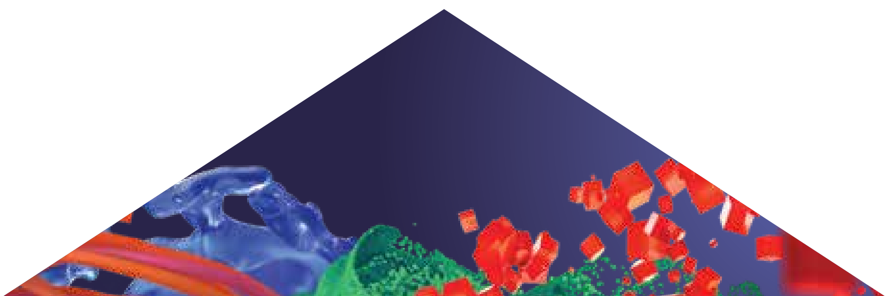
ASIAN TERMINALS INCORPORATED

ENABLING SMARTER, FASTER, & SAFER TRADE

ANNUAL REPORT 2022



VISION

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

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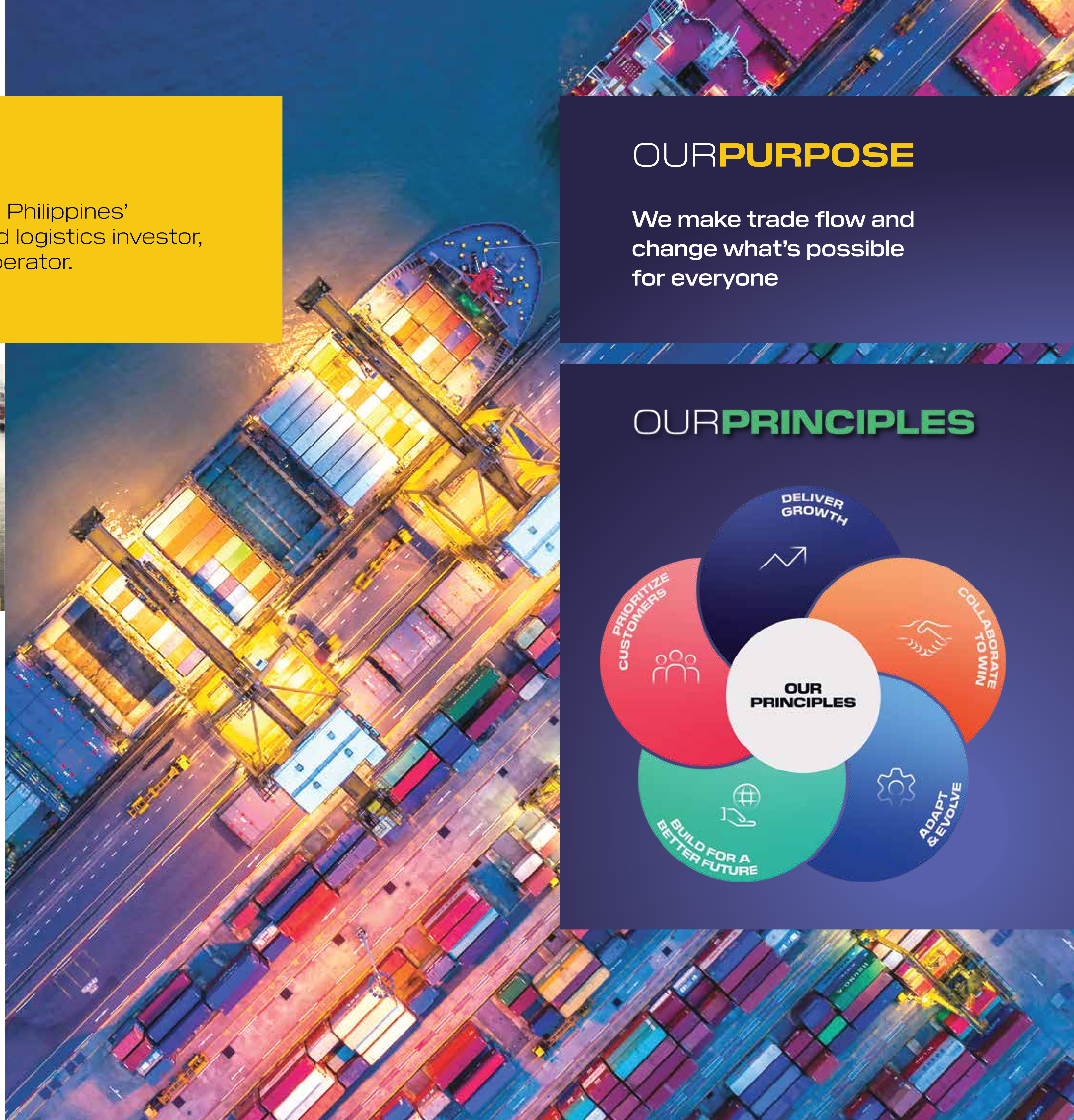
OUR PURPOSE

We make trade flow and change what's possible for everyone

OUR PRINCIPLES



Chairman 's Message

Year 2022 ushered a period of sustained economic recovery for the Philippines from disruptions attributed to the Covid-19 pandemic. Despite macroeconomic headwinds, geopolitical tensions, soaring inflation and prevailing pandemic conditions, the country's road economy again demonstrated its resilience expanding 7.6% for the year, slightly edging government expectations. This is the fastest growth rate in 46 years and considered among the best in the region behind strong domestic consumption, steady remittances, election-related activities, and sustained government spending.

As a trade enabler, Asian Terminals is proud to contribute to the country's road to recovery by operating and investing in broader, smarter, and faster ports and logistics infrastructure which keep cargoes flowing and people moving 24 by 7.

Consistent with this overarching theme of growth and recovery, it gives me great pleasure to report that ATI delivered yet another year of solid results in 2022 driven by our agility, tenacity, and proficiency as a diversified port organization.

On a consolidated basis, our container ports in Manila and Batangas handled over 1.4 million teus (twenty-foot equivalent units) of boxed cargoes, bringing us closer to pre-pandemic levels. This marks a 4.5% volume growth from 2021 despite supply-chain disruptions in major regional ports due to pandemic spikes and restrictions. Our expansion projects, lean management programs, and smart solutions – including the country's first AI auto-gate system – have likewise been pivotal in increasing efficiency, capacity, and safety across our terminals.

In the non-containerized segment, our car carrier terminal in Batangas reached a new milestone as it handled over 230,000 completely built car units (CBUs), or 73% higher than 2021, breaching the previous record of 201,000 units back in 2016. Our expansive multilevel and open storage facilities in Batangas support the impressive growth of the industry.

At the domestic front, the revitalized Batangas Passenger Terminal which we partially unveiled last year handled over 2.2 million outbound passengers and nearly 360,000 domestic vehicles with the continued easing of travel restrictions. The Batangas Port modernization project will be complete by this year, making our terminal the biggest, busiest, and most modern interisland travel hub in the Philippines supporting local trade and tourism.

Anchored on our robust business performance, I am very pleased to report that our total revenues for 2022 reached Php13.62 billion, the highest in ATI's history. This is 22% higher than the Php11.16 billion we achieved in 2021. Our net income stood at Php3.01 billion, or 35.3% higher than the Php2.24 billion we posted a year earlier.

Year-on-year, we have demonstrated a stronger balance sheet and robust cash flow backed by our operational discipline, our diligent cost management efforts, and the careful execution of our business plans. This puts us on a solid footing to further upgrade our ports, explore new business opportunities, and provide sustainable returns for our investors and communities.

To sustain our growth momentum as we revert to pre-pandemic levels of business activity, our capital investment program for 2023 will remain in high gear. Our planned investment amounting to a minimum of Php5.2 billion, in line with our long-term commitment with the port authority, will support the creation of additional berthing spaces and yard facilities, deployment of new cranes and eco-friendly equipment, reopening of our Manila cruise terminal, expansion of ports and logistics touchpoints in key markets, and the rollout of innovations and technologies.

It is projected that by 2034, the Philippines will become one of Asia Pacific's one trillion-dollar economies, joining China, Japan, Australia, and Indonesia, among others. As this vision happens, we want to make sure that ATI alongside our global equity partner DP World is ready and capable to support growth, consistent with what we have delivered in nearly 40 years of operations in the Philippines. Our strategic initiatives focused on building more agile, technology-driven, and innovative trade assets and port-centric logistics networks ensure that we are responsive to market needs now and into the future.

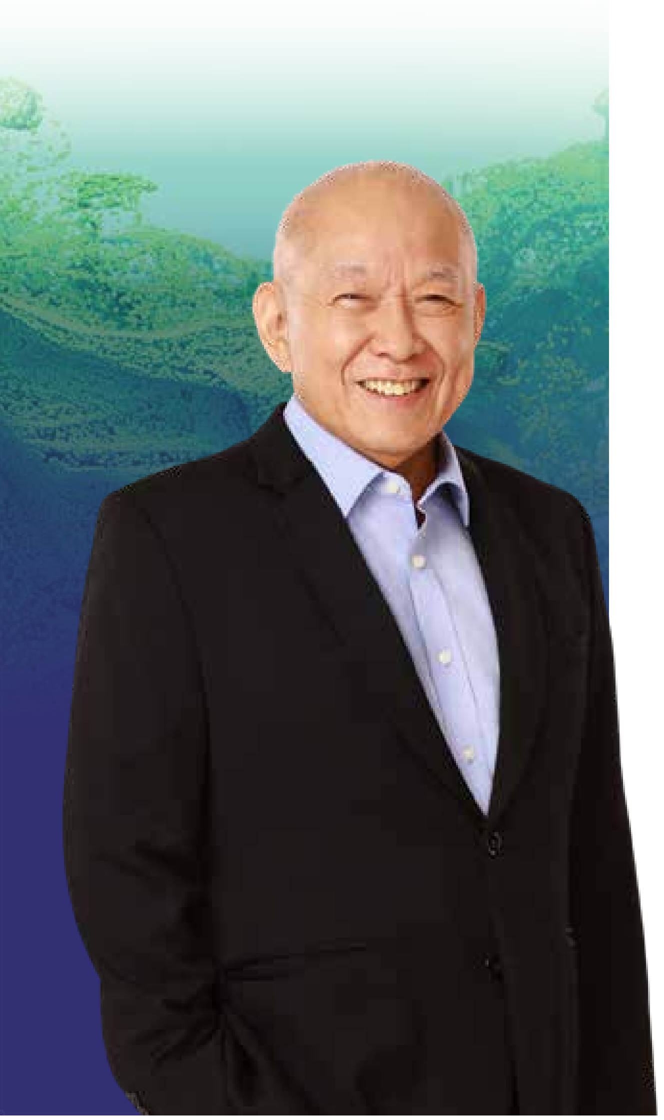
In closing, I wish to express my profound thanks and appreciation to our Board of Directors, shareholders, customers, and the port authorities for their valuable contributions and to our ATI management team and employees for operating and managing the business competently, efficiently, and safely.

Looking with optimism into the future, we will continuously work together to unlock potentials, open new opportunities, and make things possible for our customers and stakeholders, leveraged on the strength and comprehensive capabilities of ATI's ports and logistics business.

GLEN C. HILTON
Chairman of the Board

YEAR-ON-YEAR, WE HAVE DEMONSTRATED A STRONGER BALANCE SHEET AND ROBUST CASH FLOW BACKED BY OUR OPERATIONAL DISCIPLINE, OUR DILIGENT COST MANAGEMENT EFFORTS, AND THE CAREFUL EXECUTION OF OUR BUSINESS PLANS.

Review of Business Activities



AS OPERATOR OF WORLD-CLASS PORTS AND LOGISTICS ASSETS, ATI IS VERY PLEASED TO ENABLE SMARTER, FASTER, AND SAFER TRADE IN THE PHILIPPINES, ESPECIALLY AT THIS JUNCTURE OF RECOVERY AND JOURNEY TOWARDS NEW NORMALCY.

Asian Terminals again demonstrated its strength and resilience in 2022 as we sustained our important role in making cargoes flow and helping economies grow.

As operator of world-class ports and logistics assets, our Company is very pleased to enable smarter, faster, and safer trade in the Philippines, especially at this pivotal juncture of recovery and journey towards new normalcy. By combining these infrastructure with our comprehensive capabilities and pioneering technologies, we continuously moved commodities, supported industries, and connected communities as the country alongside the rest of the world emerged from the pandemic.

Anchored on this story of resilience and growth, allow me to report on ATI's solid performance in the year past while reflecting on Our Principles, our revitalized corporate values that serve as our compass towards greater success and sustainability.

First, we continued to **DELIVER GROWTH** behind the robust execution of our integrated gateways. On a consolidated level, our container terminals in Manila and Batangas handled over 1.4 million teus (twenty-foot equivalent units) of boxed cargoes, representing an increase of 4.5% from the previous year and in step with country's economic rebound.

In the non-container segment, our Batangas Port marked a new milestone handling more than 236,000 completely built imported car units (CBUs), our highest in a single year. This surpassed our previous high mark of over 201,000 CBUs booked in 2016, representing a volume growth of over 70% from 2021. Carmakers and distributorships continued to gravitate towards Batangas Port, optimizing its proximity and direct accessibility to major markets from Luzon to Visayas and Mindanao.

Overall, our outstanding operational performance fueled our solid financial results bannered by revenues amounting to Php13.62 billion and a net income of Php3.03 billion for a year-on-year growth of 22% and 35.3%, respectively.

Second, our focus to **PRIORITIZE CUSTOMERS** remained unwavering. In line with this, we continuously upgraded our facilities and capabilities to better serve present and future market and customer requirements.

In Manila South Harbor, we sustained the expansion of our yard and berth footprint, enhanced our gates, and harmonized intermodal processes, collectively increasing our capacity, productivity, and efficiency. We also welcomed additional ships and trade services deployed by our partner carriers leading to better market connectivity and new opportunities for the import and export communities.

ATI's strategic initiatives in future-proofing facilities outside our flagship terminal were equally in full swing. In June, we unveiled phase one of the bigger, better, and modern Batangas Passenger Terminal (BPT) with resounding appreciation from passengers and various stakeholders.

Completion of the BPT modernization project in line with our commitment with government will significantly grow its seating capacity to over 6,000 passengers in any one time from only 2,000 previously, making this the biggest private sector-led initiative in its class. Furthermore, this broadens Batangas Port's role as a premier hub facilitating seamless connectivity for both domestic shipment and travelers through Southern Luzon's busiest nautical corridor.

Third, our ability to **COLLABORATE TO WIN** in partnership with our key stakeholders has been integral in executing efficiently and safely under a dynamic market environment.

Our pioneering Empty Loadout Shipping Alliance (ELSA) for instance with the active support of major carriers has sustained the vigorous cycle of containers from the country to regional hubs. ELSA has accelerated the flow of empty containers, reduced road gridlocks, addressed logistics bottlenecks, and helped boost regulatory compliance with extensive industry-wide benefits.

Moreover, by fostering cooperation and harmonious collaboration with our internal and external stakeholders, we have built a healthier, safer, and more secure port environment. Such collaborative spirit was pivotal as we reinforced the 'Commitments We Live By' – our cornerstone safety program – with the active involvement of our employees and industry partners. Such initiatives, together with our senior management-driven onsite safety engagement practices, have strengthened our inclusive safety culture as reflected by the continual improvement of our annual safety metrics.

As an agile organization, ATI's ability to **ADAPT & EVOLVE** has kept us at pace with industry's rapid transformation. Driven by acuity, technology, and ingenuity, we are honored to continuously introduce game-changing systems and industry-leading digital platforms to make trade flow smarter and faster.

During the year, our Batangas Container Terminal (BCT) proudly became the first port in the Philippines to transition to fully automated gates backed by machine learning. We leveraged on the pioneering IT solutions of our strategic foreign equity partner DP World to fully integrate Artificial Intelligence and the Terminal Internet of Things into BCT's processes making transactions faster and more seamless. Plans are underway for auto-gate's integration in Manila South Harbor following BCT's successful rollout.

In the same token, initiatives on keeping our most valuable assets – our people – responsive to growing market demands and requirements were on target. It was particularly a strong year for talent development as our employees across ranks attended world-class in-person, online, and hybrid training programs, with improved pandemic conditions. Efforts on promoting diversity have also continued to gain ground with our very own women trade enablers network group leading the way for greater women participation and representation in the workplace.

Lastly, as we have grown exponentially as a business, so have we as a socially responsible company. ATI's institutional programs on reforestation, mangrove plantation, water conservation, pollution reduction, and promotion of quality education have collectively made headway, helping **BUILD A BETTER FUTURE** for everyone. Our programs on tapping new technologies and renewable energy have also progressed as we contribute to a greener and more sustainable port industry.

Indeed, it was a remarkable year for ATI highlighted by milestones and key accomplishments as we lived up to Our Principles. For all these, we thank our valued stakeholders – from our employees to our customers, industry partners, and port authorities – for their unwavering support and collaboration.

Inspired by these successes, we will continue to leverage on our world-class ports and logistics infrastructure, our deep industry experience, and our proven track-record as we shape smarter, faster, and safer supply-chains and in the process change what's possible for our customers, communities, and economies.

EUSEBIO H. TANCO
President

Operational Highlights

We keep commodities moving, economies revving, and industries thriving 24/7 leveraged on our world-class ports and logistics assets, innovations, and trade infrastructure for a robust supply-chain.

WE MAKE TRADE FLOW

Powered by top-notch processes, equipment, and technologies, our vital gateways offer comprehensive services for containerized and non-containerized cargoes, project lifts, rolling shipment and passengers – delivering smarter and faster market connectivity from factory floors to customers doors – and opening new opportunities for industries, our customers, and communities.

CONNECTING ECONOMIES

Whether in Manila, Batangas or Laguna, our world-class ports and inland logistics terminals facilitate the seamless flow of containers, bringing precious cargoes from ports to major industrial and consumer touchpoints. Working in synergy, our integrated facilities serve as strategic drivers for the Philippine economy.

SUPPORTING INDUSTRIES

Our track-record and experience in handling non-containerized and unconventional cargoes remain the industry benchmark. Bringing this specialized cargo handling expertise to key markets ensure support for power generation, transportation, construction, major industries, and other vital economic drivers.

OPTIMIZING OPPORTUNITIES

Our international roll-on/roll-off operation in Batangas is the best and biggest in the country, complemented by spacious storage infrastructure to secure precious rolling cargoes. With direct local connectivity, car importers and distributors can reach domestic markets more efficiently, reliably, and cost-effectively.

BRIDGING COMMUNITIES

Our world-class Batangas Passenger Terminal, the most modern in its class, has elevated passenger experience to a whole new level. Equipped with fully airconditioned lounges, restaurants, and modern amenities, it takes pride in bridging island communities while delivering the ultimate comfort and convenience for passengers.

South Harbor
INTERNATIONAL CONTAINER TERMINAL
Boosting terminal capacity and efficiency towards greater resiliency

Manila South Harbor continued to scale up its role as an enabler of faster and smarter trade in 2022, three years into the unprecedented Covid-19 pandemic. Without let up, ATI kept the momentum going, steadily boosting the capacity, capability, and efficiency of its flagship terminal in support of the industry and in line with its commitment with the port authority.

During the period, key infrastructure projects came onstream alongside strategic expansion and operations enhancement projects, which ATI saw as imperative to sustain the resurgence of the Philippine supply-chain as the country transitioned into the better normal.

HIGHER CAPACITY
Among the major accomplishments for the year was the successful expansion of landside assets bannered by a more contiguous, spacious, and well-defined main container yard within the Manila South Harbor expanded port zone. The main container yard was complemented by newly enhanced gates, better configured container drop-off zones, and streamlined processes for faster cargo circulation. A similar yard expansion project is underway in the southern side of terminal.

These landside projects are aligned with the Pier 3 berth extension project currently in full swing. Upon completion, the additional berth will be equipped with two brand-new ship-to-shore cranes, effectively shoring up Manila South Harbor's berth spaces with a depth of -13 meters and quay crane fleet from 9 to 11. This would enable the terminal to accommodate greater number of ships and larger capacity vessels deployed by major shipping lines, building on its accomplishment in 2022 marked by various maiden calls on top of additional and revitalized trade services launched via Manila South Harbor.

CURRENT CAPACITY	FUTURE CAPACITY	2022 VOLUME
+1.45m TEUs	+1.9m TEUs	1.1m TEUs









Fruition of these projects will bring the annual throughput capacity of Manila South Harbor to around 1.9 million teus (twenty-foot equivalent units) from its current capacity of 1.45 million teus.

BOOSTING CAPABILITIES
Apart from infrastructure improvements, processes were continuously enhanced to better respond to operational exigencies. Towards this end, capabilities of the terminal's intermodal unit were further harmonized to ensure greater collaboration between planning, execution, and gate processes to meet the growing and evolving needs of stakeholders.

Strategic asset management across the terminal also delivered record-productivity gains. Dynamic deployment of equipment and personnel responded to customer requirements. Safer night operation was likewise achieved with the upgrade of lighting fixtures to brighter and eco-friendlier LED bulbs.

In collaboration with port authorities, ATI improved roadways leading to the designated examination area of Manila South Harbor. This bolstered non-intrusive examination capabilities using passthrough x-ray machines that can accommodate around 100 trucks per hour. On top of this, the terminal was outfitted with a second truck-mounted examination ramp which housed the full complement of border-control agents for safer and expeditious spot inspection and cargo release procedures.

TRADE EFFICIENCIES
The unimpeded flow of empty containers has remained an integral part of sustaining supply-chain efficiencies. ATI's pioneering Empty Loadout Shipping Alliance (ELSA) with its 13 partner shipping lines has continuously evacuated empty containers regardless of equipment ownership to regional and international hubs since 2018. This ensured compliance to prevailing regulations and responded to market requirements with extensive industry-wide benefits.

As the year ended, ATI's Manila South Harbor handled over 1.1 million teus of international container cargoes, reflective of the strong rebound of the country's economy in 2022 and moving the terminal closer towards pre-pandemic levels.

South Harbor
GENERAL STEVEDORING TERMINAL

Offering comprehensive capabilities in support of industries and exigencies

Manila South Harbor's General Stevedoring Terminal exemplifies the dynamic and comprehensive international port operations of ATI. Recognized as the benchmark in general cargo handling owing to its pioneer status and unparalleled expertise, it makes non-containerized and unconventional cargoes flow efficiently and safely in support of industries such as power generation and distribution, mining, manufacturing, construction, and transportation – major sectors that fuel the country's economy.

Located in Pier 15, the terminal also plays an important role in supporting the country's international relations, from welcoming citizens from across the world traveling aboard giant cruise ships, to hosting international navies sailing into the Philippines on goodwill visit, and connecting global seafarers as a one-stop crew change hub at the heart of the country's capital.

BALANCING THE ECONOMY AND EXIGENCY

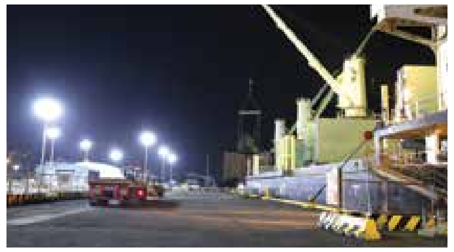
Consistent with its valuable contribution to the economy, the terminal took on a noble cause in recent years, particularly supporting the government's urgent response in mitigating the impacts of Covid-19.

Understanding that a balanced approach towards the health exigency and the economy is a requisite for quick return to normalcy, the terminal repurposed its international cruise passenger building as a temporary Covid-19 isolation facility. ATI's Eva Macapagal Cruise Terminal made available 200 beds at any one time, augmenting isolation spaces complete with medical facilities and staff deployed by authorities which were especially beneficial during case spikes.

OPERATIONAL RESILIENCY

While supporting the multisectoral pandemic efforts, ATI's General Stevedoring Terminal with an annual capacity of 1.0 million metric tons of cargoes, remained resilient throughout year. It meticulously handled industrial shipment alongside its dynamic berths while carving out secured sections to support the government's quarantine and crew change hub services. Stringent protocols were consistently followed in accordance with local and international guidelines.

ANNUAL CAPACITY	ISOLATION FACILITY	CRUISE BERTH
1.0m MT	+200 beds	+390 m length



Modern heavy-duty mobile cargo handling equipment were deployed to support operations. In addition, Pier 15's outdoor illumination systems were upgraded to eco-friendlier LED lighting fixtures for brighter, safer, and more efficient work areas during nighttime and low-light conditions.

The terminal also marked its second year under the Cargoes GC+ platform, an important and pioneering IT innovation to further expedite cargo handling and processing. The proprietary system features a paperless interface via mobile application and handheld devices, with capabilities for real-time cargo inventory updates, cargo tracking and truck tracing, and seamless report generation covering vessel, yard, and gate activities.

The system is integrated to ATI's online billing process and is accessible through Webtrack – ATI's web-based app. This allows shipping lines to release delivery order holds remotely for quicker cargo pullouts and faster, secure, and more convenient customer transactions via e-payment options.

REVITALIZING CRUISE TOURISM

With pandemic restrictions and conditions significantly improving throughout 2022, great optimism and enthusiasm have resonated among stakeholders for the resurgence of international cruise tourism, which the government considers as among the major strategies to post-pandemic economic recovery. Cruise operators have expressed confidence in the Philippine market, signifying serious intent to reintroduce regular cruise rotations via Manila after a three-year hiatus due to the pandemic.

ATI is one with the government and industry partners in helping revitalize the country's international cruise tourism sector. Enhancement of Eva Macapagal Cruise Terminal is currently underway to prepare the facility for homeporting and onshoring requirements. Pier 15's berth length measuring over 390-meters with an operating depth of -10 meters can ably handle large cruise ships plying the region. This will open more opportunities for local travelers to explore international cruise destinations via Manila and conversely offer tourists accessibility and proximity to Manila's heritage sites, historical landmarks, and cultural centers via Manila South Harbor.

Batangas
CONTAINER TERMINAL

Connecting markets faster and smarter via CALABARZON's Digital Port Gateway

ATI's Batangas Container Terminal (BCT) is recognized as one the world's most technologically advanced ports, bringing together best-in-class assets, comprehensive systems, and pioneering IT solutions that make goods flow smarter and faster in the supply chain.

As the premier trade hub for CALABARZON (Cavite, Laguna, Batangas, Rizal, and Quezon) and nearby industrial growth corridors, BCT effectively links the country's exporters and importers to the global trade stage and helps unlock opportunities in established and emerging markets.

TRADE EFFICIENCY

BCT has sustained its momentum as an efficient trade enabler despite the challenges of the COVID-19 pandemic. In recent years, more multinational companies and industries have optimized and reaped the benefits from the competitive and smart end-to-end solutions offered by their neighboring international port gateway in Sta. Clara, Batangas City. From meeting their production schedules to handling their precious and often time-sensitive cargoes, BCT has been their reliable partner, making trade possible from the factory doors to customer floors.

Following its major upgrade in 2019, BCT has been utilizing longer berth facilities spanning more than 600-meters with an operational depth of -13 meters which can accommodate multiple and larger vessels deployed by its international carrier partners. Efficient container handling is supported by four ship-to-shore cranes, eight rubber-tired gantry cranes, and an adequate fleet of mobile equipment. Operational alignment and strong synergy with port authorities have likewise ensured the expedient flow of goods via the terminal which can handle a throughput of nearly 500,000 teus (twenty-foot equivalent units) annually.

With all processes in place, BCT executes at an average of at least 33-gross container moves per

ANNUAL CAPACITY	2022 VOLUME	PRODUCTIVITY
+500,000 TEUs	+270,000 TEUs	+33 GMPH

crane per hour, while external trucks can deliver and pullout containers within an hour, way ahead of industry standards. Faster turnaround time for ships and trucks redound to optimal operational runs.

MARKET ACCESSIBILITY

As a strategic market linchpin, BCT has provided greater market accessibility and logistics fluidity for customers. Presently, nine weekly trade services operated by major shipping lines offer direct and competitive freight connectivity from Batangas to key markets like Hong Kong, Singapore, Taiwan, Japan, Thailand, China, Vietnam, Indonesia, and other major regional and global trade hubs.

Equally important, BCT serves as an ideal partner in bringing containers closer and faster to beneficial cargo owners given its proximity to manufacturers and its linkage to modern road networks with no truck bans and congestion. Currently, a flyover is being constructed to seamlessly integrate the port diversion road to the STAR tollway, further expediting cargo cycles.

No less than the stakeholders of the Logistics Services Philippines, a network of public and private entities under the auspices of the Department of Trade, have taken cognizance of BCT's comprehensiveness and competitiveness during its technical site visit as part of a regional summit.

DIGITAL PORT GATEWAY

BCT also continued to scale new heights as a leader in digital transformation. Last year, it successfully switched to fully automated gates powered by Artificial Intelligence, becoming the Philippines' first port to adopt gate processes driven by machine learning.

BCT's auto-gate system (AGS) is backed by the CARGOES AVA+ platform developed by ATI's foreign equity shareholder partner DP World. Its key features include self-help kiosks, high-fidelity optical character recognition systems, and advanced functionalities like QR code scanners, facial recognition, and cargo damage detection, making the flow of trucks quicker, safer, and more secure without any human intervention. Moreover, the AGS is interfaced with the Zodiac Ops 7 terminal system and proprietary Terminal Internet of Things apps for efficient day-to-day operations.

In 2022, BCT efficiently handled over 270,000 teus of international boxes as markets recovered with the easing of the pandemic.

Batangas

PAX, RORO & GENERAL CARGO TERMINAL

Realizing the vision for a world-class marine hub for the Philippines

Efficient, expedient, and convenient interisland connectivity is an absolute necessity for an archipelagic country like the Philippines. This ensures the healthy convergence of people and commodities for thriving communities and local economies. Such is the pivotal role performed by Batangas Port, the most modern private sector-driven maritime infrastructure in the country.

ATI's Batangas Port bridges mainland Luzon, the country's economic center, to MIMAROPA (Mindoro, Marinduque, Romblon, and Palawan) and key parts of the Visayas and Mindanao as a pillar of the Philippine nautical highway system. Its multipurpose facilities likewise cater to the voluminous imports by major and emerging car brands and support construction, transportation, and offshore energy production, among other capital-intensive industries vital for economic resilience.

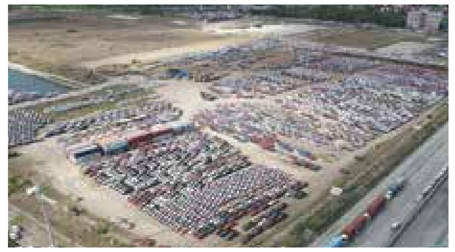
Both these local and foreign operational facets were in full display in 2022 as Batangas Port marked significant milestones in advancing trade and connectivity for its stakeholders.

WORLD-CLASS DOMESTIC TERMINAL

At the domestic front, ATI through its subsidiary ATI Batangas Inc. unveiled Phase 1 of the country's biggest, best, and most modern interisland hub, the Batangas Passenger Terminal (BPT), in line with its long-term commitment with the port authority. This realized ATI's vision for a truly world-class marine hub that would make travel safer and more convenient for everyone behind a minimum Php1.5 billion investment.

Likened to a modern airport terminal, BPT (Phase 1) can comfortably seat around 3,000 passengers at any one time in its fully-airconditioned passenger lounge. Upon entrance, passengers are greeted by automated health-check monitors, passthrough scanners, and customer-friendly staff. Ticketing offices are well organized with options for online ticket purchase. Meanwhile, its huge LED boards, public announcement system, and distinctly marked

SEATING CAPACITY	2022 VOLUME	CAR IMPORTS
+6,000 pax	+2.2m pax	+236,000 CBUs



boarding gates provide real-time travel advisories and passenger guidance. Restaurants, coffee shops, novelty stalls, and a convenience store address the nourishment needs of passengers. While waiting for their trip, passengers have access to free public Wi-Fi and phone charging stations, free water refilling stations, and Automated Teller Machines (ATM).

The terminal is also equipped with mobility features and provisions for PWDs, pregnant women and children, including free shuttle services ramps from the boarding gates to vessel and from the vessel ramp to the designated drop-off zones for public utility vehicle connectivity. Qualified passengers also benefit from free terminal fees pursuant to the government guidelines. Completing the terminal's amenities are a quiet nursing room, a VIP lounge, a prayer room, and clean and comfortable restrooms for all genders.

MORE IN THE OFFING

The recently launched BPT is just the beginning as ATI expects to finish the second phase of the terminal's expansion project by end-2023. By then BPT will span around 15,000 square meters, further increasing its seating capacity to around 6,000 passengers at any given time.

BPT handled over 2.2 million outbound passengers in 2022, representing an increase of over 180% from 2021, a pandemic year, as demand for domestic travel improved amid relaxed travel restrictions.

RECORD CAR VOLUME

Meanwhile at the international front, ATI Batangas capped 2022 with a record-breaking performance in its international roll-on/roll-off operations segment behind the strong surge of imported vehicles, signaling the industry's strong rebound amid improving pandemic conditions.

As the year ended, Batangas Port handled over 236,000 completely-built car units (CBUs), over 70% higher than 2021 and resetting its previous high mark of 201,000 units booked in 2016. This accounted for majority of car imports by the country's leading and emerging car brands and distributorships. Importers leverage on Batangas Port's proximity and accessibility to major markets in Metro Manila and the entire Luzon and direct connectivity opportunities to Visayas and Mindanao without leaving the port through its domestic roro operations.

Inland Logistics Terminal

Delivering supply chain efficiencies

Aside from Manila and Batangas ports, ATI operates strategic Inland Logistics Terminals (ILT) that bring shipments closer to customers, make world-class end-to-end cargo handling services possible in key regions, and deliver competitive service offerings which create value and opportunities for beneficial cargo owners.

LAGUNA INLAND LOGISTICS TERMINALS

Located along the shoulders of the South Luzon Expressway is ATI's 4.2-hectare Canlubang Inland Logistics Terminal (CILT), popularly known as the Inland Clearance Depot. ATI's strategic dry port serves as a perfect supply-chain partner for the major industries based in 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 Bureau of Customs (BOC)-accredited consignees. While stored in the secure facility, cargo clearances and other requirements can be simultaneously processed through online systems electronically linked to BOC.

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 Customs-cleared containers stored in its facility to customers' manufacturing hubs 24/7. Containers are delivered by franchise trucks with GPS-guided monitoring systems, allowing clients to keep tabs of their shipments while in transit.

CANLUBANG ILT CAPACITY	CALAMBA ILT	MANILA ILT
+100,000 TEUs	+200,000 TEUs	+100,000 TEUs






Meanwhile in Calamba, ATI operates a five-hectare ILT which particularly supports the operations of CILT and BCT. The Calamba ILT supports the efficient recirculation of containers for major production hubs in nearly Cavite, Laguna, and Quezon provinces. Another major container yard, which will be linked operationally with Manila South Harbor, will come online soon to support the industrial zones of Cavite and nearly localities.

MANILA INLAND LOGISTICS TERMINALS

In Manila, ATI operates inland logistics terminals which contribute to efficiency of port users of Manila South Harbor. The Manila ILTs offer valuable support for truckers and international shipping lines calling Manila South Harbor as they allow more methodical rotation for trucks letting them drop-off empty containers in the said facilities before proceeding to the port for quicker pick-up of laden boxes. 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.

Corporate Sustainability

We enable smarter trade driven by our goal of changing what's possible for everyone. By focusing on "Our World, Our Future" – our dynamic Corporate Sustainability Strategy – we create a healthier and safer port environment, accelerate trade, generate job opportunities, advance people's skills, and help build self-reliant communities for a more inclusive and a sustainable future.

We operate as a responsible business anchored on two interdependent sustainability components: "Our World" guides our diligent actions and decisions 24/7, while "Our Future" focuses on efforts to shape a productive and more equitable tomorrow for upcoming generations.

HEALTH, SAFETY, ENVIRONMENT, AND SECURITY

Our inclusive safety culture is deeply rooted in our history. It is the DNA that runs across the veins of our entire company. Our grassroots programs, innovations, and industry best practices reinforce safer, healthier, and more secure port environments for our customers, partners, and stakeholders.

HUMAN RESOURCES

Our people are our most valuable assets. Utilizing world-class equipment and processes, our highly skilled employees work safe together to keep supply-chains flowing. Through agility, adaptability, and learning opportunities, we sustain a diverse and inclusive workplace which empowers people as trade enablers.

INFORMATION TECHNOLOGY

Our technologies are gamechangers. Our comprehensive IT infrastructure, digital processes, and pioneering systems enhance port efficiency, productivity, and market connectivity, creating smarter trade ecosystems for industries and economies.

SOCIAL RESPONSIBILITY

Our vision for a better future is carried out through strategic social investment, employee involvement, and community engagement. By focusing on three legacy areas, namely Education, Women, and Water alongside the UN Global Goals, we uplift communities and bring positive change to societies.

Health, Safety, Environment, & Security

Securing a Healthy, Safe, & Secure Port Environment

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, and cutting-edge technologies. Equally important, premier maritime assets need to constantly encompass the highest HSES (health, safety, environment, and security) standards serving as solid foundation for robust and sustainable trade. For a leading ports and logistics company like ATI, safety is the topmost priority.

SAFETY LEADERSHIP

ATI's inclusive safety culture is driven all the way from the top and is best exemplified by institutional safety walks and talks throughout the business. Leading by example, key corporate officers – from C-suite to functional managers – roll-up their sleeves, regularly immersing themselves in the field and directly interacting with industry frontliners.

This genuine display of safety leadership provides an effective platform for meaningful exchange of experience-based insights, observations, and best practices between ATI's officers, dockworkers, truckers, importers, shippers, contractors, authorities, and other stakeholders. By engaging with people and directly eliciting feedback and suggestions, ATI's key decision-makers get a fuller view of actual working conditions and operational situations. This in turn enables ATI to enhance processes, streamline procedures, promote stakeholders' welfare, and drive continual improvement.

Building on this positive culture, a world-class safety leadership course was held last year, facilitated by notable global practitioners. Train-the-trainer sessions ensued to reach more employees and multiply safety leaders across the organization. Online sessions on safety, health, and security were likewise made available to keep employees adept with current practices.

SAFETY COMMITMENT

ATI strongly believes that safety is everyone's responsibility. To further drive home this philosophy, the Company fortified its education and information campaign anchored on its Commitments We Live By (CWLB). These primary safety principles include Pedestrian Protection, Energy Isolation, Working at Heights, Handling Loads, Mobile Equipment, and The Fundamentals which all stakeholders need to abide by while transacting business inside ATI's facilities.

To ensure these are understood, these Commitments were visualized in huge billboards across facilities, supplemented by bilingual flyers, and delivered through interactive films during mandatory Safety Induction Seminars. Wearable kits were also handed out to boost retention of the CWLB.

Innovations are equally effective strategies to sustaining safety performance. Through the years, ATI has introduced pioneering safety innovations such as pinning stations, fall-arrest contraptions, emission testers, among others. Apart from tools and devices, audible backing-up warning systems delivered in Filipino have been installed in all moving equipment, to forewarn dockworkers on the direction of mobile equipment. Public announcement systems have also been optimized to deliver frequent safety reminders in high foot-traffic areas.

Moreover, ATI continuously gathered and analyzed safety-related data using cloud-based technology. ATI's HSES portal particularly allows employees to report, record, and update evidence-based incidents and practices for proper curation, escalation, and resolution. In 2022 alone, ATI's HSES team collated over 10,000 observations and interactions, among the highest throughout its regional peers. This enables data mining and mapping for timely corrective actions and decision-making.

Through disciplined and collaborative safety practices companywide, ATI's Reportable Injury Frequency Rate (RIFR), an international standard measurement of safety performance, has continuously improved year-on-year, with last year recorded at 0.52. Safety engagement ratings for both Manila and Batangas sites have remained on the high side, at over 99%.

INTERNATIONAL SEAL & CERTIFICATIONS

ATI demonstrates its leadership not only in safety but also in environmental performance. In 2022, ATI's Manila South Harbor alongside other major terminals in the Asia Pacific region received the Green Port Award Seal (GPAS) from the APEC Ports Services Network (APSN). The Green Port seal recognized the excellent environmental actions and leadership of ATI's Manila South Harbor as well as its commitment and contribution to the maritime sector, particularly environmental responsibility.

GPAS for ports in the APEC region was developed by APSN to encourage green and sustainable development in ports and related industries. In 2017, ATI's Batangas Port also received the highly coveted distinction.

Furthermore, ATI sustained its comprehensive and world-class the 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.

IMPROVED RFIR	SAFETY OBSERVATIONS	SAFETY ENGAGEMENT
0.52	+10,000	+99%

APSN GREEN PORT
GPAS

Human Resources

Advancing capabilities and cultivating diversity

ATI's success as a trade enabler has always been anchored on its most important asset – its People. Cognizant of this, ATI has constantly advanced its workforce development agenda, optimizing local and global resources and traditional and emergent channels to keep its talent pool adept with industry demand and in-step with the rapidly shifting trade environment.

Besides remaining a productive and conducive workspace which fosters growth and development, ATI has also gained significant headway in cultivating a more diverse and inclusive workplace. Over the years, the Company has successfully bridged opportunity gaps and transcended gender barriers by institutionalizing programs on women empowerment, mentorship, and gender-neutral talent selection, all contributing to an inspiring and rewarding work environment for its 1,800-strong human resources.

WOMEN IN PORT COMMUNITY

ATI's diversity and inclusion strategy has steadily gained traction alongside sustained efforts to recalibrate gender-related perceptions in the port industry. Last year, the Company attracted more women talent who were fielded in blue-collar assignments including in the male-dominated clusters of operations and engineering. Currently, female representation in ATI's dynamic workforce in both frontline and backroom units has continuously increased with more women assuming supervisorial, junior management, to senior decision-making roles.

Relatedly, ATI's Women Trade Enablers Network (WTEN) – an all-female work-based support group – has grown bigger and stronger. Led by the Company's emergent female leaders, WTEN continued to champion women empowerment through thematic forums, supportive cross-functional interactions, and career counselling and enrichment activities. From monthly virtual sessions at the height of the pandemic, WTEN restarted its face-to-face gatherings last year to broaden the scope of meaningful dialogues and forge stronger connections within the organization.

Meanwhile, 12 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 as a career empowerment journey aims to augment the professional development of women colleagues through the stewardship of senior managers across local and global sites.

ADVANCING SKILLS & COMPETENCIES

Improved pandemic conditions paved the way for more quality face-to-face trainings sessions and learning interactions in areas such as skills enhancement, leadership, safety, process improvement, as well as diversity and inclusion. Normalizing travel and border restrictions enabled international trainers to facilitate world-class courses locally for greater impact and staff participation. Flexible online platforms likewise remained valuable, especially for frontline trainees.

Key programs for the year included the LEAD Foundation which provided supervisors and line managers with the essential mindset, skills, and techniques to be more effective team leaders. Through this initiative, employees deepened their understanding on leadership strengths and development areas. They also learned from the actual experiences of colleagues within the business and applied their new learnings on hands-on assignments.

Senior organizational leaders and middle managers were also able to attend international conferences and developmental academies offshore covering commercial and marketing management, business development, operations, governance, and sustainability, among others.

In addition, ATI's LEAN Management Program continued to advance people's skills in resource optimization and continual process improvement. Last year, ATI hosted regional colleagues for workshops to enrich group learnings on Kaizen, Systematic Problem-Solving techniques, Gemba walks, among others under the tutelage of internationally certified practitioners.

Collectively, ATI logged over 38,000 hours in total training time – a significant 188% jump from the previous year – behind world-class and dynamic training programs which empowered employees as agile trade enablers.

ONLINE TALENT PLATFORM

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 provided a robust and real-time digital platform for monitoring task accomplishment, departmental, and divisional and talent advancement based on well-defined individual, departmental, and divisional performance targets.

The platform also provides online and mobile access to world-class trainings and learning opportunities to enhance people's skillsets in their respective roles or areas of interest.

TRAINING HOURS	MENTOR HER	WORKFORCE
+38,000 hours	12 participants	1,800 employees

WOMEN TRADE ENABLERS NETWORK
EST 2020

Information Technology

Accelerating trade through smarter port infrastructure

ATI is a recognized trailblazer and innovator in the realm of technology and digitalization in the country's ports and logistics market. From its deep operational roots arose pioneering applications and web-based solutions for terminal agility, transaction transparency, complementary cargo fidelity, transit symmetry, and operations predictability, alongside customer-centric online interfaces that have made port transactions more convenient and accessible, anytime, anywhere.

Building on this culture of innovation and technology leadership, ATI continued to scale new heights in 2022 as it further accelerated its digital transformation to keep commodities moving smarter, faster, and safer in support of the rebounding economy.

AUTO GATE SYSTEM

ATI's technological achievements last year was bannered by the successful migration of the Batangas Container Terminal (BCT) to fully automated gates backed by CARGOES AVA+, a pioneering AI technology developed by its strategic foreign equity partner and global trade enabler DP World.

This added a new milestone in BCT's evolution as the premier port in Southern Luzon, becoming the first terminal in the Philippines to transition to fully automated gates powered by machine learning and the foremost across DP World's global terminal network to run the system.

CARGOES AVA+ delivers an integrated platform from optical recognition and self-help kiosks to smart gate operating systems. It uses intelligent cameras to capture information, such as container number, truck license plate, container door orientation, and seal condition among others at more than 99% accuracy rate as trucks pass through the portals. It eliminates manual entry errors and enhances access controls through secure identification features.

All these data are processed through video analytics that use deep learning algorithms to increase recognition and accuracy over time. Moreover, the system is seamlessly integrated with BCT's CARGOES TOS+ terminal operating system in real-time for seamless gate to yard transactions.

Previously, BCT operated three gate lanes manually, with an individual operator needed at each juncture. With the new system, all three lanes are now supervised remotely through the customized Gate Operating System, making the ingress and egress of trucks contactless and operationally safer. With this technology breakthrough, gate transactions are completed in as quick as five minutes, further accelerating the turnaround time for trucks servicing BCT, for the benefit of cargo owners.

INTERNET OF THINGS

Complementary to automated gates, BCT as an ideal host for emergent and disruptive technologies advanced its adoption of the Terminal Internet of Things (TiOT) technology. The technology uses augmented reality to render a 3D output of the actual port environment. This produces an accurate layout of the terminal, vessels, containers, and cargo handling equipment while in motion. This works by embedding sensors and actuators on terminal assets and equipment which give out their accurate positions and operational conditions in real-time. TiOT's live approximation of reality, placed in virtual space, aids in better operational supervision and resource optimization.

Soon, ATI's digital systems, including the TiOT will run on private 5G networks which will provide higher quality, better interoperability, and more stable bandwidth frequencies. Following the successful project in Batangas, preparatory works are underway to rollout full gate automation and TiOT in ATI's flagship terminal in Manila.

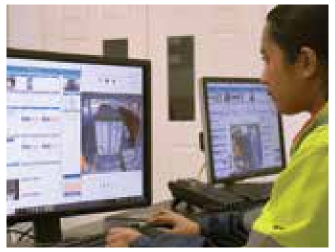
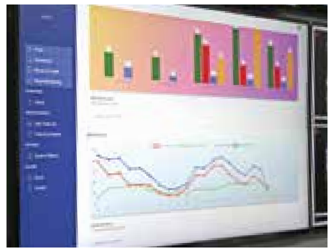
APPS FOR EFFICIENCY

ATI's technology experts have likewise complemented terminal efficiencies by developing intuitive, scalable, and responsive apps that monitor key operational parameters 24/7. Realtime data on port productivity, including berth efficiency, yard utilization, and gate activities, are constantly analyzed and presented via smart digital ops boards for effective operational monitoring and decision-making. The ops boards can also be accessed remotely through mobile devices for offsite supervision.

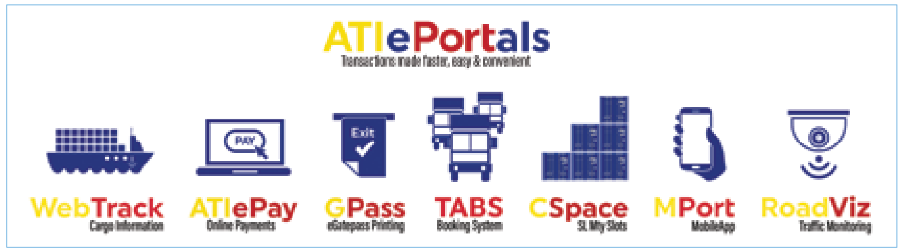
Meanwhile, the Terminal Appointment Booking System or TABS has sustained the orderly movement of trucks and cargoes flows in the terminal. In 2022, TABS managed a minimum of 600,000 truck trips in an orderly manner, spreading weekly demand across the 7-days, thus avoiding heavy congestion along metro roads. Through TABS, truck transactions can be completed within an hour of gate entry.

AUTOGATE ACCURACY	TABS TRUCK TRIPS	TRUCK TURNAROUND
+99%	+600,000	1 hr





Social Responsibility

Building empowered and sustainable port communities

As a responsible port organization, ATI actively pursues its corporate sustainability programs to promote resilient and self-reliant communities. For a more impactful approach, ATI's initiatives are anchored on women, education, and water among other equally relevant sectors, in alignment with its foreign equity partner's global sustainability framework and in unison with the UN Sustainable Development Goals. Below are some relevant highlights and activities for the year in review.

SDG 3: GOOD HEALTH AND WELL-BEING

Covid-19 response remained among the priorities for ATI, alongside other public and private sector stakeholders, to hasten the transition towards new normalcy. For the third straight year, ATI leveraged its port resources in Manila South Harbor to boost the government's pandemic response capability with its cruise terminal in Pier 15 serving as an added isolation center especially during case spikes. ATI's assistance for its surrounding communities, especially the marginalized, likewise continued as the company provided sanitation and basic healthcare provisions to prevent infections.

SDG 4: QUALITY EDUCATION

ATI continued to allocate the biggest share of its annual community investment in building a better future for the Filipino youth through education. ATI's Scholarship Program has produced graduates who now have productive careers in various sectors. Through this program, ATI hopes to upskill more students, preparing them for future jobs including developing more talent for trade.

Relatedly, collective efforts to help bridge the digital divide in the Philippines through grassroots learning have gained significant ground. The highly interactive <Code/IT> computer programming literacy program – a partnership between ATI, the Ayala Foundation, Department of Education, and the Manila local government – has produced technology scrum masters from among Manila's elementary public school teachers. They in turn will pass down basic programming skills to around 130,000 elementary school students aided by software and hardware provisions.

In addition, ATI's employee-volunteers also contributed to improving school infrastructure under the Brigada Eskwela (School Brigade) community partnership with the Department of Education. ATI's employee-volunteers took time out from usual duties, exchanging port gears for workshop tools, to help repaint and improve school facilities in time for school opening.

SDG 7: AFFORDABLE AND CLEAN ENERGY

ATI remained focused on tapping clean and renewable energy sources to support its operations. More solar panels were installed in ATI's facilities, including optimizing the roof deck of its Manila office, in partnership with a leading utility provider. Energy derived from these facilities strategically power up offices, backroom units, and equipment. ATI's solar panels have thus far generated over 450 megawatt-hours of electricity and have reduced carbon emissions by >900 tons in recent years.

ATI also began exploring electric vehicles to complement its shuttle fleet for ferrying passengers with special needs in Batangas Port. Evaluation of hybrid engines for cargo handling have likewise begun while energy conservation devices have continuously been installed in applicable equipment. Energy efficiency and carbon emission ratings are among the major considerations when acquiring new equipment.

SDG 6: CLEAN WATER & SANITATION

SDG 14: LIFE BELOW WATER

As a ports business, ATI actively sustained its advocacy for ocean protection and clean water through institutional partnerships for reforestation, coastal clean-ups, and mangrove plantation in collaboration with dockworkers, authorities, and community-based volunteers. With improved Covid-19 conditions towards middle part of the year, ATI reinvigorated its support for the La Mesa Watershed Protection Program, a legacy initiative since year 2001. Employee volunteers trekked the critical watershed and planted new endemic tree saplings, effectively increasing ATI's protected foliage to 30 hectares. Altogether, ATI planted 55,000 trees in 2022 as part of ATI's commitment to securing water for the future and supporting climate change resiliency efforts.

Meanwhile, on marine life, a rare hawksbill sea turtle was sighted along the shores of Pier 3 in Manila South Harbor last year. The turtle was safely secured by ATI's environment team and was turned over to wildlife and port authorities for proper care. The encounter was a timely encouragement that apart from serving as a major Philippine economic vanguard with international ports harbored along its shores, the historic Manila Bay and its waters remain a vital habitat for fishes, mangroves, birds, and other endangered marine species which need protection and preservation.

ATI has also mandated the discontinued use of single-use plastics within its premises, shifting instead to reusable receptacles to help reduce plastic pollution.

E-LEARNING RECIPIENTS	CARBON REDUCTION	TREES PLANTED
+130,000 students	+900 tons	+55,000 saplings

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

Teodoro L. Locsin, Jr.
Independent Director

Glen C. Hilton
Chairman of the Board

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

Previous Leadership 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

Chairman
- STI Education Services Group, Inc. (Chairman Emeritus)
- 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

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

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.

Director
- Philhealthcare, Inc.
- Philplans First, Inc.
- Philippine Life Financial Assurance
- STI West Negros University
- United Coconut Chemicals, Inc.
- M.B. Paseo, Inc. (since 1980)
- Maestro Holdings, Inc.
- Philippine Racing Club

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

William Wassaf Khoury Abreu
Director

Vice President
- DP World Ports & Terminals Southeast Asia

Previous Leadership Posts
- Executive Vice President of Asian Terminals Inc.
- Director 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

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.

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

CEO and Vice-Chairman
- STI Education Services Group

Director
- iACADEMY
- Philhealthcare, 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

Previous Leadership Post
- CFO of 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.
- First Philippine Holdings Corp.
- Metro Pacific Investments Corp.
- Manila Electric Company
- Robinsons Land Corp.
- GMA Holdings, Inc.
- Petron Corporation
- Philippine Long Distance Telephone Company

Non-executive Director
- Jollibee Foods Corporation

Adviser
- Metropolitan Bank & Trust Company (Senior Adviser)
- Bank of the Philippine Islands (Member, Advisory Council)
- DoubleDragon Properties Corp.

Teodoro L. Locsin, Jr.
Independent Director

Department of Foreign Affairs
- Philippine Ambassador to the United Kingdom and Northern Ireland
- Special Envoy for Special Concerns to the People's Republic of China

Previous Government Posts
- Secretary of Foreign Affairs (2018-2022)
- Philippine Representative to the United Nations (2017)
- Member, House of Representatives (2001-2010)

Member
- Integrated Bar of the Philippines

List of Senior Officers

EUSEBIO H. TANCO
President

SEAN JAMES L. PEREZ
Senior Vice President

JOSE TRISTAN P. CARPIO
Vice President for Finance/CFO

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

Management's Discussion and Analysis

Revenues for the year ended December 31, 2022 of ₱13,622.7 million went up by 22.0% from ₱11,162.7 million in 2021. Revenues from South Harbor (SH) international containerized cargo and Batangas Container Terminal (BCT) increased from last year by 19.2% and 12.7%, respectively, on account of higher container volume while revenues from ATI Batangas were higher than last year by 65.9% on account of higher RoRo volumes and higher number of passengers.

Port authorities' share in revenues in 2022 of ₱2,468.8 million increased by 26.8% from ₱1,947.7 million in 2021 as a result of higher revenues subject to port authorities' share.

Cost and expenses in 2022 amounted to ₱6,176.4 million, 13.8% higher than ₱5,426.2 million in 2021. Depreciation and amortization in 2022 increased by 3.2% to ₱1,908.8 million from ₱1,849.7 million in 2021. Labor costs in 2022 of ₱1,633.1 million were higher by 9.2% compared to ₱1,495.2 million in 2021 due to salary rate increases and higher volumes. Equipment running in 2022 went up by 23.9% to P824.5 million from ₱665.4 million in 2021 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. Taxes and licenses in 2022 increased by 30.9% to ₱549.2 million from ₱419.7 million in 2021 due to higher real property taxes related to additional equipment and improvements in South Harbor and Batangas and higher business taxes. Facilities-related expenses in 2022 went up by 26.1% to ₱270.3 million from ₱214.4 million in 2021 due to higher repairs and maintenance costs for lightings and wharves related to safety as well as higher IT costs. Insurance of ₱213.4 million in 2022 increased by 7.6% compared to ₱198.4 million last year due to higher insurance premiums. General transport of ₱179.3 million in 2022 were higher by 53.8% than ₱116.5 million in 2021 on account of higher trucking costs. Management fees in 2022 increased by 29.8% to ₱173.4 million from ₱133.6 million in 2021 following higher earnings before tax. Security, health, environment and safety in 2022 of ₱167.5 million were higher by 9.8% compared to ₱152.5 million in due to higher security costs related to higher passenger volume. Rentals of ₱33.7 million in 2022 went up by 141.7% compared to ₱14.0 million in the same period last year due to rental of a generator set used in the new Passenger Terminal Building in Batangas. Professional fees in 2022 of ₱25.4 million went up by 97.0% from ₱12.9 million last year due to higher consultancy fees related to Business Development Projects. Marketing, commercial, and promotion in 2022 increased by 48.1% to ₱10.4 million from ₱7.0 million due to higher advertising costs. Entertainment, amusement and recreation in 2022 of ₱10.1 million went up by 191.5% from ₱3.5 million last year. Other expenses in 2022 totaled ₱176.4 million, went up by 29.5% from ₱136.2 million in 2021 due to higher general operations and higher brokerage and handling fees with corresponding revenues.

Finance income in 2022 of ₱45.5 million was higher by 690.1% than ₱5.8 million last year due to higher interest rates on money market placements and higher cash balance. Finance costs in 2022 of ₱505.6 million were higher by 0.3% against ₱504.1 million last year. Others-net was at negative ₱529.7 million in 2022 from negative ₱254.9 million in 2021 mainly due to higher unrealized foreign exchange losses on the fair value of concession liability and accrued interest following the depreciation of the Philippine Peso against the US Dollar.

Income before income tax in 2022 of ₱3,987.8 million was higher by 31.4% compared to ₱3,035.6 in 2021. Provision for income tax increased by 20.3% to ₱959.6 million in 2021 from ₱797.9 million in the same period last year due to higher results.

Net income for the year ended December 31, 2022 increased by 35.3% to ₱3,028.2 million from ₱2,237.7 million last year. Earnings per share increased to ₱1.51 in 2022 from ₱1.12 in 2021.

Key Variable and Other Qualitative and Quantitative Factors

(i) *Any Known Trends, Events or Uncertainties (Material Impact on Liquidity)*
- There had been no known trends, events or uncertainties that had or are reasonably expected to have a material favorable or unfavorable impact on the Company's, other than those discussed in this report.

(ii) *Events that will trigger direct or contingent financial obligation that is material to the company, including any default or acceleration of an obligation*
- There had been no event known to management that could trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

(iii) *All material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the company with unconsolidated entities or other persons created during the reporting period*
- There had been no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relationships of the Company with unconsolidated entities or other persons created during the period that would address the past and would have a material impact on future operations.

(iv) *Description of any material commitments for capital expenditures, general purpose of such commitments, expected sources of funds for such expenditures*
- This includes the completion of the Batangas Passenger Terminal Phase 1, expansion of existing port facilities, acquisition of additional modern equipment, implementation of smart IT systems as well as the construction of Cavite Barge Terminal which will be completed in 2023 using the Company's internal funds.

(v) *Any Known Trends, Events or Uncertainties (Material Impact on Sales)*
- There had been no known trends, events or uncertainties that had or are reasonably expected to have a material favorable or unfavorable impact on the Company's revenues from continuing operations, other than those discussed in this report.

(vi) *Any Significant Elements of Income or Loss (from continuing operations)*
- There had been no significant elements of income that did not arise from the Company's continuing operations.

(vii) *Causes for Any Material Changes from Period to Period of FS which shall include vertical and horizontal analyses of any material item (5%) – refer to discussion on Results of Operations, Financial Condition and Cash Flows.*

Management's Discussion and Analysis

(viii) Seasonal Aspects that has Material Effect on the FS

- There had been no seasonal factor that had a material effect on the financial condition and results of operations.

COVID-19 has impacted the business operations of the company and its offsite facilities. South Harbor volume was impacted by the surge in Covid-19 cases in China for the first half of 2022. In general, China port operations slowed down, and in some ports had to suspend operations for days. Business operations continue following existing government regulations and guidelines. The measures undertaken by the company and its offsites include the implementation of its Business Continuity Plan for COVID-19. The company also has a Prevention and Control Plan for COVID-19 and other communicable diseases in place as well as emergency response procedures for situations concerning public health and safety. This includes mandatory thermal scanning prior to entry into our gates and offices, regular sanitization of offices and facilities, social distancing, remote modes of communication such as teleconference and videocalls and sustained information campaign on COVID 19 and proper personal hygiene. Aligned with the government's COVID-19 vaccination efforts, ATI has attained 99.9% vaccination rate for its employees through its own corporate initiatives and in partnership with industry groups and local government units. A continuous campaign for booster administration is likewise being undertaken. The company also continuously maintains close coordination with relevant government entities.

Plans for 2023

As a smart trade enabler, Asian Terminals Inc. (ATI) delivers comprehensive, innovative, and sustainable ports and logistics products and services for a robust and resilient Philippine supply-chain.

Anchored on its port-centric and customer-focused business philosophy, 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 sustain the country's post-pandemic recovery.

For 2023, ATI is investing an estimated Php 5.2 billion in step with its growth strategy and in line with its investment commitment with the Philippine Ports Authority. This will support the completion of the Batangas Passenger Terminal modernization project, expansion of existing port facilities, acquisition of additional modern equipment, implementation of smart IT systems and execution of integrated logistics solutions leveraged on ATI's port infrastructure.

In line with its long-term sustainability, ATI explores new business growth drivers, including developing smart cargo storage spaces within and outside port zones, offering ancillary services anchored on its core competencies 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 is committed to optimizing its resources, management capabilities, and industry experience spanning 37 years to bring greater value to its shareholders, customers, and communities.

In 2022, ATI invested a total of Php 2.8 billion capital expenditures in line with its investment commitment with the Philippine Ports Authority. This includes the completion of the Batangas Passenger Terminal Phase 1, expansion of existing port facilities, acquisition of additional modern equipment, implementation of smart IT systems as well as the construction of Cavite Barge Terminal which will be completed in 2023. The decrease in actual investment in 2022 of Php 2.8 billion versus Plans for 2022 of P5.43 billion is mainly due to delay in expansion projects such as Pier 3 Berth Extension (due to change in design) and delay in acquisition of cargo handling equipment (due to delay in Pier 3 Berth Extension).

Consolidated Financial Condition

Total assets as of December 31, 2022 increased by 9.2% to ₱34,631.3 million from ₱31,710.9 million as of December 31, 2021. Total current assets as of December 31, 2022 up by 15.8% to ₱9,091.0 million from ₱7,847.9 million as of December 31, 2021. Cash and cash equivalents as of December 31, 2022 were higher by 16.3% to ₱4,600.3 million from ₱3,954.2 million as of December 31, 2021. Trade and other receivables - net as of December 31, 2022 up by 12.0% to ₱906.0 million from ₱809.2 million as of December 31, 2021. Spare parts and supplies - net as of December 31, 2022 of ₱1,081.4 million were higher by 15.6% compared to ₱935.5 million as of December 31, 2021 in support of operational requirements and equipment maintenance program. Prepaid expenses of ₱2,503.3 million as of December 31, 2022 went up by 16.5% from ₱2,149.0 million as of December 31, 2021 on account of higher input taxes on PPA fees and various purchases of capital expenditures.

Total non-current assets of P25,540.3 million as of December 31, 2022 were higher by 7.0% compared to of ₱23,863.0 million as of December 31, 2021. Property and equipment-net increased by 35.7% to P2,566.2 million as of December 31, 2022 from ₱1,890.7 million as of December 31, 2021. Additions to property and equipment which were not subject of the service concession arrangement totaled ₱829.7 million in 2022. Intangible assets - net as of December 31, 2022 of ₱21,080.9 million were higher by 2.6% compared to ₱20,551.5 million as of December 31, 2021. Acquisitions of intangible assets which consisted of civil works and cargo handling equipment that were subject of the service concession arrangement amounted to ₱1,986.9 million in 2022. Right-of-use assets – net was at ₱775.2 million as of December 31, 2022, was higher by 68.9% compared to ₱459.0 million as of December 31, 2021. Deferred tax assets - net as of December 31, 2022 of ₱975.9 million went up by 21.8% to ₱801.3 million as of December 31, 2021, 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, 2022 decreased by 15.0% to ₱86.8 million from ₱102.0 million as of December 31, 2021.

Total liabilities went up by 13.7% to ₱12,470.1 million as of December 31, 2022 from ₱10,972.3 million as of December 31, 2021. Trade and other payables as of December 31, 2022 of ₱2,379.9 million were higher by 38.3% than ₱2,379.9 million as of December 31, 2021. Trade and other payables are covered by agreed payment schedules. Provision for claims went down to ₱61.0 million as of December 31, 2022 from ₱63.2 million as of December 31, 2021. Income and other taxes payable increased by 58.7% to ₱210.6 million as of December 31, 2022 from ₱132.7 million as of December 31, 2021 due to higher income before tax. Port concession rights payable (current and noncurrent) as of December 31, 2022 totaled ₱7,933.3 million, 3.0% higher than ₱7,702.2 million as of December 31, 2021. Lease liabilities (current and noncurrent) was at ₱765.1 million as of December 31, 2022, increased by 69.0% from ₱452.6 million as of December 31, 2021 due to renewal of lease contracts. Pension liability as of December 31, 2022 of ₱207.4 million were lower by 14.2% compared to ₱241.6 million as of December 31, 2021.

Consolidated Cash Flows

Net cash provided by operating activities increased by 36.0% to ₱5,886.8 million in 2022 from ₱4,328.7 million in 2021 due to higher operating income and increase in trade and other payables.

Net cash used in investing activities in 2022 of ₱2,757.8 million were 9.3% higher than ₱2,523.1 million in 2021 due to higher acquisitions of intangible assets and property and equipment.

Cash used in financing activities in 2022 of ₱2,639.0 million were higher by 9.8% than the P2,403.5 million in 2021 due to higher payments of cash dividends 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, 2022 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.

- *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 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 apply to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other component of equity, as appropriate. The comparatives are not restated. Earlier application is permitted.

- *Annual Improvements to PFRS Standards 2018-2020*. This cycle of improvements contains amendments to four standards, of which are applicable to the Group:

  - *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.

- *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

Management's Discussion and Analysis

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

Standards Issued but Not Yet Adopted
A number of amendments to standards are effective for annual periods beginning after January 1, 2022. However, the Group has not early adopted the following new or amended standards in preparing these consolidated financial statements. Unless otherwise stated, none of these are expected to have a significant impact on the Group's consolidated financial statements.

Effective January 1, 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.

  - The amendments will apply retrospectively for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted. Entities that have early applied the 2020 amendments may retain application until the 2022 amendments are applied. Entities that will early apply the 2020 amendments after issue of the 2022 amendments must apply both amendments at the same time.

  - The 2022 amendments are not yet locally adopted as part of PFRS.

- *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 2022:
- ATIB's total assets were only 9.4% of the consolidated total assets
- Income before other income and expense from ATIB was only 13.3% of consolidated income before other income and expense.[1]

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

Consolidated KPI	Manner of Calculation	2022	2021	Discussion
Return on Capital Employed	Percentage of income before interest and tax over capital employed	16.3%	13.2%	Increased due to higher income before interest and taxes during the period.
Return on Equity attributable to equity holders of the parent	Percentage of net income over equity attributable to equity holders of the parent	14.1%	11.0%	Improved due to higher net income.
Current ratio	Ratio of current assets over current liabilities	2.21 : 1.00	2.59 : 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	1.56 : 1.00	1.53 : 1.00	Increased due to increase in total assets.
Debt to equity ratio	Ratio of total liabilities over equity attributable to equity holders of the parent	0.56 : 1.00	0.53 : 1.00	Increased due to increase in liabilities
Day Sales in Receivables (DSR)	Gross trade receivables over revenues multiplied by number of days	11 days	9 days	Increase due to higher revenues.
Net Income Margin	Net income over revenues less government share in revenues	27.1%	24.3%	Increased due to higher net income growth.
Reportable Injury Frequency Rate (RIFR)[2]	Number of reportable injuries within a given accounting period relative to the total number of hours worked in the same accounting period.	0.52	0.56	Improved as a result of extensive safety campaign and strict implementation of HSES policies.

Summary of Selected Financial Data (in millions)

Description	*Year ended December 31, 2022*	*Year ended December 31, 2021*
Revenues	*₱13,622.7*	*₱11,162.7*
Net income	*3,028.2*	*2,237.7*
Total assets	*34,631.3*	*31,710.9*
Total liabilities	*12,470.1*	*10,972.2*

[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.

Consolidated Statements 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, 2022 and 2021 and for each of the three years in the period ended December 31, 2022 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.

RG. 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, 2022 and 2021, 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, 2022, 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, 2022 and 2021, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2022, in accordance with Philippine Financial Reporting Standards (PFRSs).

Basis for Opinion

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

Key Audit Matter

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

Revenue Recognition (P13,622,704 - 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.

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, 2022, 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, 2022 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.

When we read the other information mentioned above, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

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. 69679-SEC, Group A, valid for five (5) years
covering the audit of 2022 to 2026 financial statements
Tax Identification No. 120-964-156
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PTR No. MKT 9563821
Issued January 3, 2023 at Makati City

March 9, 2023
Makati City, Metro Manila

ASIAN TERMINALS, INC. AND ITS SUBSIDIARIES

Consolidated Statements of **Financial Position**

(Amounts in Thousands)

	Note	December 31 2022	2021
ASSETS			
Current Assets			
Cash and cash equivalents	*6, 25*	**₱4,600,267**	₱3,954,166
Trade and other receivables - net	*7, 25*	**905,985**	809,229
Spare parts and supplies	*18*	**1,081,456**	935,478
Prepaid expenses	*8*	**2,503,263**	2,149,009
Total Current Assets		**9,090,971**	7,847,882
Noncurrent Assets			
Investment in an associate	*9*	**55,282**	58,373
Property and equipment - net	*10*	**2,566,211**	1,890,714
Intangible assets - net	*11*	**21,080,924**	20,551,531
Right-of-use assets - net	*23*	**775,248**	458,999
Deferred tax assets - net	*13*	**975,876**	801,324
Other noncurrent assets	*12*	**86,759**	102,037
Total Noncurrent Assets		**25,540,300**	23,862,978
		₱34,631,271	₱31,710,860
LIABILITIES AND EQUITY			
Current Liabilities			
Trade and other payables	*14, 20*	**₱3,292,607**	₱2,379,928
Provisions for claims	*15*	**61,044**	63,216
Port concession rights payable - current portion	*25*	**423,028**	368,778
Income and other taxes payable		**210,629**	132,693
Lease liabilities - current portion	*23*	**118,066**	85,028
Total Current Liabilities		**4,105,374**	3,029,643
Noncurrent Liabilities			
Port concession rights payable - net of current portion	*25*	**7,510,283**	7,333,393
Pension liability - net	*21*	**207,409**	241,609
Lease liabilities - net of current portion	*23*	**647,026**	367,609
Total Noncurrent Liabilities		**8,364,718**	7,942,611
		12,470,092	10,972,254
Equity			
Equity Attributable to Equity Holders of the Parent Company			
Capital stock	*16*	**2,000,000**	2,000,000
Additional paid-in capital		**264,300**	264,300
Retained earnings		**19,887,619**	18,467,868
Fair value reserve		**(5,820)**	(5,820)
		22,146,099	20,726,348
Non-controlling Interest		**15,080**	12,258
Total Equity		**22,161,179**	20,738,606
		₱34,631,271	₱31,710,860

See Notes to the Consolidated Financial Statements.

ASIAN TERMINALS, INC. AND ITS SUBSIDIARIES

Consolidated Statements of **Income**

(Amounts in Thousands, Except Per Share Date)

	Note	Years Ended December 31 2022	2021	2020
REVENUES FROM OPERATIONS	*26*	**₱13,622,704**	₱11,162,744	₱10,960,959
GOVERNMENT SHARE IN REVENUES	*17*	**(2,468,762)**	(1,947,677)	(1,805,558)
		11,153,942	9,215,067	9,155,401
COSTS AND EXPENSES EXCLUDING GOVERNMENT SHARE IN REVENUES	*18, 20, 21*	**(6,176,412)**	(5,426,240)	(5,062,192)
OTHER INCOME AND EXPENSES				
Finance income	*19*	**45,496**	5,758	28,554
Finance cost	*19*	**(505,572)**	(504,068)	(544,101)
Others - net	*19*	**(529,694)**	(254,907)	599,339
		(989,770)	(753,217)	83,792
CONSTRUCTION REVENUES	*11*	**1,928,019**	546,474	1,595,105
CONSTRUCTION COSTS	*11*	**(1,928,019)**	(546,474)	(1,595,105)
		–	–	–
INCOME BEFORE INCOME TAX		**3,987,760**	3,035,610	4,177,001
INCOME TAX EXPENSE	*13*	**959,604**	797,881	1,220,965
NET INCOME		**₱3,028,156**	₱2,237,729	₱2,956,036
Income Attributable to				
Equity holders of the Parent Company		**₱3,024,811**	₱2,236,720	₱2,954,904
Non-controlling interest		**3,345**	1,009	1,132
		₱3,028,156	₱2,237,729	₱2,956,036
Basic/Diluted Earnings per Share Attributable to Equity Holders of the Parent Company	*22*	**₱1.51**	₱1.12	₱1.48

See Notes to the Consolidated Financial Statements.

Consolidated Statements of **Comprehensive Income**

(Amounts in Thousands)

	Note	2022	2021	2020
		Years Ended December 31		
NET INCOME FOR THE YEAR		**₱3,028,156**	₱2,237,729	₱2,956,036
OTHER COMPREHENSIVE INCOME (LOSS)				
Item that will never be reclassified to profit or loss				
Actuarial gains (losses) on pension liability	*21*	**14,663**	(7,127)	47,678
Tax on item taken directly to equity	*13*	**(3,666)**	1,782	(14,303)
OTHER COMPREHENSIVE INCOME (LOSS) FOR THE YEAR - Net of tax		**10,997**	(5,345)	33,375
TOTAL COMPREHENSIVE INCOME		**₱3,039,153**	₱2,232,384	₱2,989,411
Total Comprehensive Income Attributable to				
Equity holders of the Parent Company		**₱3,035,751**	₱2,231,320	₱2,988,302
Non-controlling interest		**3,402**	1,064	1,109
		₱3,039,153	₱2,232,384	₱2,989,411

See Notes to the Consolidated Financial Statements.

Consolidated Statements of **Changes in Equity**

(Amounts in Thousands, Except Per Share Data)

	Note	Capital Stock	Additional Paid-in Capital	Appropriated for Port Development	Unappropriated	Fair Value Reserve	Total	Non-controlling Interest	Total Equity
		Attributable to Equity Holders of the Parent Company		Retained Earnings					
Balance at January 1, 2022		₱2,000,000	₱264,300	₱15,100,000	₱3,367,868	(₱5,820)	₱20,726,348	₱12,258	₱20,738,606
Cash dividends - ₱0.808 a share	*16*	–	–	–	(1,616,000)	–	(1,616,000)	(580)	(1,616,580)
Reversal of appropriation of retained earnings	*16*	–	–	(2,000,000)	2,000,000	–	–	–	–
Appropriations during the year	*16*	–	–	3,300,000	(3,300,000)	–	–	–	–
Net income for the year		–	–	–	3,024,811	–	3,024,811	3,345	3,028,156
Other comprehensive income:									
Actuarial gain - net of tax	*21*	–	–	–	10,940	–	10,940	57	10,997
Balance at December 31, 2022		**₱2,000,000**	**₱264,300**	**₱16,400,000**	**₱3,487,619**	**(₱5,820)**	**₱22,146,099**	**₱15,080**	**₱22,161,179**
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 - ₱0.703 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	P264,300	₱15,100,000	₱3,367,868	(₱5,820)	₱20,726,348	₱12,258	₱20,738,606

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

See Notes to the Consolidated Financial Statements.

Consolidated Statements of **Cash Flows**

(Amounts in Thousands)

	Note		Years Ended December 31	
		2022	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax		**₱3,987,760**	₱3,035,610	₱4,177,001
Adjustments for:				
Depreciation and amortization	*10, 11, 18, 23*	**1,908,756**	1,849,725	1,733,668
Finance cost	*19, 23*	**505,572**	504,068	544,101
Net unrealized foreign exchange losses (gains)		**411,159**	255,570	(237,509)
Current service cost	*21*	**45,664**	40,639	43,711
Provision (reversal of provision) for claims - net	*15*	**832**	7,172	(127,673)
Finance income	*19*	**(45,496)**	(5,758)	(28,554)
Equity in net earnings of an associate	*9, 19*	**(32,374)**	(44,782)	(49,341)
Gain on disposals of:				
Intangible assets		**(5,688)**	(930)	(10,861)
Property and equipment		**(728)**	(302)	(4,769)
Provision (reversal of provision) for spare parts and supplies obsolescence	*18*	**–**	(5,035)	7,000
Reversal of allowance for impairment losses	*7*	**–**	–	(2,700)
Operating income before working capital changes		**6,775,457**	5,635,977	6,044,074
Decrease (increase) in:				
Trade and other receivables		**(96,756)**	(184,621)	5,047
Spare parts and supplies		**(145,978)**	(40,154)	(148,790)
Prepaid expenses		**(354,254)**	(417,692)	(335,441)
Increase (decrease) in:				
Trade and other payables		**827,752**	234,196	(1,306,476)
Provisions for claims		**(3,004)**	(1,980)	(74,101)
Income and other taxes payable		**6,376**	(33,407)	(24,618)
Cash generated from operations		**7,009,593**	5,192,319	4,159,695
Finance income received		**45,496**	6,117	32,290
Income tax paid		**(1,066,262)**	(861,915)	(1,050,112)
Contributions to retirement funds	*21*	**(74,978)**	–	–
Finance cost paid		**(27,013)**	(7,818)	(25,743)
Net cash provided by operating activities		**5,886,836**	4,328,703	3,116,130
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of:				
Intangible assets	*11*	**(₱1,986,879)**	(₱1,730,573)	(₱1,432,434)
Property and equipment	*10*	**(829,665)**	(897,080)	(421,024)
Proceeds from disposals of:				
Intangible assets		**6,260**	930	13,882
Property and equipment		**1,760**	302	4,771
Dividends received	*9*	**35,465**	31,524	53,733
Decrease (increase) in:				
Other noncurrent assets		**26,083**	13,189	8,524
Deposits		**(10,805)**	58,649	(74,797)
Net cash used in investing activities		**(2,757,781)**	(2,523,059)	(1,847,345)
CASH FLOWS FROM FINANCING ACTIVITIES				
Payments of:				
Cash dividends	*16*	**(1,616,000)**	(1,406,000)	(1,406,000)
Cash dividends to non-controlling interest		**(580)**	(580)	(580)
Port concession rights payable	*23*	**(799,238)**	(792,135)	(775,542)
Lease liabilities	*23*	**(223,176)**	(204,810)	(140,550)
Net cash used in financing activities		**(2,638,994)**	(2,403,525)	(2,322,672)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		**490,061**	(597,881)	(1,053,887)
EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS		**156,040**	114,173	(155,588)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	*6*	**3,954,166**	4,437,874	5,647,349
CASH AND CASH EQUIVALENTS AT END OF YEAR	*6*	**₱4,600,267**	₱3,954,166	₱4,437,874

See Notes to the Consolidated Financial Statements.

Notes to the Consolidated **Financial Statements**

(Amounts in Thousands, Except Per Share Data)

1. Reporting Entity

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

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

2. Operating Contracts

Following are the Group's operating contracts:

a. South Harbor, Port of Manila

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

b. Port of Batangas

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

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

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

3 Basis of Preparation

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

The consolidated financial statements were authorized for issue by the Board of Directors (BOD) on February 23, 2023.

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, 2022 and 2021. TCTI was incorporated on January 18, 2018, and a 100% owned subsidiary as at December 31, 2022 and 2021.

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.

Adoption of Amendments to Standards
The Group has adopted the following amendments to standards starting January 1, 2022 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.

- *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 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 apply to contracts existing at the date when the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognized as an opening balance adjustment to retained earnings or other component of equity, as appropriate. The comparatives are not restated. Earlier application is permitted.

- *Annual Improvements to PFRS Standards 2018-2020.* This cycle of improvements contains amendments to four standards, of which are applicable to the Group:

  - *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.

- *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.

Standards Issued but Not Yet Adopted
A number of amendments to standards are effective for annual periods beginning after January 1, 2022. However, the Group has not early adopted the following new or amended standards in preparing these consolidated financial statements. Unless otherwise stated, none of these are expected to have a significant impact on the Group's consolidated financial statements.

Effective January 1, 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.

  - The amendments will apply retrospectively for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted. Entities that have early applied the 2020 amendments may retain application until the 2022 amendments are applied. Entities that will early apply the 2020 amendments after issue of the 2022 amendments must apply both amendments at the same time.

  - The 2022 amendments are not yet locally adopted as part of PFRS.

- *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.

- *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 only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current and covenants with which the entity must comply after the reporting date do not affect a liability's classification at that date;

  - provided additional disclosure requirements for non-current liabilities subject to conditions within twelve months after the reporting period to enable the assessment of the risk that the liability could become repayable within twelve months; 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, 2024, with earlier application permitted. Entities that have early applied the 2020 amendments may retain application until the 2022 amendments are applied. Entities that will early apply the 2020 amendments after issue of the 2022 amendments must apply both amendments at the same time.

- Lease Liability in a Sale and Leaseback (Amendments to PFRS 16 Leases). The amendments confirm the following:

  - On initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction.
  - After initial recognition, the seller-lessee applies the general requirements for subsequent accounting of the lease liability such that it recognizes no gain or loss relating to the right of use it retains.

  A seller-lessee may adopt different approaches that satisfy the new requirements on subsequent measurement. For example, the seller-lessee could determine the lease payments to be deducted from the lease liability as expected lease payments or as equal periodic payments over the lease term, with the difference between those payments and amounts actually paid recognized in profit or loss.

  The amendments are effective for annual reporting periods beginning on or after January 1, 2024, with earlier application permitted. A seller-lessee will need to apply the amendments retrospectively to sale-and-leaseback transactions entered into on or after the date of initial application of PFRS 16.

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

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

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

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

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

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

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

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

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

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

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

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

- It is held within a business model whose objective is to hold assets to collect contractual cash flows; and

- Its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Impairment of Financial Assets
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.

Offsetting of Financial Assets and Liabilities
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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(Amounts in Thousands, Except Per Share Data)

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

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

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

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

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

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

Intangible Assets

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

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

Port Concession Rights

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

Port concession rights consist of:

a. Upfront fees payments on the concession contracts;
b. The cost of port infrastructures constructed and port equipment purchased, which are not recognized as property and equipment of the Group but as intangible asset received as consideration for such cost; and
c. Future fixed government share considerations in exchange for license or right. Fixed government share is recognized at present value using the discount rate at the inception date with a corresponding liability recognized. Interest on the unwinding of discount of the liability and foreign exchange differences arising from translations are recognized in profit or loss.

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

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

Goodwill

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

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

Impairment of Non-financial Assets

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

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

Provisions

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

Share Capital

Capital Stock

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

Additional Paid-in Capital

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

Retained Earnings and Dividend Distribution

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

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 is 15 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.

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.

The Group has classified:

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

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, 2022 and 2021 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 ₱61.0 million and ₱63.2 million as at December 31, 2022 and 2021, respectively (see Note 15).

(Amounts in Thousands, Except Per Share Data)

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 reassess 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 ₱31.8 million and ₱92.3 million as at December 31, 2022 and 2021.

6. Cash and Cash Equivalents

	Note	2022	2021
Cash on hand and in banks		**₱624,833**	₱1,318,711
Short-term investments		**3,975,434**	2,635,455
	24, 25	**₱4,600,267**	₱3,954,166

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 ₱45.5 million, ₱5.8 million and ₱28.6 million in 2022, 2021 and 2020, respectively (see Note 19).

7. Trade and Other Receivables

	Note	2022	2021
Trade receivables		**₱736,984**	₱497,390
Receivable from insurance		**56,621**	56,522
Advances to officers and employees		**28,020**	20,237
Due from related parties	*20*	**19,731**	45,508
Receivable from escrow fund		**13,635**	13,635
Interest receivable		**12,207**	371
Other receivables		**42,982**	179,761
		910,180	813,424
Allowance for impairment losses		**(4,195)**	(4,195)
	24, 25	**₱905,985**	₱809,229

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

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

There was no movement in allowance for impairment losses on trade and other receivables in 2022 and 2021 (see Note 24).

8. Prepaid Expenses

	2022	2021
Taxes	**₱2,467,343**	₱2,118,864
Insurance	**9,217**	9,861
Rental	**3,927**	3,927
Advances to contractors	**2,035**	816
Advances to government agencies	**101**	101
Others	**20,640**	15,440
	₱2,503,263	₱2,149,009

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	2022	2021
Acquisition cost		**₱11,222**	₱11,222
Accumulated equity in net earnings:			
Balance at beginning of year		**47,151**	33,893
Equity in net earnings for the year	*19*	**32,374**	44,782
Dividends received during the year		**(35,465)**	(31,524)
		44,060	47,151
		₱55,282	₱58,373

The information presented in the table includes the result of SCIPSI's operations for the years ended December 31, 2022 and 2021. The following table also reconciles the summarized financial information to the carrying amount of the Group's interest in SCIPSI.

	2022	2021
Current assets	**₱125,617**	₱156,497
Noncurrent assets	**48,607**	37,787
Total assets	**₱174,224**	₱194,284
Current liabilities	**₱35,860**	₱50,733
Noncurrent liabilities	**1,432**	2,155
Total liabilities	**₱37,292**	₱52,888
Net assets	**₱136,932**	₱141,396
Share in net assets	**₱48,898**	₱50,493
Excess of cost over the interest	**6,384**	7,880
Carrying amount of interest	**₱55,282**	₱58,373
Revenues	**₱283,941**	₱322,685
Expenses	**(193,283)**	(197,281)
Net income	**₱90,658**	₱125,404

Based on unaudited financial statements

10. Property and Equipment - net

The movements in this account are as follows:

2022

	Port Facilities and Equipment	Leasehold Improvements	Furniture, Fixtures and Equipment	Transportation and Other Equipment	Construction in-progress	Total
Cost						
Balance at beginning of year	₱222,486	₱693,409	₱815,515	₱294,272	₱1,282,616	₱3,308,298
Additions	2,778	11,576	60,702	44,951	734,005	854,012
Disposals	–	–	(4,346)	(7,968)	–	(12,314)
Reclassifications	4	2,150	64,069	(950)	(56,406)	8,867
Balance at end of year	225,268	707,135	935,940	330,305	1,960,215	4,158,863
Accumulated Depreciation						
Balance at beginning of year	116,192	485,195	632,073	184,124	–	1,417,584
Depreciation	14,945	42,123	85,181	44,101	–	186,350
Disposals	–	–	(3,882)	(7,400)	–	(11,282)
Reclassifications	–	–	–	–	–	–
Balance at end of year	131,137	527,318	713,372	220,825	–	1,592,652
Carrying Amount	₱94,131	₱179,817	₱222,568	₱109,480	₱1,960,215	₱2,566,211

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						
Balance at beginning of year	104,801	445,326	523,487	149,959	–	1,223,573
Depreciation	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

No borrowing costs were capitalized in 2022 and 2021.

The Group has non-cash additions for the years ended December 31, 2022 and 2021 which amounted to ₱24.3 million and ₱10.8 million, respectively.

Depreciation is charged under "Depreciation and amortization" account included in "Costs and expenses excluding government share in revenues" in the consolidated statements of income (see Note 18).

Cost of fully depreciated property and equipment which are still being used by the Group amounted to ₱620.8 million and ₱490.1 million as at December 31, 2022 and 2021, respectively.

11. Intangible Assets - net

The movements in this account are as follows:

2022

	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	₱23,934,464	₱34,096,158	₱42,060	₱34,138,218
Additions	–	–	2,041,736	2,041,736	–	2,041,736
Reclassifications	–	–	(8,747)	(8,747)	–	(8,747)
Disposals	–	–	(458,840)	(458,840)	–	(458,840)
Balance at end of year	882,000	9,279,694	25,508,613	35,670,307	42,060	35,712,367
Accumulated Amortization						
Balance at beginning of year	97,214	4,332,562	9,156,911	13,586,687	–	13,586,687
Amortization	11,280	296,266	1,195,478	1,503,024	–	1,503,024
Reclassifications	–	–	–	–	–	–
Disposals	–	–	(458,268)	(458,268)	–	(458,268)
Balance at end of year	108,494	4,628,828	9,894,121	14,631,443	–	14,631,443
Carrying Amount	₱773,506	₱4,650,866	₱15,614,492	₱21,038,864	₱42,060	₱21,080,924

(Amounts in Thousands, Except Per Share Data)

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	–	–	1,744,917	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

The unamortized capitalized borrowing costs as at December 31, 2022 and 2021 amounted to ₱54.7 million and ₱59.4 million, respectively. No borrowing costs were capitalized in 2022 and 2021.

Amortization is charged under "Depreciation and amortization" account included in "Costs and expenses excluding government share in revenues" in the consolidated statements of income (see Note 18).

The Group has non-cash additions for the years ended December 31, 2022 and 2021 which amounted to ₱54.9 million and ₱14.3 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:

	2022	2021
Balance at beginning of year	**₱1,840,748**	₱2,842,686
Additions during the year	**1,928,019**	546,474
Reclassification during the year	**(1,034,447)**	(1,548,412)
Balance at end of year	**₱2,734,320**	₱1,840,748

Goodwill

Key Assumptions

In testing impairment of goodwill, the recoverable amount of ATIB is the value in use, which has been determined by calculating the present value of cash flow projections from the operations of ATIB. The average revenue growth rate assumption used was 4.0%. The discount rate applied to cash flow projections is 9.4% in 2022 and 4.4% in 2021 based on the industry's weighted average cost of capital (WACC).

Sensitivity to Changes in Assumptions

The estimated recoverable amount of ATIB exceeds its carrying amount by approximately ₱1.8 billion and ₱984.8 million in 2022 and 2021, 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	2022	2021
Deposits	*25*	**₱84,107**	₱73,302
Equity securities	*25*	**2,652**	2,652
Taxes		**–**	26,083
		₱86,759	₱102,037

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 6.0%. The carrying amounts of these refundable security deposits at amortized cost amounted to ₱14.8 million as at December 31, 2022 and 2021.

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:

	2022	2021	2020
Current tax	**₱1,137,822**	₱808,801	₱1,102,599
Deferred tax	**(178,218)**	(63,404)	118,366
Changes in tax rate:			
Current tax	**–**	(91,883)	–
Deferred tax	**–**	144,367	–
	₱959,604	₱797,881	₱1,220,965

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

	2022	2021	2020
Statutory income tax rate	**25.0%**	25.0%	30.00%
Changes in income tax rate resulting from:			
Income subjected to final tax	**(0.23)**	(0.28)	(0.72)
Change in income tax rate	**–**	1.73	–
Others	**(0.71)**	(0.17)	(0.05)
Effective income tax rate	**24.06%**	26.28%	29.23%

The movements in deferred tax balances are as follows:

					December 31		
2022	***Note***	**Net Balance at January 1**	**Recognized in Profit or Loss**	**Recognized in OCI**	**Deferred Tax Assets**	**Deferred Tax Liabilities**	**Net**
Port concession rights payable related to fixed government share		**₱439,655**	**₱13,931**	**₱–**	**₱453,586**	**₱–**	**₱453,586**
Unrealized foreign exchange loss - net		**253,403**	**131,333**	**–**	**384,736**	**–**	**384,736**
Pension liability	*21*	**64,591**	**(57)**	**(3,666)**	**60,868**	**–**	**60,868**
Excess of cost over net realizable value of spare parts and supplies		**21,432**	**(1,625)**	**–**	**19,807**	**–**	**19,807**
Accrued expenses		**19,274**	**27,442**	**–**	**46,716**	**–**	**46,716**
Provisions for claims		**15,803**	**(543)**	**–**	**15,260**	**–**	**15,260**
Impairment losses on receivables	*7*	**2,254**	**–**	**–**	**2,254**	**–**	**2,254**
Right-of-use and lease liability		**402**	**6,426**	**–**	**–**	**6,828**	**6,828**
Unamortized capitalized borrowing costs and custom duties		**(15,490)**	**1,311**	**–**	**–**	**(14,179)**	**(14,179)**
Net tax assets (liabilities)		**₱801,324**	**₱178,218**	**(₱3,666)**	**₱983,227**	**(₱7,351)**	**₱975,876**

					December 31		
2021	*Note*	Net Balance at January 1	Recognized in Profit or Loss	Recognized in OCI	Deferred Tax Assets	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

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	2022	2021
Accrued expenses:			
Marketing, commercial, promotion and business development		**₱643,570**	₱229,362
Finance costs		**136,918**	131,732
Personnel costs		**91,070**	104,671
Repairs and maintenance		**77,183**	64,941
Professional fees		**48,459**	39,401
Security expenses		**28,281**	20,585
Trucking expense		**27,176**	3,726
Corporate social responsibility		**23,156**	23,622
Rentals	*23*	**21,760**	10,542
Utilities		**13,444**	7,210
Safety and environment		**4,015**	4,701
Miscellaneous accrued expenses		**157,417**	105,310
Due to government agencies	*23*	**939,016**	668,092
Trade		**442,235**	319,685
Equipment acquisitions		**339,503**	374,306
Shippers' and brokers' deposits		**116,545**	117,181
Management fee payable	*20*	**19,215**	12,434
Other payables	*20*	**163,644**	142,427
	24, 25	**₱3,292,607**	₱2,379,928

(Amounts in Thousands, Except Per Share Data)

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.

15. Provisions for Claims

The movements and balances of this account are as follows:

	2022	2021
Balance at beginning of year	**₱63,216**	₱58,024
Provisions during the year	**832**	7,172
Payments during the year	**(3,004)**	(1,980)
Balance at end of year	**₱61,044**	₱63,216

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

16. Equity

Pursuant to the registration statement rendered effective by the SEC and permit to sell issued by the SEC both dated April 7, 1995, 1 billion common shares of the Parent Company were registered and may be offered for sale at an offer price of ₱5.10 per common share. On March 26, 1999, another registration statement was rendered effective by the SEC and permit to sell issued by the SEC for 1 billion common shares of the Parent Company and may be offered for sale at an offer price of ₱1.00 per common share. As at December 31, 2022, the Parent Company has a total of 2 billion issued and outstanding common shares and 820 stockholders.

<u>Capital Stock - ₱1 Par Value</u>
The Parent Company has 2.0 billion issued and fully paid capital stock, from its 6.0 billion authorized common shares, as at December 31, 2022 and 2021.

<u>Retained Earnings</u>
The Group's unappropriated retained earnings includes the subsidiaries' unappropriated net earnings of ₱17.6 million and ₱19.3 million and the Group's accumulated equity in the net earnings of an associate amounting to ₱44.1 million and ₱47.2 million as at December 31, 2022 and 2021, 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 28, 2022, the BOD approved the declaration of cash dividends of ₱0.808 per share payable on May 25, 2022 to common shareholders of record as at June 17, 2022.

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.

Appropriation and Reversal of Appropriation of Retained Earnings
On December 29, 2022, the Group's BOD approved the reversal to the unappropriated retained earnings of the amount of ₱2.0 billion out of the already approved appropriation of ₱15.1 billion, for capital expenditures for 2022 and 2021. Furthermore, the Group's BOD approved an appropriation of the retained earnings amounting to ₱3.3 billion for capital expenditures for the next 4 years. The Group's BOD also approved on the same date a budget amounting to ₱16.0 billion for capital expenditures which include yard and berth development as well as construction of new facilities and equipment acquisition for 2023 to 2026. The capital expenditures will strengthen the Group's operations and capability to handle growth.

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.

<u>Fair Value Reserve</u>
Fair value reserve amounting to ₱5.8 million as at December 31, 2022 and 2021 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 ₱2.5 billion, ₱1.9 billion and ₱1.8 billion in 2022, 2021 and 2020, respectively (see Note 23).

18. Costs and Expenses Excluding Government Share in Revenues

	Note	2022	2021	2020
Depreciation and amortization	*10, 11, 23*	**₱1,908,756**	₱1,849,725	₱1,733,668
Labor costs	*21*	**1,633,131**	1,495,219	1,447,015
Equipment running		**824,520**	665,431	548,285
Taxes and licenses		**549,240**	419,726	412,407
Facilities-related expenses		**270,297**	214,414	155,600
Insurance		**213,391**	198,358	144,182
General transport		**179,283**	116,549	109,249
Management fees	*20*	**173,445**	133,598	184,380
Security, health, environment and safety		**167,477**	152,497	167,014
Rental	*23*	**33,745**	13,960	21,130
Professional fees		**25,410**	12,898	13,958
Marketing, commercial and promotion		**10,391**	7,015	9,708
Entertainment, amusement and recreation		**10,066**	3,453	2,306
Provision for claims	*15*	**832**	7,172	2,327
Others		**176,428**	136,225	110,963
		₱6,176,412	₱5,426,240	₱5,062,192

Labor costs include salaries, benefits and pension expense.

Spare parts and supplies used and included under equipment running amounted to ₱256.4 million, ₱249.4 million and ₱184.4 million in 2022, 2021 and 2020, respectively.

Provision for spare parts and supplies obsolescence included under other costs and expenses amounted to nil in 2022 and 2021 and ₱7.0 million in 2020, 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 ₱45.5 million, ₱5.8 million and ₱28.6 million in 2022, 2021 and 2020, respectively (see Note 6).

Finance cost is broken down as follows:

	Note	2022	2021	2020
Interest on port concession rights payable		**₱468,782**	₱490,497	₱510,447
Interest on lease liability	*23*	**26,737**	7,530	25,540
Interest component of pension expense	*21*	**9,777**	5,753	7,911
Interest on bank loans/ credit facilities		**276**	288	203
		₱505,572	₱504,068	₱544,101

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	2022	2021	2020
Foreign exchange gains (losses) - others		**₱127,889**	₱135,737	(₱146,107)
Equity in net earnings of an associate	*9*	**32,374**	44,782	49,341
Other income - net		**24,782**	14,202	19,625
Management income	*20*	**7,557**	8,588	9,226
Gain on disposal of equipment and intangible assets		**6,416**	1,232	15,630
Foreign exchange gains (losses) - port concession rights payable		**(728,712)**	(459,448)	291,455
Reversal of prior year provision and accruals		**–**	–	255,503
Income from insurance claims		**–**	–	104,666
		(₱529,694)	(₱254,907)	₱599,339

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*	**2022**	**₱7,557**	**₱491**	**₱–**	**₱–**	**Payable on demand**	**Unsecured; no impairment**
		2021	8,588	861	–	–	Payable on demand	Unsecured; no impairment
▪ Dividend income	*9*	**2022**	**35,465**	**–**	–	–	**Payable on demand**	**Unsecured; no impairment**
		2021	31,524	–	–	–	Payable on demand	Unsecured; no impairment
Post-Employment Benefit Plan								
▪ Retirement fund	*20B*	**2022**	**35,018**	**13,902**	–	–	**Payable on demand**	**Unsecured; no impairment**
		2021	56,113	44,647	–	–	Payable on demand	Unsecured; no impairment
Others								
▪ Management fees	*20C*	**2022**	**173,445**	**–**	**19,215**	–	**Payable within ten (10 days) of the following month**	**Unsecured**
		2021	133,598	–	12,434	–	Payable within ten (10) days of the following month	Unsecured
▪ Advances	*20D*	**2022**	**112,682**	**5,338**	**3,997**	–	**Payable on demand**	**Unsecured; no impairment**
		2021	81,014	–	1,724	–	Payable on demand	Unsecured; no impairment
▪ Lease	*20E*	**2022**	**40,993**	**–**	–	**396,948**	**Payable within five (5 days) of the following month**	**Unsecured**
		2021	45,860	–	–	66,285		
TOTAL		**2022**		**₱19,731**	**₱23,212**	**₱396,948**		
TOTAL		2021		₱45,508	₱14,158	₱66,285		

(Amounts in Thousands, Except Per Share Data)

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% owned by POAL. POMS engages in advisory services which it provides to the Parent Company by virtue of a 5-year contract. The Parent Company's contract with POMS was further renewed on August 27, 2020 for another five years until August 31, 2025. The terms of the contract provide for the payment of a monthly fee equivalent to 5% of ATI's consolidated income before income tax of the immediately preceding month (see Note 18).

D. Advances include amounts owed to or by DP World Asia Holdings Limited-Regional Operating Headquarters, DP World Philippines Logistics, Inc., and DP World Holdings Philippines, Inc., which are related parties under common control, pertaining to reimbursements for expenses paid by or for the Group. The balance also includes amounts owed to companies controlled by the Group's director for expenses incurred by the Group for manpower, healthcare and insurance services. As of December 31, 2022 and 2021, related amounts are 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:

	2022	2021
Short-term employee benefits	**₱229,274**	₱200,486
Post-employment benefits	**11,114**	10,485
	₱240,388	₱210,971

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, 2022. 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		
	2022	2021	2020	**2022**	2021	2020	**2022**	2021	2020
Current service cost	**₱40,643**	₱34,334	₱39,747	**₱5,021**	₱6,305	₱3,964	**₱45,664**	₱40,639	₱43,711
Interest cost on defined benefit obligation	**28,824**	19,473	28,014	**2,840**	2,407	2,436	**31,664**	21,880	30,450
Interest income on plan assets	**(19,928)**	(14,494)	(20,710)	**(1,959)**	(1,633)	(1,829)	**(21,887)**	(16,127)	(22,539)
Net pension expense	**₱49,539**	₱39,313	₱47,051	**₱5,902**	₱7,079	₱4,571	**₱55,441**	₱46,392	₱51,622

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	
	2022	2021	**2022**	2021	**2022**	2021
Present value of pension obligations	**(₱575,897)**	(₱605,375)	**(₱50,696)**	(₱54,937)	**(₱626,593)**	(₱660,312)
Fair value of plan assets	**378,155**	384,731	**41,029**	33,972	**419,184**	418,703
Pension liability	**(₱197,742)**	(₱220,644)	**(₱9,667)**	(₱20,965)	**(₱207,409)**	(₱241,609)

Changes in the Present Value of Pension Obligations

	ATI		ATIB		TOTAL	
	2022	2021	**2022**	2021	**2022**	2021
Present value of pension obligations at beginning of year	**₱605,375**	₱568,642	**₱54,937**	₱59,776	**₱660,312**	₱628,418
Current service cost	**40,643**	34,334	**5,021**	6,305	**45,664**	40,639
Interest cost	**28,824**	19,473	**2,840**	2,407	**31,664**	21,880
Benefits paid	**(65,763)**	(26,707)	**(346)**	(4,185)	**(66,109)**	(30,892)
Actuarial loss (gain)	**(33,182)**	9,633	**(11,756)**	(9,366)	**(44,938)**	267
Present value of pension obligations at end of year	**₱575,897**	₱605,375	**₱50,696**	₱54,937	**₱626,593**	₱660,312

Changes in the Fair Value of Plan Assets

	ATI		ATIB		TOTAL	
	2022	2021	**2022**	2021	**2022**	2021
Fair value of plan assets at beginning of year	**₱384,731**	₱403,310	**₱33,972**	₱37,018	**₱418,703**	₱440,328
Interest income	**19,928**	14,494	**1,959**	1,633	**21,887**	16,127
Actual contributions	**67,046**	–	**7,932**	–	**74,978**	–
Remeasurement gain on plan assets	**(27,787)**	(6,366)	**(2,488)**	(494)	**(30,275)**	(6,860)
Benefits paid	**(65,763)**	(26,707)	**(346)**	(4,185)	**(66,109)**	(30,892)
Fair value of plan assets at end of year	**₱378,155**	₱384,731	**₱41,029**	₱33,972	**₱419,184**	₱418,703

Benefits paid include certain payments to retired employees paid directly by the Group to be subsequently reimbursed by the retirement fund. Any amount paid by the Group not reimbursed by the retirement fund within the year is recorded under "Due from related parties" account included in "Trade and other receivables - net" in the consolidated statements of financial position. As at December 31, 2022 and 2021, the balance due from the retirement fund amounted to ₱13.9 million and ₱44.6 million, respectively (see Note 20).

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

	ATI			ATIB			TOTAL		
	2022	2021	2020	**2022**	2021	2020	**2022**	2021	2020
Actuarial gain (loss) due to:									
Changes in financial assumptions	**₱106,392**	(₱24,382)	(₱32,713)	**₱15,051**	₱8,798	(₱4,551)	**₱121,443**	(₱15,584)	(₱37,264)
Changes in demographic assumptions	**–**	(28,543)	47,365	**–**	–	(4,155)	**–**	(28,543)	43,210
Experience adjustment	**(73,210)**	43,292	36,317	**(3,295)**	568	3,477	**(76,505)**	43,860	39,794
Remeasurement gain (loss) on plan assets	**(27,787)**	(6,366)	681	**(2,488)**	(494)	1,257	**(30,275)**	(6,860)	1,938
	₱5,395	(₱15,999)	₱51,650	**₱9,268**	₱8,872	(₱3,972)	**₱14,663**	(₱7,127)	₱47,678

The cumulative amount of actuarial gain (loss) recognized in the consolidated statements of changes in equity included under "Retained earnings" account amounted to ₱19.2 million and ₱4.6 million as at December 31, 2022 and, 2021, 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	
	2022	2021	**2022**	2021	**2022**	2021
Cash and cash equivalents	**₱62**	₱9,744	**₱149**	₱2	**₱211**	₱9,746
Investment in UITF	**3,450**	5,077	**6,590**	4,384	**10,040**	9,461
Equity instruments	**62,214**	62,055	**5,904**	5,536	**68,118**	67,591
Investment in government securities	**276,893**	274,852	**25,377**	21,237	**302,270**	296,089
Debt instruments	**30,024**	27,350	**2,526**	2,623	**32,550**	29,973
Other receivables	**5,723**	18,872	**513**	217	**6,236**	19,089
Liabilities	**(211)**	(13,219)	**(30)**	(27)	**(241)**	(13,246)
	₱378,155	₱384,731	**₱41,029**	₱33,972	**₱419,184**	₱418,703

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	
	2022	2021	**2022**	2021
Discount rate at end of year	**7.26%**	5.10%	**7.34%**	5.18%
Salary increase rate	**3.5%-6.0%**	3.5%-6.0%	**3.5%-6.0%**	3.5%-6.0%

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

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

	ATI		ATIB	
	2022	2021	**2022**	2021
Average expected future service years	**14**	14	**17**	18

Maturity analysis of the benefit payments:

	2022	
	Expected Benefit Payments	
	ATI	**ATIB**
Within 1 year	**₱89,194**	**₱4,595**
Within 1 - 5 years	**220,046**	**15,049**
More than 5 years	**3,018,605**	**565,466**

	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

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:

2022

	ATI		**ATIB**	
	1% Increase	**1% Decrease**	**1% Increase**	**1% Decrease**
Discount rate	**(₱39,931)**	**₱46,405**	**(₱5,087)**	**₱6,131**
Salary increase rate	**49,207**	**43,028**	**6,392**	**5,381**

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)

The Group expects to pay ₱84.5 million in contributions to defined benefit pension plans in 2023.

Asset Liability Matching (ALM)
The Group does not perform any ALM study. The overall investment policy and strategy of the retirement plan is based on the client suitability assessment, as provided by its trust bank, in compliance with the Bangko Sentral ng Pilipinas requirements.

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

Basic EPS is computed as follows:

	2022	2021	2020
(a) Net income attributable to Equity Holders of the Parent Company (in thousands)	**₱3,024,811**	₱2,236,720	₱2,954,904
(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)	**₱1.51**	₱1.12	₱1.48

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 slightly increased by 2%. Moreover, revenues for the year ended December 31, 2022 increased by 22% compared to 2021 and have already reached the pre-pandemic level. 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. There are no significant COVID-19 related expenses in 2022. Capital expenditures proceeded as planned, but timelines were 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:

	2022	2021
Balance as at January 1	**₱7,702,171**	₱7,639,769
Accretion of port concession rights payable	**463,180**	484,794
Payments during the year	**(799,238)**	(792,135)
Effects of exchange rate changes	**567,198**	369,743
Balance as at December 31	**₱7,933,311**	₱7,702,171

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

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

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 in 2022, 2021 and 2020.

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	**2022**	2021
Balance at January 1		**₱458,999**	₱615,510
Additions to right-of-use assets		**535,631**	57,672
Amortization during the year	*18*	**(219,382)**	(213,732)
Derecognition during the year		**–**	(451)
Balance at December 31		**₱775,248**	₱458,999

ii. Lease Liabilities

	Note	**2022**	2021
Balance at January 1		**₱452,637**	₱599,775
Additions to lease liabilities		**535,631**	57,672
Interest expense during the year	*19*	**26,737**	7,530
Payments made		**(249,913)**	(212,340)
Balance at December 31		**₱765,092**	₱452,637

As at December 31, 2022 and 2021, the Group has current and noncurrent lease liabilities included in the consolidated statements of financial position as follows:

	2022	2021
Current	**₱118,066**	₱85,028
Noncurrent	**647,026**	367,609
	₱765,092	₱452,637

The maturity analysis of undiscounted lease payments as of December 31, 2022 and 2021 is as follows:

	2022	2021
Within one year	**₱107,873**	₱204,152
More than one year to five years	**238,398**	272,765
More than five years	**988,724**	449,863
	₱1,334,995	₱926,780

iii. Amounts Recognized in Profit or Loss

	Note	**2022**	2021
Depreciation expense	*18*	**₱219,382**	₱213,732
Interest on lease liabilities	*19*	**26,737**	7,530
Expenses relating to short-term and/or low value leases	*18*	**23**	13,960
Total		**₱246,142**	₱235,222

iv. Amounts Recognized in Statements of Cash Flows

	2022	2021
Payments of lease liabilities	**₱223,176**	₱204,810
Interest paid	**26,737**	7,530
Cash outflow relating to short-term and/or low value leases	**23**	13,960
Total cash outflow for leases	**₱249,936**	₱226,300

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.

(Amounts in Thousands, Except Per Share Data)

24. Financial Risk and Capital Management Objectives and Policies

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

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

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

As at December 31, 2022 and 2021, the interest rate profile of the Group's interest- bearing financial instrument is as follows:

	2022	2021
Fixed Rate Instruments		
Cash and cash equivalents*	**₱4,597,576**	₱3,952,060

**Excluding cash on hand amounting to ₱2.7 million and ₱2.1 million as at December 31, 2022 and 2021, 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, 2022	**Carrying Amount**	**On Demand**	**Less than 3 Months**	**3 to 12 Months**	**1 to 5 Years**	**> 5 Years**	**Total**
Trade and other payables*	**₱2,353,591**	**₱283,721**	**₱591,277**	**₱1,478,593**	**₱–**	**₱–**	**₱2,353,591**
Port concession rights payable	**7,933,311**	**–**	**201,145**	**603,435**	**2,922,920**	**6,258,786**	**9,986,286**
Lease liabilities	**765,092**	**–**	**26,332**	**81,541**	**238,398**	**988,724**	**1,334,995**
	₱11,051,994	**₱283,721**	**₱818,754**	**₱2,163,569**	**₱3,161,318**	**₱7,247,510**	**₱13,674,872**

**Excluding due to government agencies amounting to ₱0.9 million and ₱0.7 million as at December 31, 2022 and 2021, respectively.*

		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.*

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, 2022 and 2021, without considering the effects of collaterals and other risk mitigation techniques, is presented below.

	Note	2022	2021
Cash and cash equivalents*	*6*	**₱4,597,576**	₱3,952,060
Trade and other receivables - net	*7*	**905,985**	809,229
Deposits	*12*	**84,107**	73,302
Equity securities	*12*	**2,652**	2,652
		₱5,590,320	₱4,837,243

**Excluding cash on hand amounting to ₱2.7 million and ₱2.1 million as at December 31, 2022 and 2021, 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, 2022			
	Grade A	**Grade B**	**Grade C**	**Total**
Cash in banks and cash equivalents	**₱4,597,576**	**₱–**	**₱–**	**₱4,597,576**
Trade and other receivables - net	**561,460**	**344,525**	**–**	**905,985**
Deposits	**84,107**	**–**	**–**	**84,107**
Equity securities	**2,652**	**–**	**–**	**2,652**
	₱5,245,795	**₱344,525**	**₱–**	**₱5,590,320**

	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

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	2022	2021
Shipping lines		**₱397,992**	₱310,164
Others		**507,993**	499,065
	7	**₱905,985**	₱809,229

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, 2022 and 2021:

	Gross Carrying Amount	**Impairment Loss Allowance**	**Credit-Impaired**
Current (not past due)	**₱807,887**	**₱–**	**No**
1 - 30 days past due	**31,836**	**–**	**No**
31 - 60 days past due	**17,070**	**–**	**No**
61 - 90 days past due	**23,598**	**–**	**No**
More than 90 days past due	**29,789**	**4,195**	**Yes**
Balance at December 31, 2022	**₱910,180**	**₱4,195**	

	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	

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 consolidated 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.

(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 2022 and 2021. The allowance for impairment as at December 31, 2022 and 2021 is ₱4.2 million with individually and collectively impaired receivables amounting to ₱1.1 million and ₱3.1 million, respectively.

	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 ₱4.6 billion and ₱4.0 billion as at December 31, 2022 and 2021, 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:

	2022	2021
Assets		
Cash and cash equivalents	**USD18,757**	USD38,634
Liabilities		
Trade and other payables	**63,033**	4,030
Port concession rights payable	**125,605**	130,327
	188,638	134,357
Net foreign currency-denominated liabilities	**(USD169,881)**	(USD95,723)
Peso equivalent	**(₱9,479,360)**	(₱4,881,873)

The exchange rates applicable for USD as at December 31, 2022 and 2021 are ₱55.8 and ₱51.0, 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
2022			
	+5%	**(₱473,968)**	**(₱355,476)**
	-5	**473,968**	**355,476**
2021			
	+5%	(244,094)	(183,071)
	-5%	244,094	183,071

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	2022	2021
Capital stock		**₱2,000,000**	₱2,000,000
Additional paid-in capital		**264,300**	264,300
Retained earnings		**19,887,619**	18,467,868
Fair value reserve		**(5,820)**	(5,820)
Total	*16*	**₱22,146,099**	₱20,726,348

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, 2022 and 2021.

		2022		2021	
	Note	**Carrying Amount**	**Fair Value**	Carrying Amount	Fair Value
Financial Assets					
Cash and cash equivalents	*6*	**₱4,600,267**	**₱4,600,267**	₱3,954,166	₱3,954,166
Trade and other receivables - net	*7*	**905,985**	**905,985**	809,229	809,229
Deposits	*12*	**84,107**	**90,199**	73,302	79,743
		5,590,359	**5,596,451**	4,836,697	4,843,138
Equity securities	*12*	**2,652**	**2,652**	2,652	2,652
		₱5,593,011	**₱5,599,103**	₱4,839,349	₱4,845,790
Financial Liabilities					
Other financial liabilities:					
Trade and other payables*	*14*	**₱2,353,591**	**₱2,353,591**	₱1,711,836	₱1,711,836
Port concession rights payable		**7,933,311**	**8,189,861**	7,702,171	8,695,787
		₱10,286,902	**₱10,543,452**	₱9,414,007	₱10,407,623

**Excluding due to government agencies amounting to ₱0.9 million and ₱0.7 million as at December 31, 2022 and 2021, 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 6.0% in 2022 and 3.1% in 2021.

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 6.19% to 7.23% in 2022 and 4.42% to 5.10% in 2021.

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

As at December 31, 2022	*Note*	**Level 1**	**Level 2**	**Level 3**
Equity securities	*12*	**₱933**	**₱–**	**₱1,719**
Port concession rights payable		**–**	**8,189,861**	**–**
		₱933	**₱8,189,861**	**₱1,719**

As at December 31, 2021	*Not e*	Level 1	Level 2	Level 3
Equity securities	*12*	₱933	₱–	₱1,719
Port concession rights payable		–	8,695,787	–
		₱933	₱8,695,787	₱1,719

There have been no transfers from one level to another in 2022 and 2021.

26. Revenues from Operations

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

	2022	2021	2020
Revenues from Operations			
Stevedoring	**₱5,862,108**	₱4,775,548	₱4,580,562
Arrastre	**5,532,700**	4,587,974	3,637,336
Logistics	**188,913**	106,907	117,159
Special and other services	**2,038,983**	1,692,315	2,625,902
	₱13,622,704	₱11,162,744	₱10,960,959

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