 million as of December 31, 2021 were higher by 3.1% compared to of ₱23,140.4 million as of December 31, 2020. Property and equipment-net increased by 57.7% to ₱1,890.7 million as of December 31, 2021 from ₱1,198.8 million as of December 31, 2020. Additions to property and equipment which were not subject of the service concession arrangement totaled ₱881.7 million in 2021. Intangible assets - net as of December 31,2021 of ₱20,551.5 million were higher by 1.6% compared to ₱20,226.6 million as of December 31,2020. Acquisitions of intangible assets which consisted of civil works and cargo handling equipment that were subject of the service concession arrangement amounted to ₱1,746.1 million in 2020. Right-of-use assets – net was at ₱459.0 million as of December 31, 2021, was lower by 25.4% compared to ₱615.5 million as of December 31, 2020. Deferred tax assets - net as of December 31, 2021 of ₱801.3 million went down by 9.0% to ₱880.5 million as of December 31, 2020, pertaining to adjustment on deferred tax on unrealized foreign exchange loss on fair value of concession liability and accrued interest. Other noncurrent assets as of December 31, 2021 decreased by 41.3% to ₱102.0 million from ₱173.9 million as of December 31, 2020.

Total liabilities went up by 0.6% to ₱10,972.2 million as of December 31, 2021 from ₱10,911.6 million as of December 31, 2020. Trade and other payables as of December 31, 2021 of ₱2,379.9 million were higher by 12.5% than ₱2,114.9 million as of December 31, 2020. Trade and other payables are covered by agreed payment schedules. Provision for claims went up to ₱63.2 million as of December 31, 2021 from ₱58.0 million as of December 31, 2020. Income and other taxes payable decreased by 57.3% to ₱132.7 million as of December 31, 2021 from ₱311.1 million as of December 31, 2020 due to lower income tax rate from 30% to 25%. Port concession rights payable (current and noncurrent) as of December 31, 2021 totaled ₱7,702.2 million, 8.1% higher than ₱7,639.8 million as of December 31, 2020 due to payments of government share in 2020. Lease liabilities (current and noncurrent) was at ₱452.6 million as of December 31, 2021, decreased by 32.5% from ₱599.8 million as of December 31, 2020. Pension liability as of December 31, 2021 of ₱241.6 million were higher by 28.5% compared to ₱188.1 million as of December 31, 2020.

Consolidated Cash Flows

Net cash provided by operating activities increased by 38.9% to ₱4,328.3 million in 2021 from ₱3,116.1 million in 2020 despite lower operating income due to increase in trade and other payables and lower income taxes paid.

Net cash used in investing activities in 2021 of ₱2,522.6 million were 36.6% higher than ₱1,847.3 million in 2020 due to higher acquisitions of intangible assets and property and equipment.

Cash used in financing activities in 2021 of ₱2,403.5 million were higher by 3.5% than the ₱2,322.7 million in 2020 due to higher payments of port concession and payments of lease liabilities.

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

The Group has adopted the following amendments to standards starting January 1, 2021 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.

- *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.

Standards Issued but Not Yet Adopted

A number of amendments to standards are effective for annual periods beginning after January 1, 2021. 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 April 1, 2021

- *COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to* PFRS 16*, Leases)***.** The amendment extends the practical expedient introduced in the 2020 amendment which simplified how a lessee accounts for rent concessions that are a direct consequence of COVID-19, permitting lessees to apply the practical expedient to rent concessions for which any reduction in lease payments affects only payments originally due on or before June 30, 2022.

The amendment is effective for annual reporting periods beginning on or after April 1, 2021. 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. The adoption is mandatory for lessees that chose to apply the practical expedient introduced by the 2020 amendments and may result in reversal of lease modifications that was ineligible for the practical expedient under the 2020 amendments, but becomes eligible as a result of the extension.

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:

MANAGEMENT Discussion and Analysis

- 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.

- *Definition of Accounting Estimates (Amendments to PAS 8 Accounting Policies, Changes in Accounting Estimates and Errors)*. To clarify the distinction between changes in accounting policies and changes in accounting estimates, the amendments introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an accounting estimate is developed to achieve the objective set out by an accounting policy. Developing an accounting estimate includes both selecting a measurement technique and choosing the inputs to be used when applying the chosen measurement technique. The effects of changes in such inputs or measurement techniques are changes in accounting estimates. The definition of accounting policies remain unchanged. The amendments also provide examples on the application of the new definition.

The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the amendments are applied.

- *Disclosure of Accounting Policies (Amendments to PAS 1 Presentation of Financial Statements and PFRS Practice Statement 2 Making Materiality Judgements).* The amendments are intended to help companies provide useful accounting policy disclosures. The key amendments to PAS 1 include:

  - requiring companies to disclose their material accounting policies rather than their significant accounting policies;
  - clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
  - clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

The amendments to PFRS Practice Statement 2 includes guidance and additional examples on the application of materiality to accounting policy disclosures.

The amendments are effective from January 1, 2023. Earlier application is permitted.

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to PAS 12 Income Taxes). The amendments clarify that that the initial recognition exemption does not apply to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning obligations. The amendments apply for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities will be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other appropriate component of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

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 2021:
- ATIB's total assets were only 9.1% of the consolidated total assets
- Income before other income and expense from ATIB was only 5.9% of consolidated income before other income and expense.[1]

Consolidated KPI	Manner of Calculation	2021	2020	Discussion
Return on Capital Employed	Percentage of income before interest and tax over capital employed	13.2%	16.0%	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	11.5%	15.5%	Decreased due to lower net income.
Current ratio	Ratio of current assets over current liabilities	2.59 : 1.00	2.61 : 1.00	Decreased due to higher current liabilities.
Asset to equity ratio	Ratio of total assets over equity attributable to equity holders of the parent	1.53 : 1.00	1.55 : 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	0.53 : 1.00	0.55 : 1.00	Improved due to increase in retained earnings.
Days Sales in Receivables (DSR)	Gross trade receivables over revenues multiplied by number of days	9 days	6 days	Increased due to higher revenues.
Net Income Margin	Net income over revenues less government share in revenues	24.3%	32.3%	Decreased due to lower net income
Reportable Injury Frequency Rate (RIFR)[2]	Number of reportable injuries within a given accounting period relative to the total number of hours worked in the same accounting period.	0.56	0.59	Decreased due to lower number of injuries.

Summary of Selected Financial Data (in millions)

Description	*Year ended December 31, 2021*	*Year ended December 31, 2020*
Revenues	*P11,162.7*	*P10,961.0*
Net income	*2,237.7*	*2,956.0*
Total assets	*31,710.8*	*30,824.4*
Total liabilities	*10,972.2*	*10,911.6*

[1] Income before interest and tax excludes also net unrealized foreign exchange losses and others.
[2] RIFR is the new KPI for injuries introduced in 2014 to replace LTIFR. RIFR is a more stringent KPI as it covers not only Lost Time Injuries (LTIs) but also Medically Treated Injuries (MTIs) and 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, 2021 and 2020 and for each of the three years in the period ended December 31, 2021 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, 2021 and 2020, 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, 2021, 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, 2021 and 2020, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2021, 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 (P11,162,744 - 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, 2021, 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, 2021 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 8854058
Issued January 3, 2022 at Makati City

March 11, 2022
Makati City, Metro Manila

ASIAN TERMINALS, INC. AND ITS SUBSIDIARIES

Consolidated Statements of FINANCIAL POSITION

(Amounts in Thousands)

	Note	December 31 2021	2020
ASSETS			
Current Assets			
Cash and cash equivalents	*6, 25*	₱3,954,166	₱4,437,874
Trade and other receivables - net	*7, 25*	809,229	624,516
Spare parts and supplies		935,478	890,289
Prepaid expenses	*8*	2,149,009	1,731,317
Total Current Assets		7,847,882	7,683,996
Noncurrent Assets			
Investment in an associate	*9*	58,373	45,115
Property and equipment - net	*10*	1,890,714	1,198,815
Intangible assets - net	*11*	20,551,531	20,226,591
Right-of-use assets - net		458,999	615,510
Deferred tax assets - net	*13*	801,324	880,505
Other noncurrent assets	*12*	102,037	173,875
Total Noncurrent Assets		23,862,978	23,140,411
		₱31,710,860	₱30,824,407
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	*14, 20*	₱2,379,928	₱2,114,850
Provisions for claims	*15*	63,216	58,024
Port concession rights payable - current portion	*25*	368,778	327,521
Income and other taxes payable		132,693	311,097
Lease liabilities - current portion		85,028	134,452
Total Current Liabilities		3,029,643	2,945,944
Noncurrent Liabilities			
Port concession rights payable - net of current portion	*25*	7,333,393	7,312,248
Pension liability - net	*21*	241,609	188,090
Lease liabilities - net of current portion		367,609	465,323
Total Noncurrent Liabilities		7,942,611	7,965,661
		10,972,254	10,911,605
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		18,467,868	17,642,548
Fair value reserve		(5,820)	(5,820)
		20,726,348	19,901,028
Non-controlling Interest		12,258	11,774
Total Equity		20,738,606	19,912,802
		₱31,710,860	₱30,824,407

See Notes to the Consolidated Financial Statements.

ASIAN TERMINALS, INC. AND ITS SUBSIDIARIES

Consolidated Statements of INCOME

(Amounts in Thousands, Except Per Share Data)

	Note	Years Ended December 31 2021	2020	2019
REVENUES FROM OPERATIONS	*26*	₱11,162,744	₱10,960,959	₱13,329,441
GOVERNMENT SHARE IN REVENUES	*17*	(1,947,677)	(1,805,558)	(2,329,105)
		9,215,067	9,155,401	11,000,336
COSTS AND EXPENSES EXCLUDING GOVERNMENT SHARE IN REVENUES	*18, 20, 21*	(5,426,240)	(5,062,192)	(5,606,428)
OTHER INCOME AND EXPENSES				
Finance income	*19*	5,758	28,554	157,296
Finance cost	*19*	(504,068)	(544,101)	(558,881)
Others - net	*19*	(254,907)	599,339	216,736
		(753,217)	83,792	(184,849)
CONSTRUCTION REVENUES	*11*	546,474	1,595,105	2,747,425
CONSTRUCTION COSTS	*11*	(546,474)	(1,595,105)	(2,747,425)
		–	–	–
INCOME BEFORE INCOME TAX		3,035,610	4,177,001	5,209,059
INCOME TAX EXPENSE	*13*	797,881	1,220,965	1,493,456
NET INCOME		₱2,237,729	₱2,956,036	₱3,715,603
Income Attributable to				
Equity holders of the Parent Company		₱2,236,720	₱2,954,904	₱3,714,060
Non-controlling interest		1,009	1,132	1,543
		₱2,237,729	₱2,956,036	₱3,715,603
Basic/Diluted Earnings per Share Attributable to Equity Holders of the Parent Company	*22*	₱1.12	₱1.48	₱1.86

See Notes to the Consolidated Financial Statements.

ASIAN TERMINALS, INC. AND ITS SUBSIDIARIES

Consolidated Statements of COMPREHENSIVE INCOME

(Amounts in Thousands)

	Note	2021	2020	2019
			Years Ended December 31	
NET INCOME FOR THE YEAR		₱2,237,729	₱2,956,036	₱3,715,603
OTHER COMPREHENSIVE INCOME (LOSS)				
Item that will never be reclassified to profit or loss				
Actuarial gains (losses) on pension liability	21	(7,127)	47,678	(146,124)
Tax on item taken directly to equity	13	1,782	(14,303)	43,837
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR - Net of tax		(5,345)	33,375	(102,287)
TOTAL COMPREHENSIVE INCOME		₱2,232,384	₱2,989,411	₱3,613,316
Total Comprehensive Income Attributable to				
Equity holders of the Parent Company		₱2,231,320	₱2,988,302	₱3,611,849
Non-controlling interest		1,064	1,109	1,467
		₱2,232,384	₱2,989,411	₱3,613,316

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)

	Note	Capital Stock	Additional Paid-in Capital	Appropriated for Port Development	Unappropriated	Hedging Reserve	Fair Value Reserve	Total	Non-controlling Interest	Total Equity
		Attributable to Equity Holders of the Parent Company		Retained Earnings						
Balance at January 1, 2021		₱2,000,000	₱264,300	₱14,000,000	₱3,642,548	₱–	(₱5,820)	₱19,901,028	₱11,774	₱19,912,802
Cash dividends - P0.703 a share	16	–	–	–	(1,406,000)	–	–	(1,406,000)	(580)	(1,406,580)
Reversal of appropriation of retained earnings	16	–	–	(2,500,000)	2,500,000	–	–	–	–	–
Appropriations during the year	16	–	–	3,600,000	(3,600,000)	–	–	–	–	–
Net income for the year		–	–	–	2,236,720	–	–	2,236,720	1,009	2,237,729
Other comprehensive income:										
Actuarial loss - net of tax	21	–	–	–	(5,400)	–	–	(5,400)	55	(5,345)
Balance at December 31, 2021		₱2,000,000	₱264,300	₱15,100,000	₱3,367,868	₱–	(₱5,820)	₱20,726,348	₱12,258	₱20,738,606
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

	Note	Capital Stock	Additional Paid-in Capital	Appropriated for Port Development	Unappropriated	Hedging Reserve	Fair Value Reserve	Total	Non-controlling Interest	Total Equity
		Attributable to Equity Holders of the Parent Company		Retained Earnings						
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	15,842,235
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

See Notes to the Consolidated Financial Statements.

ASIAN TERMINALS, INC. AND ITS SUBSIDIARIES

Consolidated Statements of CASH FLOWS

(Amounts in Thousands)

	Note	2021	Years Ended December 31 2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		₱3,035,610	₱4,177,001	₱5,209,059
Adjustments for:				
Depreciation and amortization	10, 11, 18, 23	1,849,725	1,733,668	1,529,979
Finance cost	19	504,068	544,101	558,881
Net unrealized foreign exchange losses (gains)		255,570	(237,509)	(211,056)
Current service cost	21	40,639	43,711	29,847
Provision (reversal of provision) for claims - net	15	7,172	(127,673)	–
Equity in net earnings of an associate	9, 19	(44,782)	(49,341)	(51,129)
Finance income	19	(5,758)	(28,554)	(157,296)
Provision (reversal of provision) for spare parts and supplies obsolescence	18	(5,035)	7,000	29,221
Gain on disposals of:				
Intangible assets		(930)	(10,861)	(5,849)
Property and equipment		(302)	(4,769)	(6,788)
Reversal of allowance for doubtful accounts	7	–	(2,700)	(3,550)
Operating income before working capital changes		5,635,977	6,044,074	6,921,319
Decrease (increase) in:				
Trade and other receivables		(184,621)	5,047	102,412
Spare parts and supplies		(40,154)	(148,790)	(270,182)
Prepaid expenses		(417,692)	(335,441)	(493,308)
Increase (decrease) in:				
Trade and other payables		234,196	(1,306,476)	(796,299)
Provisions for claims		(1,980)	(74,101)	40,440
Income and other taxes payable		(33,407)	(24,618)	14,465
Cash generated from operations		5,192,319	4,159,695	5,518,847
Finance income received		6,117	32,290	169,862
Finance cost paid		(7,818)	(25,743)	(27,914)
Income tax paid		(861,915)	(1,050,112)	(1,573,598)
Contributions to retirement funds		–	–	(48,795)
Net cash provided by operating activities		4,328,703	3,116,130	4,038,402
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of:				
Intangible assets	11	(₱1,730,573)	(P1,432,434)	(P3,101,456)
Property and equipment	10	(897,080)	(421,024)	(182,502)
Proceeds from disposals of:				
Intangible assets		930	13,882	5,918
Property and equipment		302	4,771	7,601
Dividends received	9	31,524	53,733	85,258
Decrease (increase) in:				
Other noncurrent assets		13,189	8,524	68,489
Deposits		58,649	(74,797)	(8,386)
Net cash used in investing activities		(2,523,059)	(1,847,345)	(3,125,078)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments of:				
Cash dividends	16	(1,406,000)	(1,406,000)	(1,125,000)
Cash dividends to non-controlling interest		(580)	(580)	(580)
Port concession rights payable	23	(792,135)	(775,542)	(773,340)
Lease liabilities	23	(204,810)	(140,550)	(131,625)
Net cash used in financing activities		(2,403,525)	(2,322,672)	(2,030,545)
NET DECREASE IN CASH AND CASH EQUIVALENTS		(597,881)	(1,053,887)	(1,117,221)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		114,173	(155,588)	(103,915)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	6	4,437,874	5,647,349	6,868,485
CASH AND CASH EQUIVALENTS AT END OF YEAR	6	₱3,954,166	₱4,437,874	₱5,647,349

See Notes to the Consolidated Financial Statements.

ASIAN TERMINALS, INC. AND ITS SUBSIDIARIES

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 March 1, 2022.

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 (P000), except when otherwise indicated.

Basis of Consolidation
The consolidated financial statements comprise the financial statements of ATI, ATIB, TCTI and the Group's interest in an associate accounted for under the equity method of accounting. ATIB is a 99.17% owned subsidiary as at December 31, 2021 and 2020. TCTI was incorporated on January 18, 2018, and a 100% owned subsidiary as at December 31, 2021 and 2020.

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, 2021.

Adoption of Amendments to Standards
The Group has adopted the following amendments to standards starting January 1, 2021 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.

- *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 adoption of the amendment did not have an effect to the consolidated financial statements.

Standards Issued but Not Yet Adopted
A number of amendments to standards are effective for annual periods beginning after January 1, 2021. 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.

ASIAN TERMINALS, INC. AND ITS SUBSIDIARIES
Notes to the Consolidated
FINANCIAL STATEMENTS
(Amounts in Thousands, Except Per Share Data)

Effective April 1, 2021

- *COVID-19-Related Rent Concessions beyond 30 June 2021 (Amendment to* PFRS 16*, Leases)***.** The amendment extends the practical expedient introduced in the 2020 amendment which simplified how a lessee accounts for rent concessions that are a direct consequence of COVID-19, permitting lessees to apply the practical expedient to rent concessions for which any reduction in lease payments affects only payments originally due on or before June 30, 2022.

  The amendment is effective for annual reporting periods beginning on or after April 1, 2021. 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. The adoption is mandatory for lessees that chose to apply the practical expedient introduced by the 2020 amendments and may result in reversal of lease modifications that was ineligible for the practical expedient under the 2020 amendments, but becomes eligible as a result of the extension.

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. It applies to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment.

  - *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.

  In November 2021, the International Accounting Standards Board issued the Exposure Draft, Non-Current Liabilities with Covenants after considering stakeholder feedback on the December 2020 tentative agenda decision issued by the IFRS Interpretations Committee about the amendments. The exposure draft proposes to again amend IAS 1 as follows:

  - Conditions which the entity must comply within twelve months after the reporting period will have no effect on the classification as current or non-current.

  - Additional disclosure requirements will apply to non-current liabilities subject to such conditions to enable the assessment of the risk that the liability could become repayable within twelve months.

  - Separate presentation in the statement of financial position will be required for non-current liabilities for which the right to defer settlement is subject to conditions within 12 months after the reporting period.

  - The effective date of the amendments will be deferred to no earlier than January 1, 2024.

  Comments on the Exposure Draft is due on March 21, 2022.

- *Definition of Accounting Estimates (Amendments to PAS 8 Accounting Policies, Changes in Accounting Estimates and Errors).* To clarify the distinction between changes in accounting policies and changes in accounting estimates, the amendments introduce a new definition for accounting estimates, clarifying that they are monetary amounts in the financial statements that are subject to measurement uncertainty. The amendments also clarify the relationship between accounting policies and accounting estimates by specifying that an accounting estimate is developed to achieve the objective set out by an accounting policy. Developing an accounting estimate includes both selecting a measurement technique and choosing the inputs to be used when applying the chosen measurement technique. The effects of changes in such inputs or measurement techniques are changes in accounting estimates. The definition of accounting policies remain unchanged. The amendments also provide examples on the application of the new definition.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2023, with earlier application permitted, and will apply prospectively to changes in accounting estimates and changes in accounting policies occurring on or after the beginning of the first annual reporting period in which the amendments are applied.

- *Disclosure of Accounting Policies (Amendments to PAS 1 Presentation of Financial Statements and PFRS Practice Statement 2 Making Materiality Judgements).* The amendments are intended to help companies provide useful accounting policy disclosures. The key amendments to PAS 1 include:

  - requiring companies to disclose their material accounting policies rather than their significant accounting policies;
  - clarifying that accounting policies related to immaterial transactions, other events or conditions are themselves immaterial and as such need not be disclosed; and
  - clarifying that not all accounting policies that relate to material transactions, other events or conditions are themselves material to a company's financial statements.

  The amendments to PFRS Practice Statement 2 includes guidance and additional examples on the application of materiality to accounting policy disclosures.

  The amendments are effective from January 1, 2023. Earlier application is permitted.

- Deferred Tax related to Assets and Liabilities arising from a Single Transaction (Amendments to PAS 12 Income Taxes). The amendments clarify that the initial recognition exemption does not apply to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning obligations. The amendments apply for annual reporting periods beginning on or after January 1, 2023. Earlier application is permitted. For leases and decommissioning liabilities, the associated deferred tax assets and liabilities will be recognized from the beginning of the earliest comparative period presented, with any cumulative effect recognized as an adjustment to retained earnings or other appropriate component of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

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.

(Amounts in Thousands, Except Per Share Data)

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>
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.

<u>Determination of Fair Values</u>
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.

<u>Spare Parts and Supplies</u>
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.

<u>Investment in Subsidiaries</u>
A subsidiary is an entity controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of the 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.

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

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.

<u>Property and Equipment</u>
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.

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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
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.

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.

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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.

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.

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, 2021 and 2020 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.

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 ₱63.2 million and ₱58.0 million as at December 31, 2021 and 2020, 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, 2021 and 2020.

6. CASH AND CASH EQUIVALENTS

	Note	2021	2020
Cash on hand and in banks		₱1,318,711	₱1,335,943
Short-term investments		2,635,455	3,101,931
	24, 25	₱3,954,166	₱4,437,874

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 ₱5.8 million, ₱28.6 million and ₱157.3 million in 2021, 2020 and 2019, respectively (see Note 19).

7. TRADE AND OTHER RECEIVABLES

	Note	2021	2020
Trade receivables		₱497,390	₱399,852
Receivable from insurance		56,522	102,197
Due from related parties	20	45,508	63,930
Advances to officers and employees		20,237	25,597
Receivable from escrow fund		13,635	13,635
Interest receivable		371	359
Other receivables		179,761	23,141
		813,424	628,711
Allowance for impairment losses		(4,195)	(4,195)
	24, 25	₱809,229	₱624,516

Other receivables include refund for the down payment to a third-party for a contract cancelled in 2021 amounting to ₱165.0 million.

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, 2020	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
Reversals during the year	–	–	–
Write-offs	–	–	–
Balance at December 31, 2021	₱1,089	₱3,106	₱4,195

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8. PREPAID EXPENSES

	Note	2021	2020
Taxes		₱2,118,864	₱1,686,889
Insurance		9,861	4,918
Rental	12, 23	3,927	3,927
Advances to contractors		816	13,105
Advances to government agencies		101	101
Others		15,440	22,377
		₱2,149,009	₱1,731,317

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	2021	2020
Acquisition cost		₱11,222	₱11,222
Accumulated equity in net earnings:			
Balance at beginning of year		33,893	38,285
Equity in net earnings for the year	19	44,782	49,341
Dividends received during the year		(31,524)	(53,733)
		47,151	33,893
		₱58,373	₱45,115

The information presented in the table includes the result of SCIPSI's operations for the years ended December 31, 2021 and 2020. The following table also reconciles the summarized financial information to the carrying amount of the Group's interest in SCIPSI.

	2021	2020
Current assets	₱156,497	₱140,916
Noncurrent assets	37,787	64,471
Total assets	₱194,284	₱205,387
Current liabilities	₱50,733	₱50,907
Noncurrent liabilities	2,155	47,105
Total liabilities	₱52,888	₱98,012
Net assets	₱141,396	₱107,375
Share in net assets	₱50,493	₱38,344
Excess of cost over the interest	7,880	6,771
Carrying amount of interest	₱58,373	₱45,115
Revenues	₱322,685	₱345,105
Expenses	(197,281)	(206,937)
Net income	₱125,404	₱138,168

Based on unaudited financial statements

10. PROPERTY AND EQUIPMENT - NET

The movements in this account are as follows:

2021

	Port Facilities and Equipment	Leasehold Improvements	Furniture, Fixtures and Equipment	Transportation and Other Equipment	Construction in-progress	Total
Cost						
Balance at beginning of year	₱225,247	₱684,809	₱751,765	₱282,983	₱477,584	₱2,422,388
Additions	18,256	8,369	56,690	11,541	813,059	907,915
Disposals	(2,117)	–	(1,678)	(2,711)	–	(6,506)
Reclassifications	(18,900)	231	8,738	2,459	(8,027)	(15,499)
Balance at end of year	222,486	693,409	815,515	294,272	1,282,616	3,308,298
Accumulated Depreciation and Amortization						
Balance at beginning of year	104,801	445,326	523,487	149,959	–	1,223,573
Depreciation and amortization	13,508	38,789	83,444	36,876	–	172,617
Disposals	(2,117)	–	(1,678)	(2,711)	–	(6,506)
Reclassifications	–	1,080	26,820	–	–	27,900
Balance at end of year	116,192	485,195	632,073	184,124	–	1,417,584
Carrying Amount	₱106,294	₱208,214	₱183,442	₱110,148	₱1,282,616	₱1,890,714

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

The Group has non-cash additions for the years ended December 31, 2021 and 2020 which amounted to ₱10.8 million million and ₱2.8 million, respectively.

Cost of fully depreciated property and equipment which are still being used by the Group amounted to ₱490.1 million and ₱528.2 million as at December 31, 2021 and 2020, respectively.

11. INTANGIBLE ASSETS - NET

The movements in this account are as follows:

2021

	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	₱22,217,154	₱32,378,848	₱42,060	₱32,420,908
Additions	–	–	1,747,917	1,744,917	–	1,744,917
Reclassifications	–	–	15,499	15,499	–	15,499
Disposals	–	–	(43,106)	(43,106)	–	(43,106)
Balance at end of year	882,000	9,279,694	23,934,464	34,096,158	42,060	34,138,218
Accumulated Amortization						
Balance at beginning of year	85,934	3,945,966	8,162,417	12,194,317	–	12,194,317
Amortization	11,280	386,596	1,065,500	1,463,376	–	1,463,376
Reclassifications	–	–	(27,900)	(27,900)	–	(27,900)
Disposals	–	–	(43,106)	(43,106)	–	(43,106)
Balance at end of year	97,214	4,332,562	9,156,911	13,586,687	–	13,586,687
Carrying Amount	₱784,786	₱4,947,132	₱14,777,553	₱20,509,471	₱42,060	₱20,551,531

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	32,378,848	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	8,162,417	12,194,317	–	12,194,317
Carrying Amount	₱796,066	₱5,333,728	₱14,054,737	₱20,184,531	₱42,060	₱20,226,591

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The unamortized capitalized borrowing costs as at December 31, 2021 and 2020 amounted to ₱59.4 million and ₱64.1 million, respectively. No borrowing costs were capitalized in 2021 and 2020.

The Group has non-cash additions for the years ended December 31, 2021 and 2020 which amounted to ₱14.3 million and ₱162.7 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:

	2021	2020
Balance at beginning of year	₱2,842,686	₱2,144,577
Additions during the year	546,474	1,595,105
Reclassification during the year	(1,548,412)	(896,996)
Balance at end of year	₱1,840,748	₱2,842,686

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 4.4% in 2021 and 2.3% in 2020 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 P984.8 million and ₱1.7 billion in 2021 and 2020, 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	2021	2020
Deposits	24, 25	₱73,302	₱131,953
Taxes		26,083	39,270
Equity securities	24, 25	2,652	2,652
		₱102,037	₱173,875

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, 2021 and 2020.

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

On March 26, 2021, the President of the Philippines has approved the Corporate Recovery and Tax Incentives for Enterprises or the CREATE Act, with nine (9) provisions vetoed by the President. Effective July 1, 2020, the Group, being qualified as large corporation, has its corporate income tax lowered from 30% to 25%.

The components of taxes are as follows:

	2021	2020	2019
Current tax	₱808,801	₱1,102,599	₱1,511,488
Deferred tax	(63,404)	118,366	(18,032)
Changes in tax rate:			
Current tax	(91,883)	–	–
Deferred tax	144,367	–	–
	₱797,881	₱1,220,965	₱1,493,456

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

	2021	2020	2019
Statutory income tax rate	25.0%	30.00%	30.00%
Changes in income tax rate resulting from:			
Change in income tax rate	1.73	–	–
Income subjected to final tax	(0.28)	(0.72)	(0.98)
Others	(0.17)	(0.05)	(0.35)
Effective income tax rate	26.28%	29.23%	28.67%

The movements in deferred tax balances are as follows:

2021	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		₱503,213	(₱63,558)	₱–	₱439,655	₱–	₱439,655
Unrealized foreign exchange loss - net		274,087	(20,684)	–	253,403	–	253,403
Pension liability	21	62,668	(141)	1,782	64,591	–	64,591
Excess of cost over net realizable value of spare parts and supplies		27,229	(5,797)	–	21,432	–	21,432
Accrued expenses		12,000	7,274	–	19,274	–	19,274
Provisions for claims		17,407	(1,604)	–	15,803	–	15,803
Impairment losses on receivables	7	2,705	(451)	–	2,254	–	2,254
Right-of-use and lease liability		1,357	(955)	–	–	402	402
Unamortized capitalized borrowing costs and custom duties		(20,161)	4,671	–	–	(15,490)	(15,490)
Net tax assets (liabilities)		₱880,505	(₱80,963)	1,782	₱816,412	(₱15,088)	₱801,324

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	P31,465	₱ –	P503,213	₱ –	₱503,213
Unrealized foreign exchange loss - net		376,514	(102,427)	–	274,087	–	274,087
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
Provisions for claims		77,940	(60,533)	–	17,407	–	17,407
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

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	2021	2020
Accrued expenses:			
Marketing, commercial and promotion		₱229,362	₱123,848
Finance costs		131,732	129,744
Personnel costs		104,671	112,818
Repairs and maintenance		64,941	47,338
Professional fees		39,401	41,204
Corporate social responsibility		23,622	15,203
Security expenses		20,585	27,443
Rentals	23	10,542	10,698
Utilities		7,210	9,812
Safety and environment		4,701	5,656
Trucking expense		3,726	11,109
Miscellaneous accrued expenses		105,310	100,472
Due to government agencies	23	668,092	614,674
Equipment acquisitions		374,306	306,991
Trade		319,685	254,212
Shippers' and brokers' deposits		117,181	114,493
Management fee payable	20	12,434	20,104
Other payables		142,427	169,031
		₱2,379,928	₱2,114,850

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

	2021	2020
Balance at beginning of year	₱58,024	₱259,799
Provisions (reversals) during the year	7,172	(127,673)
Payments during the year	(1,980)	(74,102)
Balance at end of year	₱63,216	₱58,024

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.

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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, 2021, the Parent Company has a total of 2 billion issued and outstanding common shares and 822 stockholders.

Capital Stock - ₱1 Par Value
The Parent Company has 2.0 billion issued and fully paid capital stock, from its 4.0 billion authorized common shares, as at December 31, 2021 and 2020.

Retained Earnings
The Group's unappropriated retained earnings includes the subsidiaries' unappropriated net earnings of ₱19.3 million and ₱21.1 million and the Group's accumulated equity in the net earnings of an associate amounting to ₱47.2 million and ₱33.9 million as at December 31, 2021 and 2020, respectively, which are available for distribution only upon declaration of dividends by such subsidiaries to the Parent Company and the associate to the Group. Cash dividends are distributed yearly since 2000.

Cash Dividends
On April 22, 2021, the BOD approved the declaration of cash dividends amounting to ₱1,406.0 million or ₱0.703 per share payable on May 17, 2021 to common shareholders of record as at May 17, 2021.

On March 30, 2020, the BOD approved the declaration of cash dividends amounting to ₱1,406.0 million or ₱0.703 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.

Appropriation and Reversal of Appropriation of Retained Earnings
On December 31, 2021, the Group's BOD approved the reversal to the unappropriated retained earnings of the amount of ₱2.5 billion out of the already approved appropriation of ₱14.0 billion, for capital expenditures for 2020 and 2021. Furthermore, the Group's BOD approved an appropriation of the retained earnings amounting to ₱3.6 billion for capital expenditures for the next 5 years. The Group's BOD also approved on the same date a budget amounting to ₱17.5 billion for capital expenditures which include yard and berth development as well as construction of new facilities and equipment acquisition for 2022 to 2026. The capital expenditures will strengthen the Group's operations and capability to handle growth.

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.

Fair Value Reserve
Fair value reserve amounting to ₱5.8 million as at December 31, 2021 and 2020 represents unrealized loss on equity securities.

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 ₱1.9 billion, P1.8 billion and ₱2.3 billion in 2021, 2020 and 2019, respectively (see Note 23).

18. COSTS AND EXPENSES EXCLUDING GOVERNMENT SHARE IN REVENUES

	Note	2021	2020	2019
Depreciation and amortization	*10, 11, 23*	₱1,849,725	₱1,733,668	₱1,529,979
Labor costs	*21*	1,495,219	1,447,015	1,551,941
Equipment running		665,431	548,285	812,343
Taxes and licenses		419,726	412,407	390,164
Facilities-related expenses		214,414	155,600	210,506
Insurance		198,358	144,182	110,743
Security, health, environment and safety		152,497	167,014	212,654
Management fees	*20*	133,598	184,380	229,821
General transport		116,549	109,249	96,442
Rental	*23*	13,960	21,130	38,883
Professional fees		12,898	13,958	26,255
Provision for claims	*15*	7,172	2,327	109,541
Marketing, commercial and promotion		7,015	9,708	56,009
Entertainment, amusement and recreation		3,453	2,306	8,908
Others		136,225	110,963	222,239
		₱5,426,240	₱5,062,192	₱5,606,428

Labor costs include salaries, benefits and pension expense.

Spare parts and supplies used and included under equipment running amounted to ₱249.4 million, ₱184.4 million and ₱310.9 million in 2021, 2020 and 2019, respectively.

Provision for spare parts and supplies obsolescence included under other costs and expenses amounted to nil, ₱7.0 million and ₱29.2 million in 2021, 2020 and 2019, respectively.

Rental pertains to short-term leases incurred during the period.

19. OTHER INCOME AND EXPENSES

Finance income includes interest on cash in banks and short-term investments amounting to ₱5.8 million, ₱28.6 million and ₱157.3 million in 2021, 2020 and 2019, respectively (see Note 6).

Finance cost is broken down as follows:

	Note	2021	2020	2019
Interest on port concession rights payable		₱490,497	₱510,447	₱528,747
Interest on lease liability	*23*	7,530	25,540	27,696
Interest component of pension expense	*21*	5,753	7,911	2,220
Interest on bank loans/ credit facilities		288	203	218
		₱504,068	₱544,101	₱558,881

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	2021	2020	2019
Foreign exchange gains (losses) - others		₱135,737	(₱146,107)	(₱94,430)
Equity in net earnings of an associate	*9*	44,782	49,341	51,129
Other income - net		14,202	19,625	9,195
Management income	*20*	8,588	9,226	9,672
Gain on disposal of equipment and intangible assets		1,232	15,630	12,637
Foreign exchange gains (losses) - port concession rights payable		(459,448)	291,455	184,487
Reversal of prior year provision and accruals		–	255,503	–
Income from insurance claims		–	104,666	44,046
		(₱254,907)	₱599,339	₱216,736

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

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*	**2021**	**₱8,588**	**₱861**	**₱–**	**₱–**	**Payable on demand**	**Unsecured; no impairment**
		2020	9,226	1,696	–	–	Payable on demand	Unsecured; no impairment
▪ Dividend income	*9*	**2021**	**31,524**				**Payable on demand**	**Unsecured; no impairment**
		2020	53,733	17,911	–	–	Payable on demand	Unsecured; no impairment
Post-Employment Benefit Plan								
▪ Retirement fund	*20B*	**2021**	**56,113**	**44,647**			**Payable on demand**	**Unsecured; no impairment**
		2020	71,438	43,978	–	–	Payable on demand	Unsecured; no impairment
Others								
▪ Management fees	*20C*	**2021**	**133,598**	–	**12,434**		**Payable within ten (10 days) of the following month**	**Unsecured**
		2020	184,380	–	20,104	–	Payable within ten (10) days of the following month	Unsecured
▪ Advances	*20D*	**2021**	**3,019**		**58**		**Payable on demand**	**Unsecured; no impairment**
		2020	2,105	345	–	–	Payable on demand	Unsecured; no impairment
▪ Lease	*20E*	**2021**	**21,158**			**50,098**	**Payable within five (5 days) of the following month**	**Unsecured**
		2020	25,008	–	–	81,172		
TOTAL		**2021**		**₱45,508**	**₱12,492**	**₱50,098**		
TOTAL		2020		₱63,930	₱20,104	₱81,172		

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A. Amount owed by SCIPSI pertains to management fees equivalent to 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 to or by DP World Asia Holdings Limited-Regional Operating Headquarters, a related party under common control, pertains to reimbursements for expenses paid by the Group. As of December 31, 2021, related amount was recorded as Other Payables under Trade and other payables (see Note 14).

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 ₱40 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:

	2021	2020
Short-term employee benefits	₱200,486	₱188,722
Post-employment benefits	10,485	12,741
	₱210,971	₱201,463

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, 2021. 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		
	2021	2020	2019	2021	2020	2019	2021	2020	2019
Current service cost	₱34,334	₱39,747	₱27,718	₱6,305	₱3,964	₱2,129	₱40,639	₱43,711	₱29,847
Interest cost on defined benefit obligation	19,473	28,014	31,529	2,407	2,436	2,430	21,880	30,450	33,959
Interest income on plan assets	(14,494)	(20,710)	(29,379)	(1,633)	(1,829)	(2,360)	(16,127)	(22,539)	(31,739)
Net pension expense	₱39,313	₱47,051	₱29,868	₱7,079	₱4,571	₱2,199	₱46,392	₱51,622	₱32,067

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 of December 31

	ATI		ATIB		TOTAL	
	2021	2020	**2021**	2020	2021	2020
Present value of pension obligations	(₱605,375)	(₱568,642)	**(₱54,937)**	(₱59,776)	(₱660,312)	(₱628,418)
Fair value of plan assets	384,731	403,310	**33,972**	37,018	418,703	440,328
Pension liability	(₱220,644)	(₱165,332)	**(₱20,965)**	(₱22,758)	₱241,609	(₱188,090)

Changes in the Present Value of Pension Obligations

	ATI		ATIB		TOTAL	
	2021	2020	2021	2020	2021	2020
Present value of pension obligations at beginning of year	₱568,642	₱602,339	₱59,776	₱48,576	₱628,418	₱650,915
Current service cost	34,334	39,747	6,305	3,964	40,639	43,711
Interest cost	19,473	28,014	2,407	2,436	21,881	30,450
Benefits paid	(26,707)	(50,488)	(4,185)	(3,243)	(30,892)	(53,731)
Actuarial loss (gain)	9,633	(50,970)	(9,366)	8,043	267	(42,927)
Employee Transfer		(88)		88		–
Present value of pension obligations at end of year	₱605,375	₱568,642	₱54,937	₱59,776	₱660,312	₱628,418

Changes in the Fair Value of Plan Assets

	ATI		ATIB		TOTAL	
	2021	2020	2021	2020	2021	2020
Fair value of plan assets at beginning of year	₱403,310	₱432,407	₱37,018	₱34,362	₱440,328	₱466,769
Interest income	14,494	20,710	1,633	1,829	16,127	22,539
Actual contributions	–	–	–	–	–	–
Remeasurement gain on plan assets	(6,366)	681	(494)	1,257	(6,860)	1,938
Benefits paid	(26,707)	(50,488)	(4,185)	(430)	(30,892)	(50,918)
Fair value of plan assets at end of year	₱384,731	₱403,310	₱33,972	₱37,018	₱418,703	₱440,328

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

	ATI			ATIB			TOTAL		
	2021	2020	2019	2021	2020	2019	2021	2020	2019
Actuarial gain (loss) due to:									
Changes in financial assumptions	(₱24,382)	(₱32,713)	(₱107,477)	₱8,798	(₱4,551)	(₱11,072)	(₱15,584)	(₱37,264)	(₱118,549)
Changes in demographic assumptions	(28,543)	47,365	–		(4,155)	–	(28,543)	43,210	–
Experience adjustment	43,292	36,317	(38,315)	568	3,477	(2,872)	43,860	39,784	(41,187)
Remeasurement gain (loss) on plan assets	(6,366)	681	12,776	(494)	1,257	836	(6,860)	1,938	13,612
	(₱15,999)	₱51,650	(₱133,016)	₱8,872	(₱3,972)	(₱13,108)	(₱7,127)	₱47,678	(₱146,124)

The cumulative amount of actuarial gain (loss) recognized in the consolidated statements of changes in equity included under "Retained earnings" account amounted to ₱4.6 million and (₱11.8) million as at December 31, 2021 and, 2020, 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	
	2021	2020	2021	2020	2021	2020
Cash and cash equivalents	₱9,744	₱2	₱2	₱5	₱9,746	₱7
Investment in UITF	5,077	14,994	4,384	2,296	9,461	17,290
Equity instruments	62,055	55,544	5,536	4,359	67,591	59,903
Investment in government securities	274,852	301,283	21,237	27,952	296,089	329,235
Debt instruments	27,350	28,563	2,623	2,172	29,973	30,735
Other receivables	5,653	2,924	190	234	5,843	3,158
	₱384,731	₱403,310	₱33,972	₱37,018	₱418,703	₱440,328

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	
	2021	2020	2021	2020
Discount rate at end of year	5.10%	3.8%	5.18%	4.1%
Salary increase rate	3.5%-6.0%	3.0%-6.0%	3-5%-6.0%	3.0%-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	
	2021	2020	2021	2020
Average expected future service years	14	13	18	18

Maturity analysis of the benefit payments:

	2021 Expected Benefit Payments	
	ATI	ATIB
Within 1 Year	55,011	230
Within 1 - 5 Years	211,887	12,663
More than 5 Years	2,677,966	539,141

	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

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Sensitivity Analysis
As of 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:

2021

	ATI		ATIB	
	1% Increase	1% Decrease	1% Increase	1% Decrease
Discount rate	(49,679)	58,604	(6,714)	8,244
Salary increase rate	60,424	(52,185)	8,357	(6,929)

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	(56,741)	9,541	(7,869)

The Group expects to pay ₱75.0 million in contributions to defined benefit pension plans in 2022.

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

Basic EPS is computed as follows:

	2021	2020	2019
(a) Net income attributable to Equity Holders of the Parent Company (in thousands)	₱2,236,720	₱2,954,904	₱3,714,060
(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)	₱1.12	₱1.48	₱1.86

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. As of date of this report, 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 which were delayed in 2020 due to the impact of COVID-19, amounting to approximately USD90.0 million, were continued in 2021. The revenues for the year ended December 31, 2021 increased by 2% compared to last year but have not reached yet the pre-pandemic levels. Expenses amounting to around ₱30.0 million and ₱84.0 million in 2021 and 2020, respectively 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; 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:

	2021	2020
Balance as at January 1	₱7,639,769	₱8,302,992
Accretion of port concession rights payable	484,794	505,416
Payments during the year	(792,135)	(775,542)
Effects of exchange rate changes	369,743	(393,097)
Balance as at December 31	₱7,702,171	₱7,639,769

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 P1.7 million, subject to a yearly escalation of 5%.

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 ₱1.3 million in 2021, 2020 and 2019, respectively.

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.

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.

   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.

   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	2021	2020
Balance at January 1		₱615,510	₱676,129
Additions to right-of-use assets		57,672	99,383
Depreciation during the year	18	(213,732)	(160,002)
Proceeds		(451)	–
Balance at December 31		₱458,999	₱615,510

   ii. Lease Liabilities

	Note	2021	2020
Balance at January 1		₱599,775	₱640,942
Additions to lease liabilities		57,672	99,383
Interest expense during the year	19	7,530	25,540
Payments made		(212,340)	(166,090)
Balance at December 31		₱452,637	₱599,775

   As at December 31, 2021 and 2020, the Group has current and noncurrent lease liabilities included in the statement of financial position as follows:

	2021	2020
Current	₱85,028	₱134,452
Noncurrent	367,609	465,323
	₱452,637	₱599,775

   The maturity analysis of undiscounted lease payments as of December 31, 2021 and 2020 is as follows:

	2021	2020
Within one year	₱204,152	₱280,104
More than one year to five years	272,765	453,256
More than five years	449,863	471,070
	₱926,780	₱1,204,430

   iii. Amounts to Recognized in Profit or Loss

	Note	2021	2020
Depreciation expense	18	₱213,732	₱160,002
Interest on lease liabilities	19	7,530	25,540
Expenses relating to short-term and/or low value leases	18	13,960	21,130
Total		₱235,222	₱206,672

   iv. Amounts Recognized in Statements of Cash Flows

	2021	2020
Payments of lease liabilities	₱204,810	₱140,550
Interest paid	7,530	25,540
Cash outflow relating to short-term and/or low value leases	13,960	21,130
Total cash outflow for leases	₱226,300	₱187,220

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.

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As at December 31, 2021 and 2020, the interest rate profile of the Group's interest- bearing financial instrument is as follows:

	2021	2020
Fixed Rate Instruments		
Cash and cash equivalents*	₱3,952,059	₱4,436,490

**Excluding cash on hand amounting to ₱2.1 million and ₱1.4 million as at December 31, 2021 and 2020, 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, 2021	Carrying Amount	On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	> 5 Years	Total
Trade and other payables*	₱1,711,836	₱210,966	₱336,941	₱1,163,929	₱–	₱–	₱1,711,836
Port concession rights payable	7,702,171						
-		–	200,158	600,475	3,727,499	6,380,656	10,908,788
Lease liabilities	452,637	–	58,729	145,423	272,765	449,863	926,780
	₱9,866,644	₱210,966	₱595,828	₱1,909,827	₱4,000,264	₱6,830,519	₱13,547,404

**excluding due to government agencies amounting to ₱0.7 million and ₱0.6 million as at December 31, 2021 and 2020, respectively.*

		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	-	61,121	218,983	453,256	471,070	1,204,430
	₱9,739,720	₱227,771	₱657,662	₱1,691,649	₱4,312,298	₱7,398,947	₱14,288,327

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

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, 2021 and 2020, without considering the effects of collaterals and other risk mitigation techniques, is presented below.

	Note	2021	2020
Cash and cash equivalents*	*6*	₱3,952,060	₱4,436,490
Trade and other receivables - net	*7*	809,229	624,516
Deposits	*12*	73,302	131,953
Equity securities	*12*	2,652	2,652
		₱4,837,243	₱5,195,611

**excluding cash on hand amounting to ₱2.1 million and ₱1.4 million as at December 31, 2021 and 2020, 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, 2021			
	Grade A	Grade B	Grade C	Total
Cash in banks and cash equivalents	₱3,952,060	₱–	₱–	₱3,952,060
Trade and other receivables - net	498,949	310,280	–	809,229
Deposits	73,302	–	–	73,302
Equity securities	2,652	–	–	2,652
	₱4,526,963	₱310,280	₱–	₱4,837,243

	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

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	2021	2020
Shipping lines		₱310,164	₱372,605
Others		499,065	251,911
	7	₱809,229	₱624,516

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, 2021 and 2020:

	Gross Carrying Amount	**Impairment Loss Allowance**	**Credit-impaired**
Current (not past due)	₱686,002	₱–	No
1 - 30 days past due	49,444	–	No
31 - 60 days past due	25,692		No
61- 90 days past due	26,140		No
More than 90 days past due	26,146	4,195	Yes
Balance at December 31, 2021	₱813,424	₱4,195	

	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	

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.

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.

ASIAN TERMINALS, INC. AND ITS SUBSIDIARIES
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(Amounts in Thousands, Except Per Share Data)

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

There was no movement in the allowance for impairment on trade and other receivables from 2020 as no reversals and write-offs were made in 2021. The allowance for impairment as at December 31, 2021 is P4.2 million with individually and collectively impaired receivables amounting to P1.1 million and P3.1 million, respectively.

	2021	Individually Impaired	Collectively Impaired
Balance at January 1	₱4,195	₱1,089	₱3,106
Reversals during the year	–	–	–
Write-offs	–	–	–
Balance at December 31	₱4,195	₱1,089	₱3,106

	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

Cash in Banks and Cash Equivalents
The Group held cash in banks and cash equivalents of ₱4.0 billion and ₱4.4 billion as at December 31, 2021 and 2020, 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 foreign currency-denominated accounts as at December 31 are as follows:

	2021	2020
Assets		
Cash and cash equivalents	USD38,634	USD53,141
Liabilities		
Trade and other payables	4,030	1,040
Port concession rights payable	130,327	134,718
	134,357	135,758
Net foreign currency-denominated liabilities	(USD95,723)	(USD82,617)
Peso equivalent	(₱4,881,777)	(₱3,967,516)

The exchange rates applicable for USD as at December 31, 2021 and 2020 are P51.0 and P48.03, 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
2021			
	+5%	(₱244,089)	(₱183,067)
	-5%	244,089	183,067
2020			
	+5%	(₱198,376)	(₱138,863)
	-5%	198,376	138,863

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	2021	2020
Capital stock		₱2,000,000	₱2,000,000
Additional paid-in capital		264,300	264,300
Retained earnings		18,467,868	17,642,548
Fair value reserve		(5,820)	(5,820)
Total	16	₱20,726,348	₱19,901,028

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, 2021 and 2020.

		2021		2020	
	Note	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets					
Cash and cash equivalents	*6*	₱3,954,166	₱3,954,166	₱4,437,874	₱4,437,874
Trade and other receivables - net	*7*	809,229	809,229	624,516	624,516
Deposits	*12*	73,302	79,743	131,953	138,262
		4,836,697	4,843,138	5,194,343	5,200,652
Equity securities	*12*	2,652	2,652	2,652	2,652
		₱4,839,349	₱4,845,790	₱5,196,995	₱5,203,304
Financial Liabilities					
Other financial liabilities:					
Trade and other payables*	*14*	₱1,711,836	₱1,711,836	₱1,500,176	₱1,500,176
Port concession rights payable		7,702,171	8,695,787	7,639,769	9,817,086
Lease liabilities	*23*	452,637	452,637	599,775	599,775
		₱9,866,644	₱10,860,260	₱9,739,720	₱11,917,037

**excluding due to government agencies amounting to ₱0.7 million and ₱0.6 million as at December 31, 2021 and 2020, 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 3.1% in 2021 and 1.8% in 2020.

The fair value of port concession rights payable was estimated at the present value of all future cash flows discounted using the applicable rates for similar types of loans ranging from 4.42% to 5.10% in 2021 and 2.65% to 3.97% in 2020.

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

As at December 31, 2021	*Note*	Level 1	Level 2	Level 3
Equity securities	*12*	₱933	₱–	₱1,719
Port concession rights payable		–	8,695,787	–
Lease liabilities		–	452,637	–
		₱933	₱9,148,424	₱1,719

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	₱1,719

There have been no transfers from one level to another in 2021 and 2020.

26. REVENUES FROM OPERATIONS

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

	2021	2020	2019
Revenues from Operations			
Stevedoring	₱4,775,548	₱4,580,562	₱6,027,019
Arrastre	4,587,974	3,637,336	4,666,414
Logistics	106,907	117,159	91,289
Special and other services	1,692,315	2,625,902	2,544,719
	₱11,162,744	₱10,960,959	₱13,329,441

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