



**ASIAN  
TERMINALS  
INC.**

ISO 14001 & OHSAS 18001 certified

Delivering reliable and consistent services.

**Asian Terminals Incorporated Head Office,**  
A. Bonifacio Drive, Port Area,  
Manila, Philippines 1018  
P.O. Box 3021, Manila, Philippines  
Tel. No. (632) 528 6000  
Fax (632) 527 2467

May 25, 2012

**PHILIPPINE STOCK EXCHANGE, INC.**  
Tower One and Exchange Plaza  
Ayala Triangle, Ayala Avenue,  
Makati City

Attention : **MS. JANET ENCARNACION**  
Head-Disclosure Department

RE : Amended SEC Form 17-A

Gentlemen,


In compliance with the directive of the Securities and Exchange Commission (SEC) to amend the disclosed SEC Form 17-A, Please find attached the amended report as disclosed to the SEC.

Amendments are as follows:

- a) Breakdown of Consolidated Revenues on page 3.
- b) Inclusion of Current Ratio and Asset to Equity Ratio on page 13.
- c) Statement of the year when the directors commenced directorship on pages 21 to 23.
- d) Statement on the term of office of directors on page 24.
- e) Inclusion of additional heading for Family Relationships on page 24.
- f) Detailed statement of the leases availed by the Company on page 29.

Thank you.

Truly yours,

  
**Atty. Rodolfo G. Corvite, Jr.**  
Corporate Secretary/ CIO

SEC Number: 133653  
File Number: \_\_\_\_\_

**ASIAN TERMINALS, INC.**  
(Company's Full Name)

**A. Bonifacio Drive, Port Area, Manila**  
(Company's Address)

**528-6000**  
(Telephone Number)

**December 31**  
Calendar Year Ending  
(Month & Day)

**SEC Form 17-A ("A")**  
Form Type

**AMENDED SEC FORM 17-A**  
Amendment Designation (if applicable)

**December 31, 2011**  
Period Ended Date

**N/A**  
(Secondary License Type and File Number)

SECURITIES AND EXCHANGE COMMISSION

SEC Form 17-A

ANNUAL REPORT PURSUANT TO SECTION 17  
OF THE SECURITIES REGULATION CODE AND SECTION 141  
OF THE CORPORATION CODE OF THE PHILIPPINES



1. For the fiscal year ended : December 31, 2011
2. SEC Identification Number : 133653
3. BIR Tax Identification Code : 033-000-132-413-V
4. Name of Issuer as Specified in its Charter : ASIAN TERMINALS, INC.
5. Province, Country or other jurisdiction of Incorporation or organization : Manila, Philippines
6. Industry Classification Code (SEC use only) : \_\_\_\_\_
7. Address of Principal Office : A. Bonifacio Drive  
Port Area, Manila 1018
8. Registrant's telephone number : (632) 528-6000
9. Former name, address and fiscal year, if changed since last report : N/A
10. Securities registered pursuant to Section 8 and 12 of the Code or Sections 4 and 8 of the RSA:

Title of Each Class	Number of Shares of Common Stock Outstanding or Amount of Debt Outstanding
Common	2,000,000,000 shares

11. Are any or all of registrant's securities listed on a Stock Exchange?

Yes ☒ No ☐

If yes, disclose the name of such Stock Exchange and the class of securities listed therein: Philippine Stock Exchange, Inc.; common shares

12. Check whether the issuer

(a) has filed all reports required to be filed by Section 17 of the SRC and SRC Rule 17 thereunder of Section 11 of the RSA and RSA Rule 11(a)-1 thereunder, and Sections 26 and 141 of the Corporation Code of the Philippines during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports):

Yes ☒ No ☐

(b) has been subject to such filing requirements for the past ninety (90) days.

Yes [ X ]

No [   ]

13. State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within sixty (60) days prior to the date of filing. If a determination as to whether a particular person or entity is an affiliate cannot be made without involving unreasonable effort and expense, the aggregate market value of the common stock held by non-affiliates may be calculated on the basis of assumptions reasonable under the circumstances, provided the assumptions are set forth in this Form.

Number of non-affiliate shares as of March 31, 2012	1,346,156,362
Closing price per share as of March 30, 2012	P8.90
Market value as of March 31, 2012	P17.8B

## **PART I- BUSINESS AND GENERAL INFORMATION**

### **Item 1. Business**

#### **Corporate Background**

**Asian Terminals, Inc. (ATI)**, formerly known as Marina Port Services, Inc. (MPSI), was incorporated on July 9, 1986 to provide general services with respect to the operation and management of port terminals in the Philippines. In August 1990, a consortium of local and foreign companies acquired all the issued and outstanding capital stock of ATI.

#### **South Harbor**

ATI manages and operates the South Harbor pursuant to a Third Supplement to the Contract for Cargo Handling Services and Related Services granted by the Philippine Ports Authority (PPA) extending ATI's current contract for twenty five (25) years or until May 2038.

The Container Terminal Division handles stevedoring, arrastre, warehousing, storage, crange, container freight station (CFS) and other port-related services for international shipping lines. In 2011, an empty container depot was developed at Sta. Mesa, Manila, to accommodate empty containers from shipping lines at the South Harbor.

The General Stevedoring Division provides arrastre, stevedoring and storage services to international shipping lines.

The Domestic Terminal Division offers domestic cargo-handling and passenger terminal services and includes stevedoring, arrastre, and storage services. There is an existing memorandum of agreement (MoA) with Aboitiz Transport Shipping Corporation (ATSC) to render stevedoring, arrastre, storage, passenger terminal and other related terminal services. The Contract is effective for a period of five (5) years until January 2008, but has been extended until January 14, 2013.

The ATI South Harbor facility has been certified compliant with the International Ship and Port Facility Security (ISPS) Code issued by the Office for Transportation Security, DOTC valid until December 2014. The ATI South Harbor facility has undergone surveillance audit last December 2011 for ISO 14001:2004 (Environmental Management System), OHSAS 18001:2007 (Occupational Health and Safety Assessment Series Management System) – certificates valid until December 2013 and ISO 28001:2007 (Supply Chain Security Management System) – certificate valid January 2013.

#### **Inland Clearance Depot**

The Inland Clearance Depot (ICD) was established pursuant to Customs Memorandum Order No. 11-97 which designated ICD as an extension of the Port of Manila and as a customs bonded facility. This permits the immediate transfer of cargoes to the facility while still being cleared by customs in Manila. This provides savings in storage charges and efficient just in time delivery for clients in the CALABARZON area. The facility provides storage, trucking, just-in-time delivery, brokerage and maintenance and repair services for its clients.

The ICD also serves as an empty container depot for shipping lines like NYK, Maersk Line and OOCL. This provides greater operational efficiency and minimizes locators' costs.

The facility is equipped with CCTV cameras for security monitoring.

ICD is certified ISO 14001:2004 compliant having undergone surveillance audit last November 2011.

**Port of Batangas**

ATI Batangas, Inc. (ATIB), a 98.8%-owned subsidiary of ATI, is the sole cargo handling contractor operating at the Port of Batangas. ATI provides management services to ATIB relating to operations, marketing, training and administration.

ATIB has an existing 10-year Cargo Handling Contract in Phase 1 of the Port of Batangas effective until October 2015, under which it provides arrastre, stevedoring, storage and related cargo handling services. By virtue of the same contract, ATIB was also given the right to manage and operate the Fastcraft Passenger Terminal and to provide specific services and amenities to all passengers, both for fastcraft and roll-on-roll-off vessels (RORO).

A Lease Agreement for the management and operation of additional assets and facilities in Phase 1 was signed by ATIB effective August 1, 2009 and co-terminus with the above-mentioned 10-year agreement. Pursuant to this Lease Agreement, the Passenger Terminal Building 2 was turned over to ATIB in May 2010.

On February 13, 2007, ATIB entered into a contract whereby it leases the Main Passenger Terminal Building for the purpose of operating a supply base for companies engaged in oil and gas exploration. The contract is effective for five (5) years. Pending renewal of the contract, ATIB continues to lease under the same terms as that of the 5-year contract.

ATIB is certified ISO 14001:2004, OHSAS 18001:2007 and ISO 9001:2008 compliant, having undergone surveillance audit last July and September 2011. Re-certification with the International Ship and Port Facility Security (ISPS) Code issued by the Office for Transportation Security, DOTC, is currently being processed.

**Batangas Container Terminal (Container Terminal "A-1", Phase II of the Port of Batangas)**

On January 18, 2010, the PPA issued to ATI the Notice to Proceed 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 and is effective for a term of 25 years. The Notice to Proceed dated June 16, 2010 allowed ATI to start and commence operations at the Terminal on 1 July 2010.

The container terminal handles stevedoring, arrastre, storage, container freight station (CFS) and other port related activities for domestic and international shipping lines. Other special services include ship's husbanding, maintenance and repair services, and trucking.

**Batangas Supply Base**

ATI operates and manages the Batangas Supply Base within the Port of Batangas under a contract with Shell Philippines Exploration B.V. (SPEX). The Supply Base provides logistics support to the Malampaya Gas-to-Power-Project which includes cargo-handling, crane and equipment hire, transport, labor, vessel agency and waste management. The contract with SPEX has been extended to June 2012. The life of the Malampaya Gas field is approximately 20 years. Its major clients are GALOC Production Company (GALOC) and Rubicon Offshore International (ROI).

The Batangas Supply Base is certified ISO 1400:2004, OHSAS 18001:2007 and ISO 9001:2008 compliant having undergone surveillance audit last July and December 2011.

**South Cotabato Integrated Port Services, Inc.**

ATI owns 35.71% of the issued and outstanding capital stock of South Cotabato Integrated Port Services, Inc. (SCIPSI).

SCIPSI is the existing cargo handling operator at the Makar Wharf in the Port of General Santos, General Santos City. It is located near the business center of the city and caters to the needs of local businesses (which are engaged mainly in agriculture, fisheries, livestock and poultry) as well as importers and exporters.

The services provided by SCIPSI include container terminal handling, arrastre, stevedoring, bagging, domestic cargo handling and equipment services.

SCIPSI is ISO 14001:2004, OHSAS 18001:2007 and ISO 9001:2008 certified since 2003. It is Investors in People (IIP) certified beginning June 16, 2009.

The re-certification with the International Ship and Port Facility Security Code issued by the Office of Transport Security (OTS) is under process.

**Breakdown of Consolidated Revenues**

Based on accounting records, the following is the breakdown of consolidated revenues (in '000 PHP) by service type for the year ended December 31, 2011:

	<b>2011</b>		<b>2010</b>		<b>2009</b>	
<b>Service</b>	<b>Amount</b>	<b>% to Total</b>	<b>Amount</b>	<b>% to Total</b>	<b>Amount</b>	<b>% to Total</b>
Stevedoring	1,771,333	40%	1,934,937	43%	1,773,427	47%
Arrastre	1,717,819	39%	1,774,499	39%	1,374,365	36%
Logistics	130,053	3%	154,980	3%	150,186	4%
Special/Others Services	771,406	18%	661,866	15%	477,555	13%
<b>TOTAL</b>	<b>4,390,611</b>	<b>100%</b>	<b>4,526,282</b>	<b>100%</b>	<b>3,775,533</b>	<b>100%</b>
<b>Source</b>	<b>Amount</b>	<b>% to Total</b>	<b>Amount</b>	<b>% to Total</b>	<b>Amount</b>	<b>% to Total</b>
Domestic	2,560,215	58%	2,751,519	61%	2,175,481	58%
Foreign	1,830,396	42%	1,774,763	39%	1,600,052	42%
<b>TOTAL</b>	<b>4,390,611</b>	<b>100%</b>	<b>4,526,282</b>	<b>100%</b>	<b>3,775,533</b>	<b>100%</b>

**Competition**

ATI manages the South Harbor at the Port of Manila. Its major competitor on the container business is International Container Terminal Services, Inc., which operates the Manila International Container Terminal; and on the non-containerized business, Harbour Centre, which operates a private commercial port at the northern end of the Manila North Harbor.

At the Port of Batangas, ATIB competes with two (2) major private commercial ports on breakbulk cargoes --- Philippine National Oil Corporation Energy Base and Bauan International Port Inc. The Batangas Container Terminal has no direct competitor.

The ICD has no direct competitor insofar as offering the value proposition of being an extension of the Port of Manila and Port of Batangas.



**Employees**

ATI has a total manpower complement of 1,473 as of December 31, 2011. Of the total, 1,188 are in Operations, 150 are in Maintenance and 135 are in Management and Administration.

About 81% of the existing manpower is covered by collective bargaining agreements as follows:

TYPE OF WORKER	UNION	FROM	TO
Equipment operators and dockworkers	Associated Workers Union (AWU)	12/01/08	11/30/13
Stevedores	Katipunan ng mga Mangagawa sa Daungan	12/01/08	11/30/13
Field Supervisors	Associated Skilled and Technical Employees Union	08/16/11	08/15/16
Checkers	South Harbor Independent Port Checkers Union	09/07/11	09/07/16
Stevedores and dockworkers	Batangas Pier Stevedores and Labor Union (ATIB, formerly Aries Arrastre Services, Inc.)	11/06/07	11/06/12

There were no labor strikes for the past sixteen (16) years.

**Costs and Effects of Compliance with Environmental Laws**

In 2011 ATI incurred approximately Php3.56 million for various environmental activities and other environment related projects. The Company also participated in Corporate Social Responsibility activities benefiting nearby communities.

ATI business units maintain its current certifications to ISO 14001:2004 and OHSAS 18001:2007

**Business Risks**

The Company regularly undertakes a Business Risk Profile review where risks are identified by priority based on a systematic assessment of probability and impact. Control strategies are identified and action points established with the designated accountable persons. Results and developments are monitored during reviews.

Adequate insurance coverage with business interruption clauses, structural testing and improvement of facilities and equipment, business continuity plans and emergency response procedures are in place to meet such contingencies. Terrorist acts are likewise identified as a risk. In order to address this risk, additional security measures were implemented by the Company, such as baggage screening machines and, in coordination with various local law enforcement agencies, the deployment of uniformed and plainclothes personnel for deterrence. ATI sites are ISPS compliant.



**Item 2. Properties**

The Company has outstanding leases and subleases covering land, buildings, and offshore area in Metro Manila, Calamba, Laguna and Sta. Clara, Batangas. Rental expenses on these properties in 2011 totaled P29.8 million. The current lease agreements have various expiration dates with the longest term expiring in April 2021. The leases are renewable upon mutual agreement with the lessor. There is no intention to purchase any of the real property currently being leased.

**Main Facilities****South Harbor**

The Container Terminal operates a facility with 4 container berths. It has 975 meters of quay line equipped with 8 high-capacity ship-to-shore gantry cranes. The Container Terminal has a container yard space with total capacity of 950,000 Twenty Equivalent Units (TEUs). It provides optimal service through modern equipment comprising of Rubber Tyred Gantries (RTG), Container Stackers, Empty handlers, and Internal Transfer Vehicles. Its Truck Holding Area can accommodate up to 150 trucks. It has a CFS and a Designated Examination Area with 5 x-ray machines. All activity is driven by Navis SPARCS ( Synchronous Planning and Real Time Control System), a graphical planning software that guides proper segregation and stacking of containers, vessels berthing, loading and unloading, and equipment control.

The GSD occupies two piers at the Manila South Harbor's with a total of 7 berths and a beaching area for landing craft. It has two covered warehouses and a UV net stacking area designed for completely built units. GSD also provides offshore conventional cargo handling at 18 anchorage berths inside the Manila Bay breakwater.

The Domestic Terminal or Eva Macapagal Super Terminal has five berths suited for containerized RORO and load-on, load-off operations. The container yard has an annual capacity of 300,000 TEUs. The world-class passenger terminal can handle 1.5M passengers annually.

**Inland Clearance Depot**

ICD is an all weather 4.2 hectare container yard facility. It has a maximum capacity of 2,600 TEUs. It is equipped with two (2) units of RTG and one (1) unit of 3-tonner forklift to service the logistics requirement of clients.

**Port of Batangas (Phase 1)**

The domestic terminal has 230-meter and 185-meter berths and three general cargo berths with lengths ranging from 130 meters to 180 meters. It has a storage area totaling 62,500 square meters (sqm) and a transit shed measuring 3,000 square meters.

ATIB operates two (2) modern passenger terminal buildings for high-speed inter-island ferries and RORO vessels. It has seven fast craft berths with a total length of 540 meters and a draft of five meters. It has a ferry berth 124 meters long with five meters draft and six RORO berths with a total length of 680 meters. The passenger terminal facility includes a 25,000 sqm. marshalling area for RORO vehicles. It can handle more than 2M embarking passengers annually.

**Batangas Container Terminal (Container Terminal “A-1”, Phase II of the Port of Batangas)**

The Batangas Container Terminal (“A-1”, Phase 2) has an existing berth length of 450 meters with a draft of 13 meters. The approximate total area of the entire facility of 162,500 sqm. include the container yard, working apron, maintenance and control buildings, gates and roadways. The container yard has a total of 1,900 twenty-foot ground slots and equipped with 4 units of RTGs. Ship-to-shore operations are equipped with 2 Quay Cranes. The terminal is also equipped with 10 reefer platforms, a 4,100 sqm. CFS, RFID gate management system, full CCTV coverage, and back-up generator sets.

**Batangas Supply Base**

For its BSB operations, ATIB allocates an open area measuring nearly 11,000 sqm. for SPEX in addition to a 2-level covered storage facility with a lot area of nearly 2,500 sqm.

**South Cotabato Integrated Port Services Inc.**

South Cotabato Integrated Port Services, Inc. (SCIPSI) operates the Makar Wharf in General Santos City. Cargoes are loaded or unloaded using ships gears. It has a total berth length of 110 meters. SCIPSI receives and handles cargoes through the use of their various lifting equipments with capacities ranging from 3 tons to 40 tons.

**Item 3. Legal Proceedings**

1. ATI - MAFSICOR Case – Regional Trial Court, Manila. On August 5, 1993, ATI (then Marina Port Services, Inc.) filed a Petition for Declaratory Relief with prayer for Injunction against MAFSICOR and PPA in connection with the contract between MAFSICOR and PPA dated April 2, 1992 allowing MAFSICOR to operate a floating grains terminal at the South Harbor. ATI contends that this encroached on its right as the exclusive provider of stevedoring services at the South Harbor. The petition for a Writ for Preliminary Prohibitory Injunction was denied by the RTC. On appeal, the RTC order was nullified by the Court of Appeals (CA) upholding the position of ATI and made permanent the preliminary injunction. MAFSICOR and PPA filed with the Supreme Court (SC) a Petition for Review which was granted and the injunction order was set aside. The SC ordered the RTC for a trial on the merits and remanded all the records of the case to the lower court. The case is still pending with the trial court.
2. The Company is a party to legal proceedings which arose from normal business activities. However, Management believes that the ultimate liability, if any, resulting therefrom, has no material effect on the Company's financial position.

**PART II- OPERATIONAL AND FINANCIAL INFORMATION****Item 5. Market for Issuer's Common Equity and Related Stockholder Matters**

1. The Company's common equity is traded at the Philippine Stock Exchange.

2010	High	Low
First Quarter (Jan. – Mar.)	4.15	3.85
Second Quarter (Apr. – June)	6.00	4.25
Third Quarter (July – Sept.)	7.40	5.40
Fourth Quarter (Oct. – Dec.)	7.48	6.95

**ASIAN TERMINALS, INC.****Securities and Exchange Commission Form 17-A (amended)**

<b>2011</b>	<b>High</b>	<b>Low</b>
First Quarter (Jan. – Mar.)	7.60	7.00
Second Quarter (Apr. – June)	8.00	7.20
Third Quarter (July – Sept.)	8.30	7.50
Fourth Quarter (Oct. – Dec.)	8.30	7.30
<b>2012</b>	<b>High</b>	<b>Low</b>
First Quarter (Jan. – Mar.)	9.10	7.60

On March 30, 2012, ATI shares were traded at its highest for the price of Php 8.90, lowest for Php8.90 and closed at Php 8.90.

The number of stockholders as of March 31, 2012 was 907. There were 2,000,000,000 common shares outstanding as of March 31, 2012.

Top 20 stockholders as of March 31, 2012:

<b>Names</b>	<b>Number of Shares</b>	<b>% to Total</b>
1. P & O Australia Ltd.	346,466,600	17.32%
2. ATI Holdings, Inc.	291,371,230	14.57%
3. Pecard Group Holdings	198,203,968	9.91%
4. Philippine Seaport, Inc.	196,911,524	9.85%
5. PCD Nominee Corp. (Filipino)	195,215,419	9.76%
6. Daven Holdings, Inc.	155,906,071	7.80%
7. PCD Nominee ( Non- Filipino)	145,405,277	7.27%
8. SG Holdings, Inc.	130,000,000	6.50%
9. Morray Holdings, Inc.	100,000,000	5.00%
10. Harbourside Holding Corp.	80,000,000	4.00%
11. Aberlour Holding Company, Inc.	71,517,463	3.58%
13. Rescom Developers, Inc.	26,627,884	1.33%
14. Agatha Builders, Corp.	20,761,899	1.04%
15. Eusebio H. Tanco	15,257,663	0.76%
16. Southern Textile Mills, Inc.	4,470,335	0.22%
17. Nancy Saw	3,926,000	0.20%
18. Granite Realty Corp.	1,000,000	0.05%
19. Douglas Luym	800,000	0.04%
20. Joseph Luym Tanco	795,000	0.04%
<b>TOTAL</b>	<b>1,984,636,333</b>	<b>99.23%</b>

2. The cash dividends declared and paid out by the Company during the two (2) most recent fiscal years were as follows:

Year	Amount(Php)	Record Date
June 2010	0.29	May 21, 2010
October 2010	0.25	October 6, 2010
June 2011	0.30	May 12, 2011
December 2011	0.25	January 5, 2012

Under the Company's By-Laws, dividends shall be declared only from unrestricted earnings, and shall be payable at such time and in such manner and in such amounts as the Board of Directors shall determine. No dividends shall be declared which would impair the capital of the Company.

3. Recent Sale of Unregistered Securities or Exempt Securities, including recent Issuances of Securities Constituting an Exempt Transaction (within 3 years)

None.

## **Item 6. Management Discussion and Analysis**

### **Years ended December 31, 2011 and 2010**

#### **Consolidated Results of Operations**

The Company's net income of P1,520.5 million for the year ended December 31, 2011 was lower by 29.1% than P2,145.2 million last year. Earnings per share were down to P0.76 in 2011 from P1.07 in 2010.

#### **A. Continuing Operations**

Revenues for the year ended December 31, 2011 of P4,390.6 million dropped by 3.0% from P4,526.3 million last year. Revenues from South Harbor international non-containerized cargo and the Port of Batangas went down by P123.2 million or 40.6% and P50.4 million or 13.7%, respectively, due to lower volumes. On the other hand, revenues from South Harbor international containerized cargo went up by P51.7 million or 1.5%. Pursuant to PPA Memorandum Circular No. 13-2011, tariffs on vessel-related services for foreign containerized cargoes at South Harbor were increased by 17.0%, 6.0% effective on November 18, 2011 and 11.0% effective on May 18, 2012. Revenues from South Harbor domestic terminal operations also increased by P22.2 million or 6.5% due to higher container volume.

Cost and expenses in 2011 amounted to P2,359.9 million, slightly lower than P2,377.4 million last year. Labor costs in 2011 of P798.2 million were lower by 3.2% than P825.0 million in 2010 due to lower volumes. Management fees declined by 24.6% to P93.8 million in 2011 from P124.4 million in 2010, on account of lower net income. Rentals of P52.8 million in 2011 decreased by 3.7% from P54.8 million in 2010. Professional fees in 2011 were down by 46.4% to P18.5 million from P34.5 million in 2010 as last year included engagements of surveyors in relation to insurance claims. Other expenses this year totaled P113.2 million, 39.3% lower compared to P186.5 million last year, due to lower processing-related expenses (brokerage, wharfage, etc.), and office expenses, among others.

Equipment running costs increased by 5.6% to P470.3 million in 2011 from P445.1 million in 2010 brought about by higher fuel price and consumption. Depreciation and amortization in

2011 increased by 7.2% to P420.0 million from P391.9 million in 2010 due to property and equipment acquisitions. Taxes and licenses of P135.1 million in 2011 went up by 49.6% from P90.3 million in 2010 due to higher real property and business taxes. Security, health, environment and safety costs in 2011 were up by 1.8% to P73.1 million from P71.8 million in 2010 due to higher security costs. Insurance in 2011 of P72.5 million rose by 29.6% from P55.9 million in 2010 due to higher insurance premiums and additional insurance coverage. General transport costs increased by 23.3% to P57.6 million in 2011 from P46.7 million in 2010 on account of higher trucking costs. Facilities-related expenses of P50.3 million this year was 8.4% higher than P46.4 million last year due to higher maintenance costs for pier, radio equipment, and lightings.

Finance costs in 2011 amounted to P61.7 million, lower by 46.9% than P116.3 million in 2010 due to pre-payment of interest-bearing loans during the year. Finance income went up by 90.0% to P83.2 million in 2011 from P43.8 million in 2010 on account of higher balance of cash and cash equivalents. Others-net decreased to P85.5 million in 2011 from P125.4 million in 2010 mainly due to lower income from insurance claims.

Income before income tax in 2011 was down by 2.9% to P2,137.7 million from P2,201.7 million for 2010. Provision for income tax of P617.2 million in 2011 was 1.3% higher than P609.3 million in 2010.

Income from continuing operations in 2011 of P1,520.5 million were lower by 4.5% than P1,592.4 million in 2010.

## **B. Discontinued Operations**

On August 9, 2010, the Company sold all its shares in Mariveles Grain Corporation (MGC), owner of the Mariveles Grains Terminal (MGT). The Company transferred control of MGT and received the proceeds from the transaction (net of the amount in escrow) on the same day.

As required under PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, the results of operations of MGT was presented as a separate item under "Income from Discontinued Operations –Net of Tax" in the consolidated statements of income. MGT was not a discontinued operation and was not classified as held for sale at December 31, 2009 and 2008. The comparative figures for the consolidated statements of income for the year ended December 31, 2009 have been restated to show the discontinued operations separately from continuing operations. Of the Income from discontinued operations of P552.8 million in 2010, P326.6 million was the gain on sale of investment. The results of discontinued operations are reported in Note 7 of the notes to the consolidated financial statements.

After the discontinued operations in MGT, the significant unit in the non-port segment, the remaining unit did not meet the criteria for a reportable segment. Hence starting in 2010, the Company only had ports as its reportable segment.

### **Plans for 2012**

The Company is committed to continuous improvements in efficiencies of its services and facilities.

For 2012, the projected investment in capital expenditures is P1.4 billion, mostly for Crane Rail extension in Pier 3 in order to increase the berthing capacity of South Harbor. To increase the capacity and improve service level to the port users, the planned investments in South Harbor will include upgrades and development in infrastructure; acquisitions and refurbishments of cargo handling equipment; and systems enhancements. Investments in Batangas Container Terminal will include infrastructure development and cargo handling equipment acquisition. All the capital expenditures will be sourced from internally-generated funds.

Marketing initiatives will focus on developing the synergies within Business Units of the Company in order to come up with value-added service enhancements to the clients such as inter-Terminal transfers for Domestic to Foreign transshipment and vice versa, delivery by appointment, segregation of storage area for volume accounts and our recently opened back up off dock yard at Sta. Mesa which allows a strategic location for clients. With the ongoing expansion at our Terminal and additional equipment particularly the Quay Cranes, Rubber Tyred Gantry Cranes, and other yard handling equipment, the Company will be in a stronger position to address the Terminal-related logistics requirements of clients through the South Harbor, Batangas Port and Inland Clearance Depot at Laguna thereby improving our market share.

There will be no significant changes in the number of employees for 2012.

### **Consolidated Financial Condition**

Total assets as of December 31, 2011 slightly grew by 0.6% to P9,252.5 million from P9,198.9 million as of December 31, 2010. Total current assets as of December 31, 2011 of P3,345.2 million were 2.8% lower than P3,439.9 million as of December 31, 2010. Cash and cash equivalents were up by 8.6% to P2,513.0 million as of December 31, 2011 from P2,313.4 million as of December 31, 2010 mainly due to cash provided by operating activities. Trade and other receivables-net as of December 31, 2011 decreased by 58.9% to P361.0 million from P877.9 million as of December 31, 2010. The balance as of end 2010 included non-recurring items of P309.8 million receivable from escrow fund that is related to the sale of MGC and P293.8 million receivable from insurance. Due to improved collection efforts, trade receivables amounted to P247.3 million as of end 2011, 11.5% down from P279.6 million as of end 2010. Spare parts and supplies-net as of December 31, 2011 of P171.8 million were 12.2% higher than P153.2 million as of December 31, 2010 to support of operational requirements. Prepaid expenses went up by 213.6% to P299.5 million as of December 31, 2011 from P95.5 million as of December 31, 2010 mainly due to the advance payment for an equipment acquisition.

Total non-current assets rose by 2.6% to P5,907.3 million as of December 31, 2011 from P5,759.0 million as of December 31, 2010. Property and equipment-net were down by 3.5% to P397.9 million as of December 31, 2011 from P412.5 million as of December 31, 2010 on account of end of useful lives of property and equipment. Acquisitions of property and equipment which were not subject of the service concession arrangement amounted to P48.2 million in 2011. Intangible assets-net increased by 1.6% to P5,269.7 million as of December 31, 2011 from P5,184.9 million as of December 31, 2010. Acquisitions of intangible assets which consisted of civil works and cargo handling equipment that were subject of the service concession arrangement totaled P455.6 million in 2011. Other financial assets of P24.9 million as of December 31, 2011 was higher by 4.9% compared to P23.8 million as of December 31, 2010 due to increase in deposits. Deferred tax assets-net as of December 31, 2011 increased to P60.4 million from P37.3 million as of December 31, 2010 as a result of movements in underlying transactions related to, among others, pension and provision for claims. Other noncurrent assets as of December 31, 2011 went up to P94.0 million from P33.9 million as of December 31, 2010 due to increase in input taxes on asset acquisitions.

As of December 31, 2011, total liabilities amounted to P1,773.9 million, down by 16.7% from P2,129.6 million as of December 31, 2010. Trade and other payables as of December 31, 2011 slightly went down to P1,550.4 million from P1,554.9 million as of December 31, 2010. Included in this account are payables related to equipment acquisitions of P79.9 million. Trade and other payables are covered by agreed payment schedules. Provision for claims increased by 89.4% to P88.0 million as of December 31, 2011 from P46.5 million as of December 31, 2010 on account of additional cargo claims. Income and other taxes payable decreased by 58.3% to P91.3 million as of December 31, 2011 from P219.0 million as of December 31, 2010 due to lower income, withholding and value added taxes payable.

Interest-bearing loans and other financial liabilities (current and noncurrent) amounted to zero and P298.0 million as of December 31, 2011 and 2010, respectively. The remaining P300

million loan as of December 31, 2010, denominated in Philippine Peso and is subject to fixed interest rate, was pre-paid on December 13, 2011.

### **Consolidated Cash Flows**

Net cash provided by operating activities increased by 13.3% to P2,062.3 million in 2011 from P1,819.6 million in 2010 due to favorable working capital changes.

In 2011, net cash used in investing activities was P455.8 million while in 2010, net cash provided by investing activities was P1,313.7 million. Funds used in acquisitions of property and equipment and intangibles totaled P503.9 million this year, 44.1% lower compared to 901.6 million last year. Last year included the acquisition of the 2 new quay cranes.

Cash used in financing activities in 2010 of P1,400.8 million were lower by 14.1% than P1,630.8 million in 2010. Cash dividends paid were P1,100.0 million in 2011 and P1,080.0 million in 2010. Payments of long-term debt were P300.0 million in 2011 and P550.0 million in 2010.

### **Changes in Accounting Policies**

The Financial Reporting Standards Council (FRSC) approved the adoption of a number of new or revised standards, amendments to standards, and interpretations as part of Philippine Financial Reporting Standards (PFRS). The following are the amendments to standards and interpretations which are effective January 1, 2011, and have been applied in preparing the consolidated financial statements.

- Revised PAS 24, *Related Party Disclosures* (2009), amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities. The revised standard is effective for annual periods beginning on or after January 1, 2011. The adoption of this revised standard did not have a material effect on the consolidated financial statements.
- *Prepayments of a Minimum Funding Requirement (Amendments to Philippine Interpretation IFRIC 14: PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction)*. These amendments remove unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement and result in prepayments of contributions in certain circumstances being recognized as an asset rather than an expense. The amendments are effective for annual periods beginning on or after January 1, 2011. The adoption of these amendments did not have a material effect on the consolidated financial statements.
- *Improvements to PFRSs 2010* contain 11 amendments to 6 standards and 1 interpretation. The following are the said amendments to PFRSs and interpretation:
  - PFRS 7, *Financial Instruments: Disclosures*. The amendments add an explicit statement that qualitative disclosure should be made in the context of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from the financial instruments. In addition, the International Accounting Standards Board (IASB) amended and removed existing disclosure requirements. The amendments are effective for annual periods beginning on or after January 1, 2011. The adoption of these amendments did not have a material effect on the consolidated financial statements.
  - PAS 1, *Presentation of Financial Statements*. The amendments clarify that disaggregation of changes in each component of equity arising from transactions recognized in other comprehensive income also is required to be presented either



in the statement of changes in equity or in the notes. The amendments are effective for annual periods beginning on or after January 1, 2011. The adoption of these amendments did not have a material effect on the consolidated financial statements.

- PAS 34, *Interim Financial Reporting*. The amendments add examples to the list of events or transactions that require disclosure under PAS 34 and remove references to materiality in PAS 34 that describes other minimum disclosures. The amendments are effective for annual periods beginning on or after January 1, 2011. The adoption of these amendments did not have a material effect on the consolidated financial statements.

**Other information:**

- The Company's businesses are affected by the local and global trade environment. Factors that could cause actual results of the Company to differ materially include, but are not limited to:
  - material adverse change in the Philippine and global economic and industry conditions;
  - natural events (earthquake, typhoons and other major calamities); and
  - material changes in exchange rates.
- There was no known trend, event or uncertainty that had or may have a material impact on liquidity and on revenues or income from continuing operations. There was no known event that may cause a material change in the relationships between costs and revenues.
- There was no seasonal factor that had a material effect on the financial condition and results of operations.
- There was no event that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.
- Except for the commitments and contingencies mentioned in Note 27 of the consolidated financial statements, the Company has no knowledge of any material off-balance sheet (statement of financial position) transactions, arrangements, obligations and other relationships of the Company with unconsolidated entities or other persons created during the reporting period that would address the past and would have material impact on future operations.
- Projected capital expenditures for 2012 is P1.4 billion. Of this amount, about 88.5% is planned for cargo handling equipment, civil works and other items for the South Harbor. Funding is expected to be sourced from internal funds.

**Key Performance Indicators (KPI)**

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 2011:

- ATIB's total assets were only 4.1% of the consolidated total assets
- Income before other income and expense from ATIB was only 6.8% of consolidated income before other income and expense\*.

<b>Consolidated KPI</b>	<b>Manner of Calculation</b>	<b>2011</b>	<b>2010</b>	<b>Discussion</b>
Return on Capital Employed	Percentage of income before interest and tax over capital employed	28.2%	38.6%	Decrease resulted from lower income before other income (expense) during the period.
Return on Equity	Percentage of net income over equity	21.0%	32.7%	Decrease resulted from lower net income

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attributable to equity holders of the parent	attributable to equity holders of the parent			for the period.
Current ratio	Ratio of current assets over current liabilities	1.93:1.00	1.89:1.00	Increase due to reduction in payables.
Asset to equity ratio	Ratio of total assets over equity attributable to equity holders of the parent	1.24:1.00	1.30:1.00	Due to increase in equity.
Debt to equity ratio	Ratio of total liabilities over equity attributable to equity holders of the parent	0.25:1.00	0.30:1.00	Improved due to payments of interest-bearing loans and increase in stockholders' equity.
Days Sales in Receivables (DSR)	Gross trade receivables over revenues multiplied by number of days	14 days	15 days	Due to improved collection efforts.
Lost Time Injury	Number of lost time from injuries per standard manhours	0.88	0.91	Decrease brought about by lower number of injuries.

\*Note: Income before other income and expense is defined as income before net financing costs, net gains on derivative instruments and others.

**Summary of Selected Financial Data (in millions)**

<i>Description</i>	<i>Year ended December 31, 2011</i>	<i>Year ended December 31, 2010</i>
<i>Revenues (continuing operations)</i>	<i>P 4,390.6</i>	<i>P 4,526.3</i>
<i>Net income</i>	<i>1,520.5</i>	<i>2,145.2</i>
<i>Total assets</i>	<i>9,252.5</i>	<i>9,198.9</i>
<i>Total liabilities</i>	<i>1,773.9</i>	<i>2,129.6</i>

**Years ended December 31, 2010 and 2009****Consolidated Results of Operations**

Net income of P2,145.2 million for the year ended December 31, 2010 rose by 84.5% from P1,162.4 million last year. Earnings per share was up to P1.07 in 2010 from P0.58 in 2009.

**A. Continuing Operations**

Revenues for the year ended December 31, 2010 amounted to P4,526.3 million, 19.9% higher than P3,775.5 million last year. Revenues from South Harbor international containers and from international non-containers were up by P533.3 million or 18.2% and P110.5 million or 57.4%, respectively, due to the growth in international trade at the Port of Manila. Moreover, pursuant to PPA Memorandum Circular No. 05-2009, tariffs on cargo-related services for foreign containerized and non-containerized cargoes at South Harbor were increased by 15.0%, 8.0% effective on May 8, 2009 and 7.0% effective January 1, 2010. Revenues from South Harbor domestic terminal operations went up by P93.2 million or 37.3% due to higher container volume and revenues from Port of Batangas increased by P37.3 million or 11.3% on account of higher Roll-on Roll-off (RORO) and passenger volumes.

Cost and expenses in 2010 of P2,377.4 million were 14.2% higher than P2,082.1 million in 2009. Labor costs increased by 11.5% to P825.0 million in 2010 from P740.2 million in 2009 due to rate and volume factors. Equipment running costs amounted to P445.1 million in 2010, 38.7% higher compared to P320.8 million in 2009. Increases in operational requirements as a result of handling more volumes and increases in prices/rates resulted to higher costs of electricity, fuel and lubricants and equipment repairs and maintenance. Management fees increased to P124.4 million in 2010 from P65.2 million in 2009 on account of higher net income. Security, health, environment and safety costs in 2010 increased by 2.2% to P71.8 million from P70.2 million in 2009 due to higher site cleaning costs. General transport costs went up by 42.5% to P46.7 million in 2010 from P32.8 million in 2009 on account of higher trucking volume. Facilities-related expense of P46.4 million this year was 38.9% higher than P33.4 million last year due to higher expenses for road and building maintenance. Professional fees in 2010 were up by 11.4% to P34.5 million from P31.0 million in 2009 due to engagements of surveyors in relation to insurance claims. Other expenses this year totaled P186.5 million in 2010, 33.9% higher than P139.3 million last year, due to higher processing-related expenses (brokerage, wharfage, etc.), travel and office expenses, among others.

Depreciation and amortization in 2010 of P391.9 million were 3.1% lower than P404.7 million last year due to disposals and end of life of certain property and equipment. Taxes and licenses of P90.3 million in 2010 were down by 16.5% from P108.1 million in 2009 on account of use of tax credits. Insurance in 2010 of P55.9 million decreased by 2.3% from P57.2 million 2009 due to lower insurance premiums and favorable foreign exchange rate. Rentals of P54.8 million in 2010 declined by 28.0% from P76.1 million in 2009 as included last year was space rental for a non-recurring transaction.

Finance costs in 2010 decreased by 60.4% to P116.3 million from P293.6 million in 2009 due to the significant reduction in interest-bearing loans to P300 million as of end 2010 from P850 million as of end 2009. Finance income went up by 37.0% to P43.8 million in 2010 from P32.0 million in 2009. Others-net increased to P125.4 million in 2010 from P32.5 million in 2009 due to higher equity in earnings of an affiliate and to non-recurring income from insurance claims.

Income before income tax in 2010 increased by 50.4% to P2,201.7 million from P1,464.2 million for 2009. Provision for income tax of P609.3 million in 2010 was 47.9% higher than P411.9 million in 2009.

Income from continuing operations increased by 51.3% to P1,592.4 million in 2010 from P1,052.3 million last year.

## **B. Discontinued Operations**

On August 9, 2010, the Company sold all its shares in Mariveles Grain Corporation (MGC), owner of the Mariveles Grains Terminal (MGT). The Company transferred control of MGT and received the proceeds from the transaction (net of the amount in escrow) on the same day.

As required under PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, the results of operations of MGT was presented as a separate item under "Income from Discontinued Operations –Net of Tax" in the consolidated statements of income. MGT was not a discontinued operation and was not classified as held for sale at December 31, 2009 and 2008. The comparative figures for the consolidated statements of income for the years ended December 31, 2009 and 2008 have been restated to show the discontinued operations separately from continuing operations. Of the Income from discontinued operations of P552.8 million in 2010, P326.6 million was the gain on sale of investment. The results of discontinued operations are reported in Note 7 of the notes to the consolidated financial statements.

After the discontinued operations in MGT, the significant unit in the non-port segment, the remaining unit did not meet the criteria for a reportable segment. Hence in 2010, the Company only had ports as its reportable segment.

## **Plans for 2011**

The Company is committed to continuous improvements in efficiencies of its services and facilities. As planned, the Company received delivery in January 2011 of 2 units of new quay cranes for South Harbor. This will increase the capacity as well as improve the service level to the port users.

Marketing and promotion of the Batangas Container Terminal (Phase 2) started when the Contract was awarded to ATI on March 25, 2010 and went full stream when the notice to proceed was issued by PPA on July 1, 2010. The initiatives included presentations to shipping lines, locators at Calabarzon and various Associations/Chambers of Commerce. Under the long term contract awarded by PPA, the Batangas Container Terminal handled its first foreign container vessel in December 2010 and expects to receive its regular weekly service by January 2011. The marketing program to induce more shipping lines to call the Port of Batangas will continue on for 2011.

For 2011, the projected investment in capital expenditures is P1.9 billion, mostly for South Harbor. The planned investments in South Harbor will include upgrades and new developments in infrastructures, acquisitions of cargo handling equipment and improvements in computerized systems. In Batangas Container Terminal, acquisitions of back-up equipment are included in the 2011 plan. These capital expenditures shall be funded from internally-generated funds.

## **Consolidated Financial Condition**

Total assets as of December 31, 2010 increased by 14.9% to P9,198.9 million from P8,007.2 million as of December 31, 2009. Total current assets as of December 31, 2010 of P3,439.9 million were 152.6% higher than P1,361.9 million as of December 31, 2009. Cash and cash equivalents rose to P2,313.4 million as of December 31, 2010 from P814.3 million as of

December 31, 2009 as net cash provided by operating and investing activities were higher than cash used in financing activities. Trade and other receivables-net as of December 31, 2010 increased to P877.9 million from P330.2 million as of December 31, 2009. The balance as of end 2010 included non-recurring items of P309.8 million receivable from escrow fund that is related to the sale of MGC and P293.8 million receivable from insurance. These amounts will be collected in full in 2011. Due to improved collection efforts and to discontinued operations, trade receivables of P279.6 million as of end 2010 were 17.2% lower than P337.5 million as of end 2009. Spare parts and supplies-net as of December 31, 2010 of P153.2 million were 8.3% higher than P141.4 million as of December 31, 2009 in support of higher operational requirements. Prepaid expenses rose by 25.6% to P95.5 million as of December 31, 2010 from P76.0 million as of December 31, 2009 mainly due to the timing of prepayments of insurance premiums.

Total non-current assets decreased by 13.3% to P5,759.0 million as of December 31, 2010 from P6,645.3 million as of December 31, 2009. Property and equipment-net were down by 76.0% to P412.5 million as of December 31, 2010 from P1,718.2 million as of December 31, 2009 on account of the sale of MGC. Acquisitions of property and equipment which were not subject of the service concession arrangement amounted to P59.0 million in 2010. Intangible assets-net increased by 10.0% to P5,184.9 million as of December 31, 2010 from P4,715.0 million as of December 31, 2009. Acquisitions of intangible assets which consisted of civil works and cargo handling equipment that were subject of the service concession arrangement totaled P842.7 million in 2010. Other financial assets of P23.8 million as of December 31, 2010 were 8.5% lower than P26.0 million as of December 31, 2009 due to reduction in deposit related to property lease in discontinued operations. Deferred tax assets-net as of December 31, 2010 increased to P37.3 million from P10.7 million as of December 31, 2009 as a result of movements in underlying transactions related to, among others, pension and derivative instruments. Other noncurrent assets as of December 31, 2010 declined to P33.9 million from P110.6 million as of December 31, 2009 significantly on account of reduction in pension asset.

As of December 31, 2010, total liabilities amounted to P2,129.6 million, up by 8.4% from P1,964.2 million as of December 31, 2009. Trade and other payables of P1,554.9 million as of December 31, 2010 were 76.7% higher than P880.0 million as of December 31, 2009. Included in this account are payables related to equipment acquisitions of P605.7 million. Trade and other payables are covered by agreed payment schedules. Provision for claims went down by 12.3% to P46.5 million as of December 31, 2010 from P53.0 million as of December 31, 2009 due to settlement of certain meritorious claims. Income and other taxes payable went up by 82.5% to P219.0 million as of December 31, 2010 from P120.0 million as of December 31, 2009 due to higher income, withholding and value added taxes payable.

Interest-bearing loans and other financial liabilities (current and noncurrent) of P298.0 million as of December 31, 2010 were 67.0% lower than P904.0 million as of December 31, 2009 due to prepayment of P550 million loan and termination of derivative liability in 2010. The remaining P300 million loan as of December 31, 2010 is denominated in Philippine Peso, is subject to fixed interest rate, and will mature in December 2014.

### **Consolidated Cash Flows**

Net cash provided by operating activities increased by 4.2% to P1,819.6 million in 2010 from P1,745.9 million in 2009 due to higher cash generated from operations and lower finance cost paid, mitigated by higher income tax paid.

In 2010, net cash provided by investing activities was P1,313.7 million while in 2009, net cash used in investing activities was P123.9 million. Included in 2010 were proceeds from the sale of MGC of P1,999.9 million. Funds used in acquisitions of property and equipment and intangibles totaled P901.6 million this year, significantly up from 176.8 million last year.

Cash used in financing activities in 2010 decreased by 17.5% to P1,630.8 million from P1,975.8 million in 2009. Cash dividends paid were P1,080.0 million in 2010 and P500.0

million in 2009. Payments of long-term debt were P550.0 million in 2010 and P1,475.0 million in 2009.

### **Changes in Accounting Policies**

The Financial Reporting Standards Council (FRSC) approved the adoption of a number of new or revised standards, amendments to standards, and interpretations as part of Philippine Financial Reporting Standards (PFRS). The following are the amendments to standards and interpretations which are effective January 1, 2010, and have been applied in preparing the consolidated financial statements.

- *Improvements to PFRSs 2009*, contain 15 amendments to 12 standards. The following are the said improvements or amendments to PFRSs that are applicable to the Company, none of which has a significant effect on the consolidated financial statements of the Company:
  - PAS 38, *Intangible Assets*. The amendments clarify that (i) an intangible asset that is separable only together with a related contract, identifiable asset or liability is recognized separately from goodwill together with the related item; and (ii) complementary intangible assets with similar useful lives may be recognized as a single asset. The amendments also describe valuation techniques commonly used by entities when measuring the fair value of intangible assets acquired in a business combination for which no active market exists.
  - PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*. The amendments clarify that the required disclosures for non-current assets (or disposal groups) classified as held for sale or discontinued operations are specified in PFRS 5.
  - PFRS 8, *Operating Segments*. The amendments clarify that segment information with respect to total assets is required only if such information is regularly reported to the chief operating decision maker.
  - PAS 7, *Statement of Cash Flows*. The amendments clarify that only expenditures that result in the recognition of an asset can be classified as a cash flow from investing activities.
  - PAS 17, *Leases*. The International Accounting Standards Board (IASB) deleted guidance stating that a lease of land with an indefinite economic life normally is classified as an operating lease, unless at the end of the lease term title is expected to pass to the lessee. The amendments clarify that when a lease includes both the land and building elements, an entity should determine the classification of each element based on paragraphs 7 – 13 of PAS 17, taking account of the fact that land normally has an indefinite economic life.
  - PAS 36, *Impairment of Assets*. The amendments clarify that the largest unit to which goodwill should be allocated is the operating segment level as defined in PFRS 8 before applying the aggregation criteria of PFRS 8.

### **Other information:**

- The Company's businesses are affected by the local and global trade environment. Factors that could cause actual results of the Company to differ materially include, but are not limited to:
  - material adverse change in the Philippine and global economic and industry conditions;
  - natural events (earthquake and other major calamities); and
  - material changes in exchange rates.

- There was no known trend, event or uncertainty that had or may have a material impact on liquidity and on revenues or income from continuing operations. There was no known event that may cause a material change in the relationships between costs and revenues.
- There was no seasonal factor that had a material effect on the financial condition and results of operations.
- There was no event that will trigger direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.
- Except for the commitments and contingencies mentioned in Note 27 of the consolidated financial statements, the Company has no knowledge of any material off-balance sheet (statement of financial position) transactions, arrangements, obligations and other relationships of the Company with unconsolidated entities or other persons created during the reporting period that would address the past and would have material impact on future operations.
- Projected capital expenditures for 2011 is P1.9 billion. Of this amount, about 93% is planned for cargo handling equipment, civil works and other items for the South Harbor. Funding is expected to be sourced from internal funds.

**Key Performance Indicators (KPI)**

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 2010:

- ATIB's total assets were only 3.8% of the consolidated total assets
- Income before other income and expense from ATIB was only 7.8% of consolidated income before other income and expense\*.

<b>Consolidated KPI</b>	<b>Manner of Calculation</b>	<b>2010</b>	<b>2009</b>	<b>Discussion</b>
Return on Capital Employed	Percentage of income before interest and tax over capital employed	38.6%	28.3%	Increase resulted from higher income before other income (expense) during the period.
Return on Equity attributable to equity holders of the parent	Percentage of net income over equity attributable to equity holders of the parent	32.7%	20.4%	Increase resulted from higher net income for the period.
Current ratio	Ratio of current assets over current liabilities	1.89:1.00	1.27:1.00	Increase due to higher cash and cash equivalents and receivables.
Asset to equity ratio	Ratio of total assets over equity attributable to equity holders of the parent	1.30:1.00	1.33:1.00	Due to increase in equity.
Debt to equity ratio	Ratio of total liabilities over equity attributable to equity holders of the parent	0.30:1.00	0.33:1.00	Improved due to payments of interest-bearing loans and increase in stockholders' equity.



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Days Sales in Receivables (DSR)	Gross trade receivables over revenues multiplied by number of days	15 days	21 days	Due to improved collection efforts.
Lost Time Injury	Number of lost time from injuries per standard manhours	0.91	0.74	Increase brought about by higher number of injuries.

\*Note: Income before other income and expense is defined as income before net financing costs, net gains on derivative instruments and others.

**Summary of Selected Financial Data (in millions)**

<i>Description</i>	<i>Year ended December 31, 2010</i>	<i>Year ended December 31, 2009</i>
<i>Revenues (continuing operations)</i>	<i>P 4,526.3</i>	<i>P 3,775.5</i>
<i>Net income</i>	<i>2,145.2</i>	<i>1,162.4</i>
<i>Total assets</i>	<i>9,198.9</i>	<i>8,007.2</i>
<i>Total liabilities</i>	<i>2,129.6</i>	<i>1,964.2</i>

**Information on Independent Accountant and External Audit Fees**

The appointment of Manabat Sanagustin & Co. as the external auditors of Asian Terminals, Inc. for 2011 was approved by the shareholders during the annual meeting held on April 28, 2011. The same external auditors are being recommended for re-election at the scheduled annual meeting of the Stockholders.

In compliance with Securities Regulation Code Rule 68, Mr. Jose P. Javier, Jr. has been the Manabat Sanagustin & Co. Partner-in Charge for less than five years.

The aggregate fees for audit services rendered were as follows:

	2011 (P'000)	2010 (P'000)
Audit Fees	3,400	3,725

*Audit Fees* are for professional services rendered in connection with the audit of our annual financial statements and services provided by the external auditors in connection with statutory and regulatory filings or engagements.

There was no engagement for tax or other services with Manabat Sanagustin & Co. in 2011 and 2010.

**Audit Committee Pre-Approval Policy**

The Audit Committee pre-approves and recommends to the Board of Directors all audit and non-audit services to be rendered by the external auditors as well as the engagement fees and other compensation to be paid. When deciding whether to approve these items, the Audit Committee takes into account whether the provision of any non-audit service is compatible

with the independence standards under the guidelines of the SEC. To assist in this undertaking, the Audit Committee actively engages in a dialogue with the external auditors with respect to any disclosed relationships or services that may impact their objectivity and independence and, if appropriate, recommends that the Board take appropriate action to ensure their independence.

### **Financial Statements**

The audited consolidated financial statements are herein attached as Exhibit 1.

### **Changes in and Disagreements with Accountants on Accounting and Financial Disclosures**

There was no change in or disagreement with external auditors on accounting and financial disclosures.

## **PART III-CONTROL AND COMPENSATION INFORMATION**

### **Item 9. Directors and Executive Officers of the Issuer**

<b>Name</b>	<b>Age</b>	<b>Position</b>
Kun Wah Wong	58	Chairman
Eusebio H. Tanco	62	Director/President
Suhail Al Banna	54	Director
Glen C. Hilton	42	Director
Kwok Leung Law	48	Director
Teodoro L. Locsin, Jr.	63	Director
Monico V. Jacob	66	Director
Felino A. Palafox, Jr.	62	Director
Artemio V. Panganiban	75	Director
Arsenio N. Tanco	83	Director
Andrew R. Hoad	45	EVP-Technical
Gloriann V. Magto	43	Vice President for Finance and Chief Financial Officer
Rodolfo G. Corvite, Jr.	52	Corporate Secretary and Vice President for Administration, HR and HSES
Sean L. Perez	46	Vice President for Marketing and Commercial
Sasedharan Vasudevan	42	Vice President for South Harbor Operations and Engineering
Bastiaan W. Hokke	49	VP ATI Batangas, Batangas Container Terminal and Inland Clearance Depot

A brief background on the Company's Board of Directors and Executive Officers is as follows (brief description of their respective business experience for the past five (5) years included):

**Kun Wah Wong**, 58, Chinese. Since January 2006, he is the Senior Vice-President and Managing Director of DPWorld Asia Pacific which is based in Hong Kong. As such, he is responsible for the group activities overseeing all DP World's existing businesses and future development projects in China, Hong Kong, Korea, and South

East Asia. He has 35 years experience in the logistics industry, operating from locations around the world and has extensive knowledge of the container shipping industry. He is also a fellow of the Association of Certified Accountants. He obtained his Bachelor of Science degree in Commerce major in Economics and Finance from the University of Hong Kong. Mr. Wong joined the Board as a regular director and became its Chairman in April 2009. He was re-elected as a Director and Chairman last April 28, 2011.

**Eusebio H. Tanco**, 62, Filipino, is the President of the Company from 1995 to 2001 and 2007 to present. He is the Chairman of PhilPlans First, Inc. (since 2009), Philhealthcare Inc. (since 2009), Banclife Insurance (since 2011), DLS-STI College (since 2003), DLS-STI Hospital (since 2005) and DLS-STI Megaclinic (since 2006), Insurance Builders Inc. (since 1979), Rescom Developers, Inc (since 1983), Agatha Builders Corp. (since 1982), Mar-Bay Homes Inc. (since 1980) and JTH Davies Holdings, Inc. (since 2010), the Vice Chairman of the Philippine Women's University (2012), and the executive committee chairman of STI Education Services Group, Inc. (since 2003). He is also the president of Philippines First Insurance Co. (since 1973), Global Resource for Outsourced Workers, Inc. (GROW, Inc.) (since 2002), Mactan Electric Company (since 1988), Venture Securities, Inc.(since 1980), STMI Logistics, Inc (since 1988), Total Consolidated Asset Management Inc. (TCAMI) (since 2006), Eujo Philippines, Inc. (since 1986) and a member of the board of United Coconut Chemicals, Inc.(since 1995), J & P Coats Manila Bay (since 1980), Philippine Racing Club (since 2011), Leisure & Resorts World Corporation (since 2011) and Philippine Stock Exchange (since 2007). His professional associations include the Philippines-Thailand Business Council, Philippines-UAE Business Council, and the Philippine Chamber of Commerce and Industry. He obtained his Master of Science in Economics from the London School of Economics and Political Science. He has been a regular director of the ATI Board since 1993.

**Suhail Al Banna**, 54, UAE national, was formerly the Company's Executive Vice-President - Technical from February 2007 to June 2008. He was a part of the world of information technology for 20 years and brings with him a wealth of experience and knowledge of the latest technology trends and developments, vis-à-vis the management and control of ports and terminals. A graduate of San Diego State University, USA, he also enhanced his management proficiency and expertise through participation in Executive Training and General Management Programmes at well-reputed institutions, viz. Kellogg Business School and Harvard Business School, respectively. Whilst he continues to function as a Board Member of ATI, his involvement in DP World's present and future business development is now more global. Since 2008, he is the Senior Vice President - Government Relations, DP World and is based at the organization's Head Office in Dubai. He is a Member of the Board of DP World Dakar in Senegal since 2008. In 2012, he was appointed as Chairman of the Board of Tejari Solution, a JV company established between Tejari World and Bravo Solution. He has been a regular director since 2007.

**Glen Hilton**, 42, Australian, is the Vice President and Managing Director DP World South East Asia since 2008. He joined DP World Adelaide in 2001 as Terminal Manager and was promoted to General Manager, where he stayed until 2006. He was later appointed as General Manager and Executive Director of DP World Caucedo. Prior to joining DP World, he worked with multinational organizations such as Qantas Airways Freight, Ansett International Air Freight, Ansett Australia Cargo and Air New Zealand Cargo. He has been a regular director of ATI since April 2009.

**Monico Jacob**, 66, Filipino, is presently the President and CEO of the STI Education Services Group and Information and Communications Academy (iAcademy, Inc, since 2003) and PhilPlans First Inc. and Philhealthcare, Inc. (since 2009). He is also the Chairman and Managing Partner of CEOs, Inc., (since 1999) and Chairman of Global Resource for Outsourced Workers, Inc. (GROW, Inc., since 2000), STI-Universal Workers, Inc. (STI-UWI, since 2002) and Total Consolidated Asset

Management Inc. (since 2006). He is currently an independent director of Jollibee Foods, Inc. (since 2001), Mindanao Energy and Phoenix Petroleum Philippines (since 2008). Prior to his current engagements, he was the General Manager of the National Housing Authority (NHA) (from 1989 to 1991); Chairman and CEO of Petron Corporation from 1991 to 1998 and Philippine National Oil Company (PNOC) and all of its subsidiaries from 1991 to 1994; and CEO of the Home Development Mutual Fund (PAG-IBIG Fund) from 1988 to 1989. Mr. Jacob also served as an Associate Commissioner for the Securities and Exchange Commission in 1986. He is a member of the Integrated Bar of the Philippines and the Management Association of the Philippines (MAP) and served as its President in 1998. Mr. Jacob finished his Bachelor of Arts degree with a Major in Liberal Arts from the Ateneo de Naga University in 1966 and his Bachelor of Laws degree from the Ateneo de Manila University in 1971. He joined the Board as a regular director last August 20, 2009.

**Felino A. Palafox, Jr.**, 62, Filipino, has almost 40 years of experience in the field of planning and architecture. He is the Principal Architect-Urban Planner, Founder and Managing Partner of Palafox Associates which was founded in 1989. For more than 20 years, he led and managed his firm in carrying out the planning of more than 12 billion square meters of land area and the architecture of more than 8 million square meters of building floor area in 35 countries. Palafox Associates ranks 89<sup>th</sup> in the London-based/ BD World architecture magazine's list of world's top architectural firms and also cited Top 8 in the world for Leisure projects. In 2011, he became the first Architect/Environmental Planner to be elected as President of the Management Association of the Philippines. He is also an international associate of the American Institute of Architects, country leader of the Council on Tall Buildings and Urban Habitat, member of the U.S. Green Building, Urban Land Institute, Congress for the New Urbanism, American Planning Association, and the International Council of Shopping Centers, all U.S.-based. He finished his Bachelor of Science in Architecture in 1972 from the University of Santo Tomas, Manila, and his Master in Environmental Planning from the University of the Philippines as a scholar of the United Nations Development Program (UNDP), in 1974. He took up Advanced Management Development Program for Real Estate in 2003, and 5 other continuing education courses, from the Harvard University. Architect Palafox is a registered APEC Architect and a recipient of several local and international awards. He joined the Board as a regular director last August 20, 2009.

**Arsenio Tanco**, 83, Filipino, is the President and Executive Chairman of Coats Manila Bay, Inc. (since 2000) and the CEO of Manila Bay Spinning Mills, Inc (since 1993). He is currently a director of Philippines First Insurance Co., Inc. (since 1973), Philippine Belt Manufacturing Corporation (since 1971), Manila Bay Hosiery Mills, Inc.(since 1950) Federation of Philippine Industries, Inc.(since 2002). Since 2006, he serves as director of Total Consolidated Asset Management Inc. and Delos Santos-STI Mega Clinic. He was the Chairman of Federation of Philippine Textile Industries from 2003 to 2007. He holds a Bachelor's degree in Mechanical Engineering from Mapua Institute of Technology and BS Textiles and MS Textile Manufacturing from North Carolina State University where he graduated with High Honors. He joined the Board as a regular director last August 20, 2009.

**Kwok Leung Law**, 48 Chinese, is the Finance Director of DP World Southeast Asia since 2010. He was the Finance Director for Saigon Premier Container Terminal (DPWorld) in HCMC, Vietnam from 2008 to 2010. In 2003, he became the Chief Operating Officer/General Manager Finance of ATL Logistics Centre Hong Kong Limited and the Financial Controller of Sea-Land in Hong Kong in 1996. He is a Fellow Member of Chartered Association of Certified Accountants, U.K. Chartered Institute of Management Accountants, U.K. and an Associate Member of Hong Kong Institute of Certified Public Accountants. Mr. Law is a holder of Bachelor's Degree in Business Administration from National Chung Hsing University in Taiwan and holds a Master's Degree in Business Administration from the Chinese University of Hong Kong. He joined the Board as a regular director last February 18, 2010.

**Artemio V. Panganiban**, 75, Filipino, was elected as an independent director of the Company last April 22, 2010. He served as Chief Justice of the Supreme Court from 2005 to 2006 and as Associate Justice from 1995 to 2005. Prior to his appointment to the Supreme Court, he was a senior partner at Panganiban Benitez Parlade Africa and Barinaga Law Offices from 1963 to 1995. He is a recipient of over 250 prestigious awards and recognitions from various associations and groups for his role as a jurist, lawyer, civic leader, Catholic lay worker, entrepreneur and youth leader. Among such awards is the "Renaissance Jurist of the 21<sup>st</sup> Century" given by the Supreme Court of the Philippines upon his retirement in 2006. Chief Justice Panganiban holds a Bachelor's Degree in Law from the Far Eastern University where he graduated *cum laude*. He was a 6<sup>th</sup> placer in the 1960 Bar Examinations. He was also conferred Doctor of Laws (*Honoris Causa*) by several universities. At present, he writes a column for the Philippine Daily Inquirer and sits as an independent director in following listed companies: GMA Network, Inc., (2007-present); First Philippine Holdings Corp., (2007-present); Metro Pacific Investments Corp. (2007-present); Manila Electric Company, (2008-present); Robinsons Land Corp., (2008-present); GMA Holdings, Inc., (2009-present); Bank of PI (2010-present); Petron Corporation (2010-present); Metro Pacific Tollways Corp. (2010-present); and Jollibee Food Corporation (2011- present) . He is also an independent adviser of the Philippine Long Distance Telephone Company (2009-present) and senior adviser of Metrobank (2008-present) and the World Bank (2009-present). He is a member of the Company's Compensation Committee and Nomination Committee.

**Teodoro Locsin, Jr.**, 63, Filipino, was elected as an independent director last April 22, 2010. He served as member of the House of Representatives from 2001 to 2010. Since 2005, he is an independent director of The Medical City, and a member of the Board of Governors of iAcademy. He is an editor, publisher, television host and speechwriter of former presidents Corazon Aquino, Joseph Ejercito Estrada and Gloria Arroyo. He also served as a Minister of Information during President Aquino's term. Atty. Locsin, Jr., worked as an associate at Angara Abello Concepcion Regala and Cruz Law Offices. He also worked as an executive assistant to the Chairman of Ayala Corporation, Enrique Zobel. He obtained his Bachelor of Law from the Ateneo de Manila University and Master of Laws from Harvard University. Atty. Locsin, Jr. is the Chairman of the Audit Committee and is a member of the Executive Committee.

**Andrew R. Hoad**, 45, British, is the Executive Vice President-Technical. He held various positions with P & O Group since 1988. He became the General Manager for DPWorld Sales Asia based in Hongkong from 2004 to 2005. Thereafter, he was assigned to Dubai and the Far East as Commercial Director for Asia and Indian Subcontinent from 2005 to 2008. Prior to joining ATI, he was the CEO of DPWorld Caucedo Container terminal in the Dominican Republic from 2008 to 2011. Mr. Hoad holds both Bachelor and Masters degrees in History and Economic History from Pembroke College, Cambridge University. He joined ATI last February 1, 2012 when the former EVP Technical, Mr. Ernst T. A. Schulze, was assigned to another post overseas.

**Gloriann V. Magto**, 43, Filipino, is the Vice-President for Finance and Chief Financial Officer (CFO) of the Company. She started as a Financial and Computer Audit Specialist at Sycip, Gorres, Velayo & Co. (1990 to 1994). Prior to joining ATI, she was the Finance Director of Pfizer, Inc. since 2006. Ms. Magto obtained her degree in Business Administration in Accounting from Xavier University Ateneo de Cagayan where she graduated as Magna cum Laude in 1989. She is a Certified Public Accountant (CPA). She holds a Masters degree in Business Administration (Regis Program) from Ateneo de Manila in 2006. She joined the Company in October 31, 2011 when former CFO, Ms. Ma. Luisa E. Nogralles left her post.

**Rodolfo G. Corvite, Jr.**, 52, Filipino, is the Corporate Secretary since 1997 and Vice-President for HR, HSES, Security and Administration. He held various positions in the Company handling Administration, Legal, Human Resources, Industrial Relations,

HSES, Risk Management and Corporate Communications. He was a Law Partner of Diaz, Corvite and Associates. He is a member of the Integrated Bar of the Philippines. He obtained his Bachelor of Laws from the Ateneo de Manila University. He has been with the Company since 1989.

**Sean James L. Perez**, 46, Filipino, is the Vice-President for Marketing and Commercial. He was the Vice-President for Marketing, Commercial and MGT from October 2008 to January 2010, Vice President for Domestic and Outports from January 2007 to September 2008, Vice-President for Domestic/Marketing and Commercial Services (2004-2006). He has held various positions in the Company from the position of being the Terminal Manager of Batangas, Container Division and General Stevedoring Division for South Harbor to Vice-President for Operations, Marketing and Outports. He obtained his degree in Bachelor of Arts, Major in Economics from the University of Santo Tomas. He has been with the Company since 1996.

**Sasedharan Vasudevan**, 42, Malaysian, is the Vice President for South Harbor Operations and Engineering. He was the former General Manager for Terminal Operations at the Port of Tanjung Pelepas, Johore, Malaysia from 2003 to 2005. In November 2005 until August 2008, he became the General Manager for Container Terminal Operations at the APMT Terminals in India. In August 2008 to July 2011, he worked as the Director of Operations (Container Terminal) at the Dubai Ports World, Surabaya, Malaysia. Mr. Vasudevan holds a degree in Business Administration Management and numerous trainings in terminal operating systems including Management and Leadership Program for Terminal Managers from the University of Kent in the UK, and in Copenhagen, Denmark. He joined the Company in July 2011.

**Bastiaan W. Hokke**, 49, Dutch, is the Vice President for ATI Batangas, Batangas Container Terminal and Inland Clearance Depot. Prior to joining ATI, he worked at Port of Tanjung Pelepas in Malaysia as General Manager for Operations from 2005 to 2007. In 2007, he worked as Chief Operating Officer at Salalah Port services in Oman. From 2009 to 2011, he was appointed as Chief Services Officer in the said port. Mr. Hokke attended Erasmus University, Faculty of Law in Rotterdam. He also took up Account Management in the said university. He joined ATI in April 2011.

All the directors serve for a term equivalent to one (1) year from election or for the unexpired portion of the term of his predecessor.

***Family Relationships***

Mr. Arsenio N. Tanco, a director, is the uncle of Mr. Eusebio H. Tanco, President and Director.

Except for the disclosure made above, there are no other family relationships among the directors and officers listed up to the fourth civil degree of consanguinity or affinity.

All employees are expected to make reasonable contribution to the success of the business of the Company.

The Company has no knowledge of events occurring during the past five years that are material to an evaluation of the ability and integrity of the above-named directors and officers.

***Pending Legal Proceedings***

The Company has no knowledge that the current members of its Board of Directors or its executive officers have been involved during the last five years up to the present in any legal case affecting/involving themselves and/or their properties before any court of law or administrative body in the Philippines or elsewhere, which are material to an evaluation of the

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ability or integrity of any of the said directors or executive officers. Also, the said persons have not been convicted by final judgment during the last five years up to the present of any offense punishable by the laws of the Philippines or of the laws of any other country.

**Item 10. Executive Compensation**

1) The total annual compensation of the Company's President and the most highly compensated officers amounted to P54 million in 2011 and P41 million in 2010. The projected annual compensation in 2012 is P69 million.

The total annual compensation of all other officers and directors in 2011 amounted to P68 million and in 2010 amounted to P65 million. The projected annual compensation in 2012 is P77 million.

Name and Principal Position	Year	(in millions of pesos)			
		Salary	Bonus	Other Annual Compensation	Total
Eusebio H. Tanco President					
Andrew R. Hoad Executive Vice President-Technical					
Sasedharan Vasudevan* Vice President for South Harbor Operations and Engineering					
Rodolfo G. Corvite, Jr. * Vice President for HR, HSES, and Administration					
Sean Perez * Vice President for Marketing and Commercial					
Bastiaan W. Hokke* Vice President ATI Batangas, BCT and ICD					
Gloriann V. Magto Vice President for Finance					
CEO and most highly compensated officers	2012 (Projected)	62	7	0	69
All other officers** and directors as a group unnamed	2012 (Projected)	70	7	0	77

\*most highly compensated

\*\*Managers and above

Name and Principal Position	Year	(in millions of pesos)			
		Salary	Bonus	Other Annual Compensation	Total
Eusebio H. Tanco * President					
Ernst T. A. Schulze Executive Vice President-Technical					
Sasedharan Vasudevan Vice President for South Harbor Operations and Engineering					
Rodolfo G. Corvite, Jr.* Vice President for HR, HSES, and Administration					
Sean Perez* Vice President for Marketing and Commercial					



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Bastiaan W. Hokke*					
Vice President ATI Batangas, BCT and ICD					
Gloriann V. Magto					
Vice President for Finance					
CEO and most highly compensated officers	2011 (Actual)	46	8	0	54
All other officers** and directors as a group unnamed	2011 (Actual)	61	7	0	68

\*most highly compensated

\*\*Managers and above

Name and Principal Position	Year	(in millions of pesos)			
		Salary	Bonus	Other Annual Compensation	Total
Eusebio H. Tanco *					
President					
Ernst T. A. Schulze					
Executive Vice President-Technical					
Ricardo Alvarez *					
Vice President for South Harbor Operations, ICD and Engineering					
Ma. Luisa E. Nograles *					
Vice President for Finance					
Sean Perez					
Vice President for Marketing, Commercial and MGT					
Rodolfo G. Corvite, Jr. *					
Vice President for HR, HSES, and Administration					
CEO and most highly compensated officers	2010 (Actual)	37	4	0	41
All other officers** and directors as a group unnamed	2010 (Actual)	54	11	0	65

\*most highly compensated

\*\*Managers and above

- 2) The Directors do not receive compensation for services provided as a director other than reasonable per diems<sup>1</sup> for attendance at meetings of the Board and the Board Committees. This is in accordance with Article IV, Section 14 of the Company's By-Laws which states that "Except for reasonable per diems, directors, as such shall be entitled to receive only such compensation as may be granted to them by the vote of the stockholders representing at least two-thirds (2/3) of the outstanding capital stock at a regular or a special meeting of the stockholders. In no case the total yearly compensation of the directors, as such, exceed ten percent (10%) of the net income before income tax of the Corporation during the preceding year.

The Board of Directors specified the duties and responsibilities of the elected Company officers. Other officers, whose duties and responsibilities are set by the Management, are considered regular employees of the Company.

- 3) There is no bonus, profit sharing, stock options, warrants, rights or other compensation plans or arrangements with directors and officers that will result from their resignation, retirement, termination of employment, or change in the control of the Company.

<sup>1</sup> Directors' per diem amounted to Php2,630,000.00 (for 2011) and Php2,880,000.00 (for 2010). The Chairman receives Php60,000.00 per diem, for every board meeting attended, while members of the Board receive Php50,000.00. The President does not receive any per diem.

**Item 11. Security Ownership of Certain Beneficial Owners and Management**

## 1. Security Ownership of Certain Record and Beneficial Owners

As of March 31, 2012, the Company knows of no one who owns in excess of 5% of its common stock except as set forth in the table below:

<b>Title of Class</b>	<b>Name and Address of Record Owner and Relationship with Issuer</b>	<b>Name of Beneficial Owner and Relationship with Record Owner</b>	<b>Citizenship</b>	<b>Amount of Record Ownership</b>	<b>% of Class</b>
Common	P&O Australia Ltd. 160 Sussex Street Sydney NSW Australia (Stockholder)	P&O Australia Ltd.	Australian	346,466,600	17.32%
Common	ATI Holdings, Inc. 3 <sup>rd</sup> Flr. SSHG Law Centre, Paseo de Roxas, Makati City (Stockholder)	ATI Holdings, Inc.	Australian	291,371,230	14.57%
Common	Pecard Group Holdings, Inc. 3 <sup>rd</sup> Flr. SSHG Law Centre, Paseo de Roxas, Makati City (Stockholder)	Pecard Group Holdings, Inc.	Filipino	198,203,968	9.91%
Common	Philippine Seaport, Inc. 3 <sup>rd</sup> Flr. SSHG Law Centre, Paseo de Roxas, Makati City (Stockholder)	Philippine Seaport, Inc.	Filipino	196,911,524	9.85%
Common	PCD Nominee Corp. (Filipino.) G/F MKSE Bldg. 6767 Ayala Ave., Makati City	(Beneficial Owners unknown to Issuer)  (AsiaSec Equities, Inc. 8/F Chatham House 116 Valero cor. V. A. Rufino Sts. Salcedo Village, Makati City)	Filipino	195,215,419  (117,024,366)	9.76%  (5.85%)
Common	Daven Holdings 18F SBC Bldg. 6778 Ayala Avenue, Makati City (Stockholder)	Daven Holdings	Filipino	155,906,071	7.80%
Common	PCD Nominee Corp. (Non-Fil.) G/F MKSE Bldg. 6767 Ayala Ave., Makati City	(Beneficial Owners unknown to Issuer)  (The Hongkong and Shanghai Banking Corp., Ltd. HSBC Securities	Non-Filipino	145,405,277  (136,949,702)	7.27%  (6.85%)

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		<i>Services, 12<sup>th</sup> Flr, The Enterprise Center, Tower I 6766 Ayala Ave. cor. Paseo de Roxas, Makati City)</i>			
Common	SG Holdings Inc. 18/F SBC Bldg. 6776 Ayala Ave. Makati City (Stockholder)	SG Holdings, Inc	Filipino	130,000,000	6.50%
Common	Murray Holdings, Inc. 18/F SBC Bldg. 6776 Ayala Ave. Makati City (Stockholder)	Murray Holdings, inc.	Filipino	100,000,000	5.00%

**2. Security Ownership of Management**

Owners of record of ATI shares among Management as of March 31, 2012, are as follows:

<b>Title of Class</b>	<b>Name of Beneficial/Record Owner</b>	<b>Amount and Nature of Beneficial Ownership</b>	<b>Citizenship</b>	<b>% of Class</b>
Common	Suhail Al Banna	1/direct	UAE	.00 %
-do-	Felino A. Palafox, Jr.	15,300/direct	Filipino	.00%
-do-	Monico V. Jacob	1/direct	Filipino	.00%
-do-	Kwok Leung Law	1/direct	Chinese	.00%
-do-	Kun Wah Wong	1/direct	Chinese	.00%
-do-	Glen C. Hilton	1/direct	Australian	.00%
-do-	Eusebio H. Tanco	15,257,663/ direct 26,627,884/indirect	Filipino	2.11%
-do-	Arsenio N. Tanco	133,333/direct 3,338,667/indirect	Filipino	.17%
-do-	Artemio V. Panganiban (independent director)	1/direct	Filipino	.00%
-do-	Teodoro L. Locsin, Jr. (independent director)	1/direct	Filipino	.00%
--do-	Rodolfo G. Corvite, Jr.	222,398/direct	Filipino	.01%
	<b>TOTAL</b>	<b>45,595,252</b>		<b>2.28%</b>

There was no change in control of the registrant during the year. There is no voting trust or similar agreement with respect to any portion of the outstanding shares, nor any agreement which may result in a change of control of the Company.

The Board of Directors generally has the power to vote on behalf of their respective corporate stockholders. A proxy is usually designated to cast the vote for the stockholder.

**Item 12. Certain Relationships and Related Transactions**

The Company renewed the management agreement with P & O Management Services, Phils., Inc. (POMS) for a period of five years from September 1, 2010 until August 31, 2015. Forty percent (40%) of the outstanding capital stock of POMS is owned by P&O Australia Ltd. (POAL). As of February 29, 2012, POAL owns 17.32% of the total outstanding capital stock of ATI. In addition, POAL owns 100% of ATI Holdings, Inc. which owns 14.57% (as of February 29, 2012) of the outstanding capital stock of ATI. (Please refer to Notes 1 and 23 of the Audited Consolidated Financial Statements).

The Company avails of the following leases from:

a) Insurance Builders for a land located at Calamba, Laguna and used as an Inland Clearance Depot . The lease is for a term of 25 years commencing April 1996. The total

**ASIAN TERMINALS, INC.****Securities and Exchange Commission Form 17-A (amended)**

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rentals paid in 2011 is Php 10,581,580.80 and the rate is adjusted every 2 years at the rate of 8% beginning 2006.

b) Mar-Bay Homes, Inc. and Eujo Philippines, for a land located at Sta. Mesa Manila and used as an off dock container yard. The lease is for a term of 5 years commencing May 16, 2011. The total rentals paid for 2011 is Php3.2 million and rate is adjusted every 2 years at the rate of 7%.

Mr. Eusebio H. Tanco is the Chairman of Insurance Builders and Mar-Bay Homes and the President of Eujo Philippines, Inc.

Insurance and health care services were also availed from Philippines First Insurance Co. and PhilCare where Mr. Eusebio H. Tanco is President and Mr. Arsenio N. Tanco is a Director.

Since February 2010, ATI has engaged Global Resource for Outsourced Workers, Inc. (GROW), to provide manpower services for the Company. Atty. Monico V. Jacob is the Chairman of GROW and Mr. Eusebio Tanco is its President.

**Item 13. Corporate Governance**

The Company has substantially complied with the provisions of its Manual on Corporate Governance which was adopted in August 30, 2002 and amended on February 25, 2011. A Certification of Compliance with the Manual was submitted to the SEC in January 13, 2012.

The Company commits to the principles and best practices of good governance to attain its goals and objectives. Its principal officers and directors have attended Corporate Governance seminars or orientation with accredited providers such as the Institute of Corporate Directors, De La Salle Professional Schools, Insurance Institute for Asia and the Pacific, Bankers' Institute of the Philippines Inc., Corporate Governance Institute of the Philippines and Asian Institute of Management. The Company's Manual on Corporate Governance contains the specific principles which institutionalize good corporate governance in the organization.

The Company has not deviated from its Manual since the time of the self-rating process previously conducted and reported to the Securities and Exchange Commission on July 31, 2003. Formulation of evaluation system to determine level of compliance of the Board and top level management is under process.

Continuous monitoring and compliance with the Corporate Governance Manual and other corporate standards are ensured through the Board and the board committees, Compliance Officer, President, Chief Financial Officer and the Internal and External Auditors.

**Item 14. Exhibits and Reports on SEC Form 17-C****(A) Exhibits**

Exhibit 1\*

Quarterly Report (SEC Form 17-Q)  
As of September 30, 2011

Exhibit 2

Financial Statements and Schedules

\*Please refer to the September 30, 2011 Quarterly Report (SEC Form 17-Q) submitted to the Securities and Exchange Commission

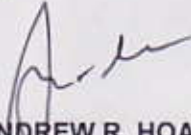
(B) Reports on SEC Form 17-C

<b>Date Reported</b>	<b>Item(s) Reported</b>
April 4, 2011	Appointment of VP for ATIB, BCT and ICD
May 2, 2011	Declaration of cash dividends, record date and payment date; Results of the Annual Stockholders' Meeting
July 18, 2011	Resignation of VP for South Harbor Operations and Engineering and the election of his replacement
October 17, 2011	Resignation of Corporate Treasurer, CFO and VP for Finance and the election of her replacement
October 21, 2011	Receipt of Philippine Port Authority's Memorandum Circular 13-2011 approving the increase of tariff rates on vessel-related container handling services in South Harbor and the MICT.
November 4, 2011	Receipt of SEC Approval of Amendment to Company by-laws
December 22, 2011	Declaration of additional cash dividends, record date and payment date
January 11, 2012	Resignation of EVP Technical and election of replacement
January 13, 2012	Certification of Compliance with the Manual on Corporate Governance
January 25, 2012	Certification of Attendance of Directors During Board Meetings for 2011
February 17, 2012	Notice of Guidelines for Nominations for Election to the Board of Directors
February 27, 2012	Setting the date, venue, agenda and record date of the 2012 Annual Stockholders' Meeting,

SIGNATURES

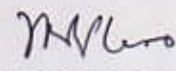
Pursuant to the requirements of Section 17 of the Code and Section 141 of the Corporation Code, this amended report is signed on behalf of the issuer by the undersigned, thereunto duly authorized, in the City of Manila on the 25 day of May 2012.

By:

  
**ANDREW R. HOAD**  
 Executive Vice-President-Technical

  
**GLORIANN V. MAGTO**  
 Vice President and Chief Financial Officer  
 Corporate Treasurer

  
**RODOLFO G. CORVITE, JR.**  
 Vice President for Administration, HR  
 and HSES/Corporate Secretary

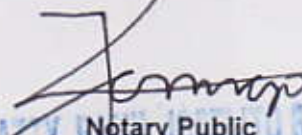
  
**MARICAR B. PLENO**  
 Assistant Vice President for Accounting  
 and Financial Planning

**MAY 7 5 2012**

SUBSCRIBED AND SWORN to before me this \_\_\_\_ day of May 2012 affiants exhibiting to me their respective Driver's License or Passport Nos.:

Name	Passport No./Driver's Lic. No.	Date & Place of Issue
1. Andrew R. Hoad	707672475	December 21, 2010/UK
2. Gloriann V. Magto	K02-89039797	December 19, 2014/Manila
3. Rodolfo G. Corvite, Jr.	N0392122736	July 16, 2010/ Manila
4. Maricar B. Pleno	XX3329154	March 25, 2009/ Manila

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 Book No. 44  
 Series of 2012

  
**Notary Public**  
 NOTARY PUBLIC  
 PRR No. 010957 Issued 12-27-11 Until 12-31-2012  
 SEP 11 2011 Until 12-31-2013 Comm. No. 2012-018 MANILA  
 Office: Legaspi Towers 303 Ponce Blvd. Cor. Ocampo St. Manila, Manila




## STATEMENT OF MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The management of ASIAN TERMINALS, INC. is responsible for the preparation and fair presentation of the consolidated financial statements as at December 31, 2011 and 2010 and for each of the three years in the period ended December 31, 2011, including the additional components attached therein, in accordance with the prescribed financial reporting framework indicated therein. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Board of Directors reviews and approves the financial statements and submits the same to the Stockholders.

Manabat Sanagustin & Co., CPAs, the independent auditors, appointed by the stockholders has examined the consolidated financial statements of the Company 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 examination.

  
**KUN WAH WONG**  
Chairman of the Board

  
**EUSEBIO H. TANCO**  
President

  
**GLORIANN V. MAGTO**  
Chief Financial Officer

Signed this 23<sup>rd</sup> of February, 2012

APR 16 2012  
SUBSCRIBED AND SWORN TO before me this \_\_\_\_ day of \_\_\_\_ 2012, the signatories exhibiting to me their respective Passports/Driver's License Nos., as follows:

<u>Name</u>	<u>Passport/Driver's License Nos.</u>	<u>Date/Place Issued</u>
1. Kun Wah Wong	HAO159580	5/30/03; Hongkong
2. Eusebio H. Tanco	XX5485851	2/9/10; Manila
3. Gloriann V. Magto	K02-89-039797	12/19/14; Manila

Doc. No. 189  
Page No. 39  
Book No. 36  
Series of 2012.

Notary Public  
  
**ATTY. RAFAEL JOSELO B. TAMAYO**  
NOTARY PUBLIC  
PTR No. 031087 Issued 12-27-11 Exp'd 12-31-2012  
RFP No. 004331 Iss'd 12-31-2011 Comm. No. 2012-010 MANILA  
City and Lungsod Towers 300 Santa Rosa Cor. Campa St. Manila, Manila





**ASIAN TERMINALS, INC. AND A SUBSIDIARY**

**CONSOLIDATED FINANCIAL STATEMENTS**  
**December 31, 2011, 2010, and 2009**

## **REPORT OF INDEPENDENT AUDITORS**

The Stockholders and Board of Directors  
Asian Terminals, Inc.

We have audited the accompanying consolidated financial statements of Asian Terminals, Inc. and a Subsidiary, which comprise the consolidated statements of financial position as at December 31, 2011 and 2010, 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, 2011, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Philippine Financial Reporting Standards, 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.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



*Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Asian Terminals, Inc. and a Subsidiary as at December 31, 2011 and 2010, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2011, in accordance with Philippine Financial Reporting Standards.

*Manabat Pangutian & Co., CPAs*

February 23, 2012  
Makati City, Metro Manila



Manabat Sanagustin & Co., CPAs  
The KPMG Center, 9/F  
6787 Ayala Avenue  
Makati City 1226, Metro Manila, Philippines

Telephone +63 (2) 885 7000  
Fax +63 (2) 894 1985  
Internet [www.kpmg.com.ph](http://www.kpmg.com.ph)  
E-Mail [manila@kpmg.com.ph](mailto:manila@kpmg.com.ph)

Branches - Subic - Cebu - Bacolod - Iloilo

## REPORT OF INDEPENDENT AUDITORS

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

We have audited the accompanying consolidated financial statements of Asian Terminals, Inc. and a Subsidiary, which comprise the consolidated statements of financial position as at December 31, 2011 and 2010, 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, 2011, and notes, comprising a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Philippine Financial Reporting Standards, 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.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Philippine Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



*Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Asian Terminals, Inc. and a Subsidiary as at December 31, 2011 and 2010, and its consolidated financial performance and its consolidated cash flows for each of the three years in the period ended December 31, 2011, in accordance with Philippine Financial Reporting Standards.

**MANABAT SANAGUSTIN & CO., CPAs**

JOSE P. JAVIER, JR.

Partner

CPA License No. 0070807

SEC Accreditation No. 0678-AR-1, Group A, valid until March 30, 2014

Tax Identification No. 112-071-224

BIR Accreditation No. 08-001987-16-2011

Issued February 4, 2011; valid until February 3, 2014

PTR No. 3174013MA

Issued January 2, 2012 at Makati City

February 23, 2012

Makati City, Metro Manila

**ASIAN TERMINALS, INC. AND A SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**  
*(In Thousands)*

		<b>December 31</b>	
	<i>Note</i>	<b>2011</b>	<b>2010</b>
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	8, 29	<b>P2,512,975</b>	P2,313,353
Trade and other receivables - net	9, 29	<b>360,953</b>	877,932
Spare parts and supplies - at net realizable value	5	<b>171,803</b>	153,156
Prepaid expenses	10	<b>299,467</b>	95,480
<b>Total Current Assets</b>		<b>3,345,198</b>	3,439,921
<b>Noncurrent Assets</b>			
Investment in an associate - at equity	11	<b>60,337</b>	66,679
Property and equipment - net	12	<b>397,918</b>	412,463
Intangible assets - net	13	<b>5,269,696</b>	5,184,870
Other financial assets	14, 29	<b>24,930</b>	23,763
Deferred tax assets - net	15	<b>60,404</b>	37,284
Other noncurrent assets	16, 24	<b>93,991</b>	33,941
<b>Total Noncurrent Assets</b>		<b>5,907,276</b>	5,759,000
		<b>P9,252,474</b>	P9,198,921
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Trade and other payables	17, 23, 29	<b>P1,550,382</b>	P1,554,862
Provisions for claims	18	<b>88,029</b>	46,487
Income and other taxes payable		<b>91,305</b>	219,008
<b>Total Current Liabilities</b>		<b>1,729,716</b>	1,820,357
<b>Noncurrent Liabilities</b>			
Interest-bearing loan	19, 29	<b>-</b>	297,998
Pension liability	24	<b>44,180</b>	11,274
<b>Total Noncurrent Liabilities</b>		<b>44,180</b>	309,272
<b>Equity</b>			
<b>Equity Attributable to Equity Holders of the Parent Company</b>			
	20		
Capital stock		<b>2,000,000</b>	2,000,000
Additional paid-in capital		<b>264,300</b>	264,300
Retained earnings		<b>5,218,963</b>	4,824,091
Other reserves		<b>(5,820)</b>	(20,001)
		<b>7,477,443</b>	7,068,390
<b>Non-controlling Interest</b>		<b>1,135</b>	902
<b>Total Equity</b>		<b>7,478,578</b>	7,069,292
		<b>P9,252,474</b>	P9,198,921

*See Notes to the Consolidated Financial Statements.*

**ASIAN TERMINALS, INC. AND A SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF INCOME**  
*(In Thousands, Except Per Share Data)*

<b>Years Ended December 31</b>				
				2009 (As Restated - see Note 7)
	<i>Note</i>	<b>2011</b>	<b>2010</b>	
<b>REVENUES</b>	2	<b>P4,390,611</b>	<b>P4,526,282</b>	<b>P3,775,533</b>
<b>COSTS AND EXPENSES</b>	21, 23, 24	<b>(2,359,862)</b>	<b>(2,377,356)</b>	<b>(2,082,140)</b>
<b>OTHER INCOME AND EXPENSES</b>				
Finance cost	22	<b>(61,734)</b>	<b>(116,340)</b>	<b>(293,638)</b>
Finance income	22	<b>83,168</b>	<b>43,769</b>	<b>31,955</b>
Others - net	22	<b>85,503</b>	<b>125,383</b>	<b>32,498</b>
<b>INCOME BEFORE INCOME TAX</b>		<b>2,137,686</b>	<b>2,201,738</b>	<b>1,464,208</b>
<b>INCOME TAX EXPENSE</b>	15			
Current		<b>629,810</b>	<b>601,642</b>	<b>406,946</b>
Deferred		<b>(12,601)</b>	<b>7,690</b>	<b>4,949</b>
		<b>617,209</b>	<b>609,332</b>	<b>411,895</b>
<b>INCOME FROM CONTINUING OPERATIONS</b>		<b>1,520,477</b>	<b>1,592,406</b>	<b>1,052,313</b>
<b>INCOME FROM DISCONTINUED OPERATIONS - Net of tax</b>	7	<b>-</b>	<b>552,775</b>	<b>110,121</b>
<b>NET INCOME</b>		<b>P1,520,477</b>	<b>P2,145,181</b>	<b>P1,162,434</b>
<b>Attributable to:</b>				
Owners of the Parent Company		<b>P1,519,397</b>	<b>P2,144,066</b>	<b>P1,161,677</b>
Non-controlling interest		<b>1,080</b>	<b>1,115</b>	<b>757</b>
		<b>P1,520,477</b>	<b>P2,145,181</b>	<b>P1,162,434</b>
<b>Basic/Diluted Earnings per Share Attributable to Owners of the Parent Company</b>	25	<b>P0.76</b>	<b>P1.07</b>	<b>P0.58</b>
<b>Basic/Diluted Earnings per Share Attributable to Owners of the Parent Company - Continuing Operations</b>	25	<b>P0.76</b>	<b>P0.80</b>	<b>P0.53</b>

*See Notes to the Consolidated Financial Statements.*



**ASIAN TERMINALS, INC. AND A SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
*(In Thousands)*

		<b>Years Ended December 31</b>		
	<i>Note</i>	<b>2011</b>	<b>2010</b>	<b>2009</b>
<b>NET INCOME FOR THE YEAR</b>		<b>P1,520,477</b>	<b>P2,145,181</b>	<b>P1,162,434</b>
<b>OTHER COMPREHENSIVE INCOME</b>				
Actuarial gains (losses)	24	(35,060)	(54,431)	63,743
Reversal of other reserves	20	14,181	-	-
Fair value gains on cash flow hedges	29	-	-	24,655
Tax on items taken directly to equity	15	10,518	16,329	(26,520)
Other comprehensive income for the year, net of tax		(10,361)	(38,102)	61,878
<b>TOTAL COMPREHENSIVE INCOME</b>		<b>P1,510,116</b>	<b>P2,107,079</b>	<b>P1,224,312</b>
Attributable to:				
Owners of the Parent Company		P1,509,036	P2,106,005	P1,223,505
Non-controlling interest		1,080	1,074	807
		<b>P1,510,116</b>	<b>P2,107,079</b>	<b>P1,224,312</b>

*See Notes to the Consolidated Financial Statements.*

**ASIAN TERMINALS, INC. AND A SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY**  
*(In Thousands, Except Per Share Data)*

	Years Ended December 31							
	Attributable to Equity Holders of the Parent Company							
	Retained Earnings							
			Appropriated for Port				Non-controlling	
	Common Stock	Additional Paid-in Capital	Development	Unappropriated	Other Reserves	Total	Interest	Total Equity
Balance at January 1, 2011	P2,000,000	P264,300	P1,000,000	P3,824,091	(P20,001)	P7,068,390	P902	P7,069,292
Cash dividends - P0.55 a share for ATI	-	-	-	(1,100,000)	-	(1,100,000)	(830)	(1,100,830)
Net income for the year	-	-	-	1,519,397	-	1,519,397	1,080	1,520,477
Other comprehensive income								
Reversal of other reserves	-	-	-	-	14,181	14,181	-	14,181
Actuarial loss, net of tax	-	-	-	(24,525)	-	(24,525)	(17)	(24,542)
Balance at December 31, 2011	P2,000,000	P264,300	P1,000,000	P4,218,963	(P5,820)	P7,477,443	P1,135	P7,478,578
Balance at January 1, 2010	P2,000,000	P264,300	P500,000	P3,298,086	(P20,001)	P6,042,385	P658	P6,043,043
Appropriations for the year	-	-	500,000	(500,000)	-	-	-	-
Cash dividends - P0.54 a share for ATI	-	-	-	(1,080,000)	-	(1,080,000)	(830)	(1,080,830)
Net income for the year	-	-	-	2,144,066	-	2,144,066	1,115	2,145,181
Other comprehensive income								
Actuarial loss, net of tax	-	-	-	(38,061)	-	(38,061)	(41)	(38,102)
Balance at December 31, 2010	P2,000,000	P264,300	P1,000,000	P3,824,091	(P20,001)	P7,068,390	P902	P7,069,292

Forward

**Years Ended December 31**

	Attributable to Equity Holders of the Parent Company							
			Retained Earnings					
			Appropriated for Port Development	Unappropriated	Other Reserves	Total	Non-controlling Interest	Total Equity
	Common Stock	Additional Paid-in Capital						
Balance at January 1, 2009	P2,000,000	P264,300	P500,000	P2,611,716	(P57,136)	P5,318,880	P681	P5,319,561
Cash dividends - P0.25 a share for ATI	-	-	-	(500,000)	-	(500,000)	(830)	(500,830)
Net income for the year	-	-	-	1,161,677	-	1,161,677	757	1,162,434
Other comprehensive income								
Actuarial gains , net of tax	-	-	-	24,693	19,877	44,570	50	44,620
Fair value gains on cash flow hedges, net of tax	-	-	-	-	17,258	17,258	-	17,258
Balance at December 31, 2009	P2,000,000	P264,300	P500,000	P3,298,086	(P20,001)	P6,042,385	P658	P6,043,043

*See Notes to the Consolidated Financial Statements.*

**ASIAN TERMINALS, INC. AND A SUBSIDIARY**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
*(In Thousands)*

		<b>Years Ended December 31</b>		
	<i>Note</i>	<b>2011</b>	<b>2010</b>	<b>2009</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Income before income tax from continuing operations		<b>P2,137,686</b>	<b>P2,201,738</b>	<b>P1,464,208</b>
Income from discontinued operations, before income tax	7	-	297,568	150,715
Gain on sale of discontinued operations, net of tax	7	-	326,553	-
Income before income tax		<b>2,137,686</b>	<b>2,825,859</b>	<b>1,614,923</b>
Adjustments for:				
Gain on sale of discontinued operations, net of tax	7	-	(326,553)	-
Depreciation and amortization	12, 13	<b>419,998</b>	<b>474,375</b>	<b>472,766</b>
Finance cost	22	<b>61,734</b>	<b>119,869</b>	<b>293,719</b>
Finance income	22	<b>(83,168)</b>	<b>(45,587)</b>	<b>(33,786)</b>
Net gains on derivative instruments		-	(59,445)	(23,281)
Contributions to retirement funds	24	<b>(14,753)</b>	<b>(2,455)</b>	-
Net unrealized foreign exchange losses		<b>8,615</b>	<b>3,417</b>	<b>14,070</b>
Equity in net earnings of an associate	6	<b>(20,509)</b>	<b>(19,707)</b>	<b>(17,772)</b>
Income from insurance claims		-	(199,173)	-
Loss (gain) on disposals of:				
Property and equipment		<b>6,567</b>	<b>(393)</b>	<b>(620)</b>
Intangible assets		<b>(4,766)</b>	<b>(1,123)</b>	<b>1,495</b>
Amortization of noncurrent prepaid rental		<b>984</b>	<b>1,136</b>	<b>1,288</b>
Reversal of losses on receivables		<b>(12)</b>	<b>(84)</b>	<b>(1,285)</b>
Operating income before working capital changes		<b>2,512,376</b>	<b>2,770,136</b>	<b>2,321,517</b>
Provisions (reversals) for inventory obsolescence	5	<b>2,216</b>	<b>(1,680)</b>	-
Decrease (increase) in:				
Trade and other receivables	9	<b>511,567</b>	<b>(531,319)</b>	<b>(34,334)</b>
Spare parts and supplies	5	<b>(20,864)</b>	<b>(17,757)</b>	<b>(12,119)</b>
Prepaid expenses	10	<b>(203,987)</b>	<b>(171,577)</b>	<b>35,823</b>
Increase (decrease) in:				
Trade and other payables	17	<b>45,953</b>	<b>549,142</b>	<b>107,142</b>
Provisions for claims	18	<b>41,542</b>	<b>(6,527)</b>	<b>9,793</b>
Income and other taxes payable		<b>(84,351)</b>	<b>(42,248)</b>	<b>18,813</b>
Cash generated from operations		<b>2,804,452</b>	<b>2,548,170</b>	<b>2,446,635</b>
Finance cost paid		<b>(68,976)</b>	<b>(125,643)</b>	<b>(283,947)</b>
Income tax paid		<b>(673,161)</b>	<b>(602,946)</b>	<b>(416,757)</b>
Net cash provided by operating activities		<b>2,062,315</b>	<b>1,819,581</b>	<b>1,745,931</b>

*Forward*

<b>Years Ended December 31</b>				
	<i>Note</i>	<b>2011</b>	<b>2010</b>	<b>2009</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Acquisitions of:				
Property and equipment	12	(P48,245)	(P58,981)	(P56,561)
Intangible assets	13	(455,646)	(842,662)	(120,197)
Finance income received		82,919	41,590	34,974
Disposal of discontinued operations, net		-	1,999,902	-
Decrease (increase) in other noncurrent assets		(73,049)	10,126	14,661
Proceeds from insurance claims		-	136,927	-
Proceeds from disposals of:				
Property and equipment		269	672	2,095
Intangible assets		11,542	8,225	667
Decrease (increase) in deposits		(451)	25	482
Dividends received		26,851	17,856	-
Net cash provided by (used in) investing activities		(455,810)	1,313,680	(123,879)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Payments of:				
Long-term debt		(300,000)	(550,000)	(1,475,000)
Cash dividends	20	(1,100,000)	(1,080,000)	(500,000)
Cash dividends to non-controlling interest		(830)	(830)	(830)
Net cash used in financing activities		(1,400,830)	(1,630,830)	(1,975,830)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>		<b>205,675</b>	<b>1,502,431</b>	<b>(353,778)</b>
<b>EFFECT OF FOREIGN EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS</b>		<b>(6,053)</b>	<b>(3,417)</b>	<b>(14,070)</b>
<b>CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR</b>	<b>8</b>	<b>2,313,353</b>	<b>814,339</b>	<b>1,182,187</b>
<b>CASH AND CASH EQUIVALENTS AT END OF YEAR</b>	<b>8</b>	<b>P2,512,975</b>	<b>P2,313,353</b>	<b>P814,339</b>

See Notes to the Consolidated Financial Statements.

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**ASIAN TERMINALS, INC. AND A SUBSIDIARY**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
*(Amounts in Thousands, Except Per Share Data)*

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**1. Reporting Entity**

Asian Terminals, Inc. (ATI or the Parent Company) was incorporated in the Philippines. The accompanying consolidated financial statements comprise the financial statements of the Parent Company and its Subsidiary, ATI Batangas, Inc. (ATIB), (collectively referred to as the "Company"). 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 (PSE). The Company operates and manages the South Harbor Port of Manila and the Port of Batangas in Batangas City. The registered office address of the Parent Company is A. Bonifacio Drive, Port Area, Manila.

P & O Management Services Phils., Inc. (POMS) manages ATI by virtue of a management agreement with ATI (see Note 23). Forty percent of the outstanding capital stock of POMS is owned by DP World Australia (POAL) Limited. POAL directly owns 17.32% of the total outstanding capital stock of ATI. In addition, POAL owns 100% of ATI Holdings, Inc., which directly owns 14.57% of the outstanding capital stock of ATI.

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**2. Operating Contracts**

Following are the Company's operating contracts:

**a. South Harbor, Port of Manila**

ATI's exclusive right to manage, operate and develop South Harbor until 2013 was extended on October 19, 2007 for another 25 years until 2038 pursuant to the Third Supplement to the Contract for Cargo Handling and Related Services with the Philippine Ports Authority (PPA).

**b. Port of Batangas**

ATIB's exclusive right to manage and render arrastre, stevedoring, storage and related cargo handling services at the Port of Batangas by ATIB for Phase I was renewed on October 20, 2005 for a period of 10 years until 2015, renewable for another 10 years upon mutual agreement of PPA and ATIB. The contract with the PPA includes cargo handling and operation and management of the Passenger Terminal Building 1 and the Fast Craft Passenger Terminal.

A Lease Agreement for the management and operation of additional assets and facilities in Phase I was signed with PPA effective August 1, 2009 until 2015. Pursuant to this Lease Agreement, the Passenger Terminal Building 2 was turned over to ATIB in May 2010.

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.

c. Domestic Terminal

ATI's right to manage and operate a domestic terminal at the South Harbor until 2013 was extended on October 19, 2007 for another 25 years until 2038 pursuant to the Third Supplement to the Contract for Cargo Handling and Related Services.

The Memorandum of Agreement (MoA) with Aboitiz Transport System Corporation (ATS) for stevedoring, arrastre, storage, container freight station, passenger terminal and other related terminal services has been extended to be effective until January 14, 2013. In the agreement extending the MoA, the parties agreed on the terms of providing services on cargo, roll-on-roll-off transport, passenger terminal, and storage on ATS cargoes and vessels.

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### 3. Basis of Preparation

#### Statement of Compliance

The consolidated financial statements have been prepared in compliance with Philippine Financial Reporting Standards (PFRSs). PFRSs include statements named PFRS, Philippine Accounting Standards (PASs) and Philippine Interpretations from International Financial Reporting Interpretations Committee (IFRIC), issued by the Financial Reporting Standards Council (FRSC).

The accompanying consolidated financial statements were authorized for issue by the Board of Directors (BOD) on February 23, 2012.

#### Basis of Measurement

The consolidated financial statements of the Company have been prepared on a historical cost basis of accounting, except for the following:

- derivative financial instruments measured at fair value;
- available-for-sale (AFS) financial assets measured at fair value; and
- pension asset (liability) measured at the net total of the present value of the pension obligation less fair value of the plan assets.

#### Functional and Presentation Currency

The consolidated financial statements are presented in Philippine peso, which is the Parent Company's functional currency. All financial information are rounded off to the nearest thousand pesos (P000), except when otherwise indicated.

#### Basis of Consolidation

The consolidated financial statements comprise the financial statements of ATI and ATIB as of December 31, 2011. ATIB is a 98.82% owned subsidiary. The financial statements of ATIB are prepared for the same financial reporting year as ATI, using consistent accounting policies.

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

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

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

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#### 4. Significant Accounting Policies

The accounting policies set out below have been applied consistently by the Company to all periods presented in these consolidated financial statements, except for the changes in accounting policies as explained below.

##### Adoption of New or Revised Standards, Amendments to Standards and Interpretations

The FRSC approved the adoption of a number of new or revised standards, amendments to standards, and interpretations (based on IFRIC Interpretations) as part of PFRSs.

##### *Adopted Effective 2011*

The Company has adopted the following PFRSs starting January 1, 2011 and accordingly, changed its accounting policies in the following areas:

- Revised PAS 24, *Related Party Disclosures* (2009), amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities. The revised standard is effective for annual periods beginning on or after January 1, 2011. The adoption of this revised standard did not have a material effect on the consolidated financial statements.
- *Prepayments of a Minimum Funding Requirement (Amendments to Philippine Interpretation IFRIC 14: PAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction)*. These amendments remove unintended consequences arising from the treatment of prepayments where there is a minimum funding requirement and result in prepayments of contributions in certain circumstances being recognized as an asset rather than an expense. The amendments are effective for annual periods beginning on or after January 1, 2011. The adoption of these amendments did not have a material effect on the consolidated financial statements.
- *Improvements to PFRSs 2010* contain 11 amendments to 6 standards and 1 interpretation. The following are the said amendments to PFRSs and interpretation:
  - PFRS 7, *Financial Instruments: Disclosures*. The amendments add an explicit statement that qualitative disclosure should be made in the context of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from the financial instruments. In addition, the International Accounting Standards Board (IASB) amended and removed existing disclosure requirements. The amendments are effective for annual periods beginning on or after January 1, 2011. The adoption of these amendments did not have a material effect on the consolidated financial statements.



- **PAS 1, *Presentation of Financial Statements*.** The amendments clarify that disaggregation of changes in each component of equity arising from transactions recognized in other comprehensive income also is required to be presented either in the statement of changes in equity or in the notes. The amendments are effective for annual periods beginning on or after January 1, 2011. The adoption of these amendments did not have a material effect on the consolidated financial statements.
- **PAS 34, *Interim Financial Reporting*.** The amendments add examples to the list of events or transactions that require disclosure under PAS 34 and remove references to materiality in PAS 34 that describes other minimum disclosures. The amendments are effective for annual periods beginning on or after January 1, 2011. The adoption of these amendments did not have a material effect on the consolidated financial statements.

Additional disclosures required by the revised standards, amendments to standards and interpretations were included in the consolidated financial statements, where applicable.

*New or Revised Standards, Amendments to Standards and Interpretations Not Yet Adopted*

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after January 1, 2011, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Company, except for PFRS 9, which becomes mandatory for the Company's 2015 consolidated financial statements and could change the classification and measurement of financial assets. The Company does not plan to adopt this standard early and the extent of the impact has not been determined.

The Company will adopt the following new or revised standards, amendments to standards and interpretations in the respective effective dates:

- ***Disclosures - Transfers of Financial Assets (Amendments to PFRS 7)***, require additional disclosures about transfers of financial assets that enable users of the consolidated financial statements to understand the relationship between transferred financial assets that are not derecognized in their entirety and the associated liabilities; and to evaluate the nature of, and risks associated with, the entity's continuing involvement in derecognized financial assets. Entities are required to apply the amendments for annual periods beginning on or after July 1, 2011.
- ***Deferred Tax: Recovery of Underlying Assets (Amendments to PAS 12, Income Taxes)*** introduces an exception to the current measurement principles of deferred tax assets and liabilities arising from investment property measured using the fair value model in accordance with PAS 40, *Investment Property*. The exception also applies to investment properties acquired in a business combination accounted for in accordance with PFRS 3, *Business Combination* provided that the acquirer subsequently measure these assets applying the fair value model. The amendments integrated the guidance of Philippine Interpretation Standards Interpretation Committee (SIC) - 21, *Income Taxes - Recovery of Revalued Non-Depreciable Assets* into PAS 12, and as a result Philippine Interpretation SIC - 21 has been withdrawn. The effective date of the amendments is for periods beginning on or after January 1, 2012 and is applied retrospectively.

- ***Presentation of Items of Other Comprehensive Income (Amendments to PAS 1).*** The amendments: (a) require that an entity present separately the items of other comprehensive income that would be reclassified to profit or loss in the future if certain conditions are met from those that would never be reclassified to profit or loss; (b) do not change the existing option to present profit or loss and other comprehensive income in two statements; and, (c) change the title of the statement of comprehensive income to the statement of profit or loss and other comprehensive income. However, an entity is still allowed to use other titles. The amendments do not address which items are presented in other comprehensive income or which items need to be reclassified. The requirements of other PFRSs continue to apply in this regard. The effective date of the amendment is for periods beginning on or after January 1, 2013.
- ***PFRS 10, Consolidated Financial Statements.*** PFRS 10 introduces a new approach to determining which investees should be consolidated and provides a single model to be applied in the control analysis for all investees. An investor controls an investee when: (a) it is exposed or has rights to variable returns from its involvement with that investee; (b) it has the ability to affect those returns through its power over that investee; and (c) there is a link between power and returns. Control is reassessed as facts and circumstances change. PFRS 10 supersedes PAS 27 (2008) and Philippine Interpretation SIC - 12, *Consolidation Special Purpose Entities*. The new standard is effective for annual periods beginning on or after January 1, 2013.
- ***PFRS 12, Disclosure of Interests in Other Entities.*** PFRS 12 contains the disclosure requirements for entities that have interests in subsidiaries, joint arrangements (i.e. joint operations or joint ventures), associates and/or unconsolidated structured entities, aiming to provide information to enable users to evaluate the nature of, and risks associated with, an entity's interests in other entities; and the effects of those interests on the entity's financial position, financial performance and cash flows. The new standard is effective for annual periods beginning on or after January 1, 2013.
- ***PFRS 13, Fair Value Measurement.*** PFRS 13 replaces the fair value measurement guidance contained in individual PFRSs with a single source of fair value measurement guidance. It defines fair value, establishes a framework for measuring fair value and sets out disclosure requirements for fair value measurements. It explains how to measure fair value when it is required or permitted by other PFRSs. It does not introduce new requirements to measure assets or liabilities at fair value nor does it eliminate the practicability exceptions to fair value measurements that currently exist in certain standards. The new standard is effective for annual periods beginning on or after January 1, 2013.
- ***PAS 19, Employee Benefits (amended 2011).*** The amended PAS 19 includes the following requirements: (a) actuarial gains and losses are recognized immediately in other comprehensive income; this change will remove the corridor method and eliminate the ability for entities to recognize all changes in the defined benefit obligation and in plan assets in profit or loss, which is currently allowed under PAS 19; and, (b) expected return on plan assets recognized in profit or loss is calculated based on the rate used to discount the defined benefit obligation. The new standard is effective for annual periods beginning on or after January 1, 2013.
- ***PAS 27, Separate Financial Statements (2011).*** PAS 27 (2011) supersedes PAS 27 (2008). PAS 27 (2011) carries forward the existing accounting and disclosure requirements for separate financial statements, with some minor clarifications. The adoption of the amendment is required for annual periods beginning on or after January 1, 2013.

- PAS 28, *Investments in Associates and Joint Ventures* (2011). PAS 28 (2011) supersedes PAS 28 (2008). PAS 28 (2011) makes the following amendments: (a) PFRS 5 applies to an investment, or a portion of an investment, in an associate or a joint venture that meets the criteria to be classified as held for sale; and, (b) on cessation of significant influence or joint control, even if an investment in an associate becomes an investment in a joint venture or *vice versa*, the entity does not remeasure the retained interest. The adoption of the amendment is required for annual periods beginning on or after January 1, 2013.
- PFRS 9, *Financial Instruments*. PFRS 9 (2009) is the first standard issued as part of a wider project to replace PAS 39, *Financial Instruments - Recognition and Measurement*. IFRS 9 (2009) retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortized cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply. Prior periods need not be restated if an entity adopts the standard for reporting periods beginning before January 1, 2012. PFRS 9 (2010) adds the requirements related to the classification and measurement of financial liabilities, and derecognition of financial assets and liabilities to the version issued in November 2009. It also includes those paragraphs of PAS 39 dealing with how to measure fair value and accounting for derivatives embedded in a contract that contains a host that is not a financial asset, as well as the requirements of Philippine Interpretation - IFRIC 9, *Reassessment of Embedded Derivatives*. The adoption of the amendment is required for annual periods beginning on or after January 1, 2015.

#### Financial Assets and Financial Liabilities

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

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

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

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

**Determination of Fair Value.** The fair value of financial instruments traded in active markets at the reporting date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. When current bid and ask prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there is no significant change in economic circumstances since the time of the transaction.

For all other financial instruments not listed in an active market, the fair value is determined by using appropriate valuation techniques. Valuation techniques include the discounted cash flow method, comparison to similar instruments for which market observable prices exist, options pricing models and other relevant valuation models.

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

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

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

The Company's cash and cash equivalents, trade and other receivables and deposits are included in this category (Notes 8, 9, 14 and 29).

The combined carrying amounts of financial assets under this category amounted to P2.9 billion and P3.2 billion as of December 31, 2011 and 2010, respectively (Note 29).

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

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

The Company's investments in quoted and unquoted shares are included under "Available-for-sale financial assets" account classified under this category (Note 14).

The carrying amount of financial assets under this category amounted to P2.7 million as of December 31, 2011 and 2010, respectively (Note 29).

### **Financial Liabilities**

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

Included in this category are the Company's trade and other payables and interest-bearing loans (Notes 17 and 19).

The combined carrying amounts of financial liabilities under this category amounted to P1.6 billion and P1.9 billion as of December 31, 2011 and 2010, respectively (Note 29).

### **Debt Issue Costs**

Debt issue costs are considered as an adjustment to the effective yield of the related debt and are deferred and amortized using the effective interest rate method. When a loan is paid, the related unamortized debt issue costs at the date of repayment are recognized in profit or loss.

### **Derivative Financial Instruments and Hedging**

***Derivative Financial Instruments.*** The Company uses interest rate swaps to manage its interest rate exposures on floating rate peso debt. In addition, the Company has identified and bifurcated embedded foreign currency derivatives from certain non-financial contracts.

Derivative financial instruments are recognized and measured in the consolidated statements of financial position at fair values. The accounting of the resulting gain or loss will depend on whether the derivative is designated as a hedge of an identified risk and qualifies for hedge accounting treatment. The objective of hedge accounting is to match the impact of the hedged item and the hedging instrument in the consolidated statements of income. In applying hedge accounting, an entity must comply with such requirements as the designation of the derivative to an identified risk exposure, preparation of adequate hedge documentation, assessment and measurement of hedge effectiveness testing, and in the case of a cash flow hedge, establishing the probability of occurrence of the forecasted transaction.

Upon inception of the hedge, the Company documents the relationship between the hedging instrument and the hedged item, its risk management objective and strategy for undertaking various hedge transactions, the details of the hedging instrument and the hedged item, and the hedge effectiveness assessment methodology (both at hedge inception and on an ongoing basis). Effectiveness on the hedge is periodically measured, with any ineffectiveness being reported immediately in the consolidated statements of income.

As of December 31, 2011 and 2010, the Company has no derivative financial instruments (see Note 29).

***Cash Flow Hedge.*** A cash flow hedge is a hedge of the exposure to variability in future cash flows related to a recognized asset, liability or a forecasted transaction. Changes in the fair value of a hedging instrument that qualifies as a highly effective cash flow hedge are recognized in "Other reserves" account, which is a component of equity. Any hedge ineffectiveness is immediately recognized in the consolidated statements of income.

Where the forecasted transaction results in the recognition of an asset or liability, the gains and losses previously included in other reserves are included in the initial measurement of the asset or liability. Otherwise, amounts recorded in equity are transferred to the consolidated statements of income in the same period in which the forecasted transaction affects the consolidated statements of income.

Hedge accounting is discontinued prospectively when the hedge ceases to be highly effective. When hedge accounting is discontinued, the cumulative gain or loss on the hedging instrument that has been reported in other reserves is retained in equity until the hedged transaction impacts earnings. When the forecasted transaction is no longer expected to occur, any net cumulative gain or loss previously reported in other reserves is recognized immediately in the consolidated statements of income.

As of December 31, 2011 and 2010, the Company has no outstanding derivatives accounted for as cash flow hedge (see Note 29).

*Derivative Instruments Not Accounted for as Hedges.* For derivatives that are not designated or do not qualify as hedges, changes in the fair values of such transactions are recognized in the consolidated statements of income.

#### Derecognition of Financial Assets and Liabilities

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

- the right to receive cash flows from the asset have expired; or
- the Company 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 Company has transferred its rights to receive cash flows from the asset and either: (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred the control of the asset.

When the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Company’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 Company could be required to repay.

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

#### Impairment of Financial Assets

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

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

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

Evidence of impairment for specific impairment purposes may include indications that the borrower or a group of borrowers is experiencing financial difficulty, default or delinquency in principal or interest payments, or may enter into bankruptcy or other form of financial reorganization intended to alleviate the financial condition of the borrower. For collective impairment purposes, evidence of impairment may include observable data on existing economic conditions or industry-wide developments indicating that there is a measurable decrease in the estimated future cash flows of the related assets.

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

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

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



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

#### **Offsetting Financial Instruments**

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

#### **Spare Parts and Supplies**

Spare parts and supplies are stated at the lower of cost and net realizable value (current replacement cost). Cost is determined using the weighted average method.

#### **Investment in an Associate**

The Parent Company'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 Parent Company has significant influence and which is neither a subsidiary nor a joint venture. Significant influence is presumed to exist when the Parent Company holds between 20 and 50 percent of the voting power of another entity.

Under the equity method, the investment in the associate is initially recognized at cost and the carrying amount is increased or decreased to recognize the Parent Company's share of the profit or loss of the associate after the date of acquisition. The Parent Company's share in the profit or loss of the associate is recognized in the Parent Company's profit or loss. Dividends received from the associate reduce the carrying amount of the investment. Adjustments to the carrying amount, may also be necessary for changes in the Parent Company'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.

After application of the equity method, the Parent Company determines whether it is necessary to recognize any additional impairment loss with respect to the Parent Company's net investment in the associate. Profits and losses resulting from transactions between the Parent Company and the associate are eliminated to the extent of the interest in the associate.

The financial statements of the associate are prepared for the same reporting period as the Parent Company. The accounting policies of the associate conform to those used by the Parent Company 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 in value. 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 Company and the cost of the items can be measured reliably.

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

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

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

	Number of Years
Port facilities and equipment	2 - 25 years or life of the operating contract, whichever is shorter
Leasehold improvements	2 - 40 years or term of the lease, whichever is shorter
Furniture, fixtures and equipment	5 years
Transportation and other equipment	4 - 5 years

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

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

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

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

#### Intangible Assets

##### *Service Concession*

The Company recognizes an intangible asset arising from a service concession arrangement when it has a right to charge for usage of the concession infrastructure. Intangible assets acquired in a service concession arrangement are measured on initial recognition at cost. Subsequent to initial recognition, the intangible asset is measured at cost less accumulated amortization and impairment losses, if any.

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 economic lives, 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 the consolidated statements of income 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 the consolidated statements of income and measured as the difference between the net disposal proceeds and the carrying amount of the asset.

##### *Goodwill*

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of the business combination over the Company'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. Where part of the operation within the investment is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

### Impairment of Non-financial Assets

The carrying amounts of investment in an associate, property and equipment, and intangible assets 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 the consolidated statements of income 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 a 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 Company 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

#### *Common Shares*

Common shares are 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.

### Revenue Recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, net of discounts, rebates and applicable taxes.

The following are specific recognition policies of the Company:

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

#### Cost and Expense Recognition

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

#### Leases

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

- (a) there is a change in contractual terms, other than a renewal or extension of the arrangement;
- (b) a renewal option is exercised or extension granted, unless the term of the renewal or extension was initially included in the lease term;
- (c) there is a change in the determination of whether fulfillment is dependent on a specific asset; and
- (d) there is a substantial change to the asset.

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

#### *Operating Lease*

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

#### Pension

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

All actuarial gains and losses in the period in which they occur are recognized outside profit or loss in the consolidated statements of comprehensive income.

The past service cost is recognized as an expense on a straight-line basis over the average period until the benefits become vested. If the benefits are already vested immediately following the introduction of, or changes to, a pension plan, past service cost is recognized immediately.

The defined benefit asset or liability comprises the present value of the defined benefit obligation less unamortized past service cost and 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 sum of any past service cost not yet recognized and 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.

#### Borrowing Costs

Borrowing costs are capitalized if they are directly attributable to the acquisition or construction of a qualifying asset. Capitalization of borrowing costs commences when the activities to prepare the asset are in progress and expenditures and borrowing costs are being incurred. Borrowing costs are capitalized until the assets are substantially ready for their intended use. If the carrying amount of the asset exceeds its recoverable amount, an impairment loss is recognized.

#### Foreign Currency Transactions

The consolidated financial statements are presented in PHP, which is the Parent Company'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 consolidated statements of income. 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 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 income tax liabilities are not provided on non-taxable temporary differences associated with investments in domestic subsidiaries and 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 that have been enacted or substantively enacted by the end of the reporting period.

In determining the amount of current and deferred tax, the Company takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Company 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 Company 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.

#### Discontinued Operations

A discontinued operation is a component of the Company's business that represents a separate major line of business that has been disposed of or is held for sale, or is a subsidiary that has been disposed of. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale. When an operation is classified as a discontinued operation, the comparative consolidated statements of income are re-presented as if the operation had been discontinued from the start of the comparative period and show the results of discontinued operation separate from the results of continuing operation.

#### Related Parties

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 or common significant influence. Related parties may be individuals or corporate entities. Transactions between related parties are on an arm's length basis in a manner similar to transactions with non-related parties.

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

#### Operating Segments

The Company's operating businesses are organized and managed separately according to the lines of business, with each segment representing a strategic business unit that serves different markets. Financial information on business segments is presented in Note 6 to the consolidated financial statements.

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 Company's 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.

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### **5. Significant Accounting Judgments, Estimates and Assumptions**

The preparation of the Company's consolidated financial statements in accordance with PFRS 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 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.

In the process of applying the Company'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:

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

Rent expense charged to profit or loss amounted to P52.8 million, P54.8 million, and P76.1 million in 2011, 2010 and 2009, respectively (Note 21).

*Determining Fair Values of Financial Instruments.* Where the fair values of financial assets and financial liabilities recorded in the consolidated statements of financial position cannot be based on active markets, they are determined using a wide range of valuation techniques that include the use of mathematical models. The Company uses judgment to select from a variety of valuation models and make assumptions regarding considerations of liquidity and model inputs such as correlation and volatility for longer dated financial instruments. The input to these models is taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair value.

Fair values of financial instruments are discussed in Note 29 to the consolidated financial statements.

*Allowance for Impairment Losses on Trade and Other Receivables.* Provisions are made for specific and groups of accounts, where objective evidence of impairment exists. The Company evaluates these accounts on the basis of factors that affect the collectibility of the accounts. These factors include, but are not limited to, the length of the Company's relationship with the customers and counterparties, the customers' current credit status based on third party credit reports and known market forces, average age of accounts, collection experience, and historical loss experience. The amount and timing of recorded expenses for any period would differ if the Company made different judgments or utilized different methodologies. An increase in allowance for impairment losses would increase the recorded operating expenses and decrease current assets.



The allowance for impairment losses amounted to P24.0 million as of December 31, 2011 and 2010, respectively. The carrying amounts of trade and other receivables amounted to P361.0 million and P877.9 million as of December 31, 2011 and 2010, respectively (Note 9).

***Spare Parts and Supplies Valuation.*** The Company writes down spare parts and supplies for estimated obsolescence or non-moving items equal to the difference between the cost and the estimated net realizable value based on assumptions about future use and technology that would affect replacement cost of spare parts and supplies.

The cost of spare parts and supplies amounted to P201.6 million and P180.8 million as of December 31, 2011 and 2010, respectively. The net realizable values of spare parts and supplies are lower than cost by P29.8 million as of December 31, 2011 and P27.6 million as of December 31, 2010. The carrying amounts of spare parts and supplies amounted to P171.8 million and P153.2 million as of December 31, 2011 and 2010, respectively.

***Provisions for Claims.*** The Company 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 the assistance of outside legal counsel.

The carrying amounts of provision for claims amounted to P88.0 million and P46.5 million as of December 31, 2011 and 2010, respectively (see Note 18).

***Estimated Useful Lives of Property and Equipment and Intangible Assets with Definite Useful Lives.*** The Company reviews annually the estimated useful lives of property and equipment and intangible assets with definite useful lives based on expected asset utilization, market demands and future technological developments consistent with the Company's pursuit of constant modernization of equipment fleet to ensure the availability, reliability and cost-efficiency of the equipment. It is possible that the factors mentioned may change in the future, which could cause a change in estimated useful lives. A reduction in the estimated useful lives could cause a significant increase in depreciation and amortization of property and equipment and intangible assets with definite useful lives.

The carrying amount of property and equipment amounted to P0.4 billion as of December 31, 2011 and 2010, respectively (see Note 12). The carrying amount of intangible assets amounted to P5.3 billion and P5.1 billion as of December 31, 2011 and 2010, respectively (see Note 13).

***Asset Impairment.*** The Company assesses impairment on property and equipment, intangible assets and investment in an associate whenever events or changes in circumstances indicate that the carrying amount of the asset may no longer be recoverable. The factors that the Company considers important which could trigger an impairment review include the following:

- significant underperformance related to the expected or projected operating results;
- significant changes in the manner of use of the assets; and
- significant negative industry or economic trends.



The Company determined that there are no impairment indicators related to its property and equipment, intangible assets and investment in an associate. The carrying amounts of investment in an associate amounted to P60.3 million and P66.7 million as of December 31, 2011 and 2010, respectively (see Note 11). There were no accumulated impairment losses as of December 31, 2011 and 2010 (see Notes 12 and 13).

*Impairment of Goodwill.* The Company determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of ATIB, the cash-generating unit to which the goodwill is allocated. Estimating the value in use requires the Company to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

The carrying amount of goodwill amounted to P42.1 million as of December 31, 2011 and 2010 (see Note 13). There are no impairment losses as of December 31, 2011 and 2010.

*Deferred Tax Assets.* Management uses judgment in reviewing the carrying amount of deferred tax assets. Deferred tax assets are reviewed at each reporting date and reduced to the extent that is no longer probable that sufficient taxable profit will be available to allow all or part of such deferred tax assets to be utilized.

There is no unrecognized deferred tax asset as of December 31, 2011 and 2010. The carrying amounts of deferred tax assets (gross of deferred tax liabilities) amounted to P96.5 million and P76.3 million as of December 31, 2011 and 2010, respectively (see Note 15).

*Pension Cost.* The determination of the obligation and cost for pension benefits is dependent on the selection of certain assumptions used by the Company and its actuary in calculating such amounts. Those assumptions are described in Note 24 to the consolidated financial statements and included among others, discount rate, expected rate of return on plan assets and salary increase rate. While it is believed that the Company's assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the Company's pension obligations.

Pension liability recognized by ATI as of December 31, 2011 amounted to P32.7 million and pension asset recognized by ATI as of December 31, 2010 amounted to P12.0 million. Pension liability recognized by ATIB as of December 31, 2011 and 2010 amounted to P11.5 million and P11.3 million, respectively (see Note 24).

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## **6. Segment Information**

For management reporting purposes, the Company is organized into two major lines of business: (1) Ports and (2) Non-Port. The lines of business are the basis on which the Company reports its operating segment information. The Ports segment provides services related to the handling of containers to and from vessels, loading and unloading of cargoes, storage and operation of passenger shipping terminal. The Non-Port segment provides services such as planning, implementing and controlling the efficient, cost-effective and just-in-time flow and storage of raw materials, in-process inventories and finished goods.

There are no inter-segment revenues in 2011, 2010 and 2009.

Mariveles Grains Terminal (MGT), the significant unit in the Non-Port segment of the Company, was discontinued as a result of the sale of Mariveles Grain Corporation (MGC) in August 2010 (see Note 7). Consequently, the Company's segment information became exclusively Ports in 2010.

Information with regard to the Company's significant business segments is shown below.

	2011			2010			2009		
	Ports	Non-Ports	Total	Ports	Non-Ports (Discontinued)	Total	Ports	Non-Port	Total
<i>(In Thousands)</i>									
Revenue	P4,390,611	P -	P4,390,611	P4,526,282	P226,000	P4,752,282	P3,695,188	P517,555	P4,212,743
Intangible assets (excluding goodwill)	5,227,636	-	5,227,636	5,142,810	-	5,142,810	4,672,973	-	4,672,973
Property and equipment - net	397,918	-	397,918	412,463	-	412,463	328,902	1,389,277	1,718,179
Total assets	9,252,474	-	9,252,474	9,198,921	-	9,198,921	6,340,786	1,666,460	8,007,246
Total liabilities	1,773,896	-	1,773,896	2,129,629	-	2,129,629	1,702,192	262,011	1,964,203
Capital expenditures									
Intangible assets	455,646	-	455,646	842,662	-	842,662	120,197	-	120,197
Property and equipment	48,245	-	48,245	58,981	-	58,981	47,161	9,400	56,561
Depreciation and amortization	419,998	-	419,998	391,913	82,462	474,375	400,533	72,233	472,766
Noncash expenses (income) other than depreciation and amortization	2,204	-	2,204	(84)	(1,680)	(1,764)	(1,285)	-	(1,285)

The Company operates principally in one geographical location, which is Philippines.

The Company does not have a single external customer from which revenue generated amounted to 10% or more of the total revenues of the Company.

The carrying amounts of investment in SCIPSI of P60.3 million and P66.7 million as of December 31, 2011 and 2010, respectively (see Note 11), and related equity in net earnings of P20.5 million and P19.7 million in 2011 and 2010, respectively, are included in the Ports segment.

## 7. Discontinued Operations

ATI has the right to develop and operate a bulk grain terminal in Mariveles, Bataan or the MGT for a period of 20 years until 2013. A 20-year lease agreement with the Province of Bataan covering the land occupied by MGT for a similar period was contracted in 1993, and the lease is renewable for another 20 years under terms and conditions mutually acceptable to the parties.

On October 4, 2007, the Company, thru a Deed of Assignment, assigned its property and equipment in MGT amounting to P1.5 billion as payment for its subscription to shares of stock of MGC. On November 27, 2007, the SEC approved the increase in the authorized capital stock of MGC to 1,500,000,000 shares. On December 4, 2007, a tax free exchange ruling was obtained from the BIR for the exchange of property and equipment of the Company with shares of stock of MGC.

A special Stockholders' Meeting was held on July 30, 2010 whereby 1,793,430,023 shares (89.67%) or more than 2/3 of the outstanding capital stock resolved to offer and sell all the shares of the Parent Company in MGC to Philippine Grain International Corporation (Purchaser). Closing of the transaction was on August 9, 2010 with the submission of the closing deliverables to the Purchaser. Control of the MGT facility was transferred to the Purchaser and ATI received the proceeds of the transaction (net of the amount in escrow) on the same day.

As required by PFRS 5, *Non-current Assets Held for Sale and Discontinued Operations*, the results of operations of MGT was presented as a separate item under "Income from Discontinued Operations-Net of Tax" in the consolidated statements of income. MGT was not a discontinued operation and was not classified as held for sale in December 31, 2009. The comparative figures for the consolidated statements of income for the years ended December 31, 2009 have been restated to show the discontinued operations separately from continuing operations.

The results of discontinued operations are presented below:

	<i>Note</i>	2010	2009
<i>(In Thousands)</i>			
Revenues		P226,000	P437,210
Costs and expenses		(203,305)	(317,182)
Other income - net		274,873	30,688
Income before income tax		297,568	150,716
Income tax expense	15		
Current		89,270	45,462
Deferred		(17,924)	(4,867)
		71,346	40,595
Income from discontinued operations		226,222	110,121
Gain on sale of investment - net of tax of P53.7million		326,553	-
Net income from discontinued operations		P552,775	P110,121
Attributable to:			
Owners of the parent company		P552,775	P110,121
Non-controlling interest		-	-
		P552,775	P110,121
Basic/diluted earnings per share attributable to owners of the Parent Company	25	P0.27	P0.05

Cash flows provided by discontinued operations are presented below:

	2010	2009
<i>(In Thousands)</i>		
Net cash used in operating activities	(P344,657)	(P94,348)
Net cash provided by (used in) investing activities	1,999,902	(8,425)
Net cash provided by (used in) discontinued operations	P1,655,245	(P102,773)

The effect of disposal on the consolidated financial position of the Company is as follows:

	2010
	<i>(In Thousands)</i>
Cash and cash equivalents	P98
Trade and other receivables - net	297,180
Spare parts and supplies - at net realizable value	7,703
Prepaid expenses	152,109
Property and equipment - net	1,010,645
Income and other taxes payable	(372)
<b>Net assets disposed of</b>	<b>P1,467,363</b>
Cash consideration received	P2,000,000
Less cash and cash equivalents disposed of	98
<b>Net cash inflows</b>	<b>P1,999,902</b>

#### 8. Cash and Cash Equivalents

	2011	2010
	<i>(In Thousands)</i>	
Cash on hand and in banks	P145,336	P184,339
Short-term investments	2,367,639	2,129,014
	<b>P2,512,975</b>	<b>P2,313,353</b>

Cash in banks earns interest at floating rates based on daily bank deposit rates. Short-term investments are made for varying periods of between one and thirty days depending on the cash requirements of the Company, and earn interest at the prevailing short-term deposit rates.

#### 9. Trade and Other Receivables

	<i>Note</i>	2011	2010
		<i>(In Thousands)</i>	
Trade receivables		P247,338	P279,601
Receivable from escrow fund	7	15,481	309,807
Receivable from insurance		99,671	293,750
Receivable from pension fund		11,203	4,384
Amounts due from related parties	23	1,379	1,737
Other receivables		9,884	12,668
		<b>384,956</b>	<b>901,947</b>
Allowance for impairment losses		(24,003)	(24,015)
		<b>P360,953</b>	<b>P877,932</b>

Trade receivables and other nontrade receivables are noninterest-bearing and are short-term in nature.

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

	Individually Impaired	Collectively Impaired	Total
	<i>(In Thousands)</i>		
Balance at December 31, 2009	P17,208	P6,891	P24,099
Provisions during the year	143	9,421	9,564
Reversals during the year	(9,648)	-	(9,648)
Write-offs during the year	-	-	-
Balance at December 31, 2010	7,703	16,312	24,015
Provisions during the year	-	2,746	2,746
Reversals during the year	(2,746)	-	(2,746)
Write-offs during the year	(12)	-	(12)
<b>Balance at December 31, 2011</b>	<b>P4,945</b>	<b>P19,058</b>	<b>P24,003</b>

As of December 31, 2011 and 2010, the aging analysis of trade and other receivables is as follows:

#### 2011

	Total	Neither Past Due nor Impaired	Past Due but Not Impaired				Past Due and Impaired
			<30 Days	30-60 Days	61-90 Days	Over 90 Days	
	<i>(In Thousands)</i>						
Trade receivables	P247,339	P232,309	P -	P -	P -	P -	P15,030
Advances and other nontrade receivables	137,617	128,644	-	-	-	-	8,973
	<b>P384,956</b>	<b>P360,953</b>	<b>P -</b>	<b>P -</b>	<b>P -</b>	<b>P -</b>	<b>P24,003</b>

#### 2010

	Total	Neither Past Due nor Impaired	Past Due but Not Impaired				Past Due and Impaired
			<30 Days	30-60 Days	61-90 Days	Over 90 Days	
	<i>(In Thousands)</i>						
Trade receivables	P279,601	P253,107	P11,452	P -	P -	P -	P15,042
Advances and other nontrade receivables	622,346	613,373	-	-	-	-	8,973
	<b>P901,947</b>	<b>P866,480</b>	<b>P11,452</b>	<b>P -</b>	<b>P -</b>	<b>P -</b>	<b>P24,015</b>

### 10. Prepaid Expenses

	Note	2011	2010
		<i>(In Thousands)</i>	
Advances to contractors		<b>P207,158</b>	P -
Insurance		<b>60,219</b>	46,425
Taxes		<b>9,163</b>	35,424
Rental	14	<b>8,861</b>	7,262
Others		<b>14,066</b>	6,369
		<b>P299,467</b>	<b>P95,480</b>

## 11. 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 portage, in Makar Wharf, General Santos City, Philippines. SCIPSI is not listed in any public exchange. The carrying amounts of investment in an associate are P60.3 million and P66.7 million as of December 31, 2011 and 2010, respectively.

The following table illustrates summarized financial information of SCIPSI:

	2011	2010
	<i>(In Thousands)</i>	
Current assets	P132,771	P162,635
Noncurrent assets	34,193	21,188
<b>Total assets</b>	<b>P166,964</b>	<b>P183,823</b>
Current liabilities	P22,230	P18,997
Noncurrent liabilities	-	3,436
<b>Total liabilities</b>	<b>P22,230</b>	<b>P22,433</b>
Revenue	P194,526	P182,442
Expenses	136,783	127,254
<b>Net income</b>	<b>P57,743</b>	<b>P55,188</b>

Total dividend income of P26.9 million was received in 2011 (P5.4 million on February 21, 2011 and P21.5 million on September 30, 2011). Dividend income of P17.9 million was received in April 2010.

## 12. Property and Equipment

The movements in this account are as follows:

### 2011

	Port Facilities and Equipment	Leasehold Improvements	Furniture, Fixtures and Equipment	Transportation and Other Equipment	Construction In-progress	Total
	<i>(In Thousands)</i>					
<b>Cost</b>						
Balance at beginning of year	P165,738	P519,426	P512,331	P126,930	P10,955	P1,335,380
Additions	800	1,721	28,017	5,062	12,645	48,245
Disposals	-	-	(1,330)	(5,825)	-	(7,155)
Reclassifications	-	-	8,968	553	(9,521)	-
Retirements	-	(971)	(50,220)	(19,432)	-	(70,623)
<b>Balance at end of year</b>	<b>166,538</b>	<b>520,176</b>	<b>497,766</b>	<b>107,288</b>	<b>14,079</b>	<b>1,305,847</b>
<b>Accumulated depreciation and amortization</b>						
Balance at beginning of year	111,822	281,031	442,143	87,921	-	922,917
Additions	11,728	11,174	21,981	11,071	-	55,954
Disposals	-	-	(1,268)	(5,424)	-	(6,692)
Reclassifications	-	-	-	-	-	-
Retirements	-	(968)	(43,850)	(19,432)	-	(64,250)
<b>Balance at end of year</b>	<b>123,550</b>	<b>291,237</b>	<b>419,006</b>	<b>74,136</b>	<b>-</b>	<b>907,929</b>
<b>Net book value</b>	<b>P42,988</b>	<b>P228,939</b>	<b>P78,760</b>	<b>P33,152</b>	<b>P14,079</b>	<b>P397,918</b>

## 2010

	Port Facilities and Equipment	Bulk Grain Terminal	Leasehold Improvements	Furniture, Fixtures and Equipment	Transportation and Other Equipment	Construction In-progress	Total
<i>(In Thousands)</i>							
<b>Cost</b>							
Balance at beginning of year	P197,400	P2,037,260	P581,158	P480,330	P130,595	P29,943	P3,456,686
Additions	-	8,878	2,330	47,278	15,011	(14,516)	58,981
Disposals	-	-	-	(537)	(5,622)	-	(6,159)
Reclassifications	-	-	-	-	-	-	-
Retirements	(31,662)	(2,046,138)	(64,062)	(14,740)	(13,054)	(4,472)	(2,174,128)
Balance at end of year	165,738	-	519,426	512,331	126,930	10,955	1,335,380
<b>Accumulated depreciation and amortization</b>							
Balance at beginning of year	126,559	756,196	306,373	457,110	92,269	-	1,738,507
Additions	11,567	78,437	13,354	15,360	11,910	-	130,628
Disposals	-	-	-	(475)	(5,405)	-	(5,880)
Reclassifications	-	-	-	(21,976)	-	-	(21,976)
Retirements	(26,304)	(834,633)	(38,696)	(7,876)	(10,853)	-	(918,362)
Balance at end of year	111,822	-	281,031	442,143	87,921	-	922,917
Net book value	P53,916	P -	P238,395	P70,188	P39,009	P10,955	P412,463

No borrowing costs were capitalized in 2011 and 2010.

### 13. Intangible Assets

	2011	2010
<i>(In Thousands)</i>		
Service concession	P5,227,636	P5,142,810
Goodwill	42,060	42,060
	P5,269,696	P5,184,870

The movements of the intangible asset which relate to the service concession are as follows:

	2011	2010
<i>(In Thousands)</i>		
<b>Cost</b>		
Balance at beginning of year	P8,154,734	P7,432,086
Additions	455,646	842,662
Derecognition	(69,636)	(120,014)
Balance at end of year	8,540,744	8,154,734
<b>Accumulated amortization</b>		
Balance at beginning of year	3,011,924	2,759,113
Amortization for the year	364,044	343,747
Derecognition	(62,860)	(90,936)
Balance at end of year	3,313,108	3,011,924
<b>Carrying amount</b>	P5,227,636	P5,142,810

#### Service Concession

Service concession represents property and equipment which is the subject of the concession arrangement that will be transferred, on an "as is" basis, to the PPA at the end of the term of the contracts (see Notes 2 and 27). No borrowing costs were capitalized in 2011 and 2010. The unamortized capitalized borrowing costs as of December 31, 2011 and 2010 amounted to P108.6 million and P113.8 million, respectively.

## Goodwill

### *Key Assumptions*

In testing impairment of goodwill, the recoverable amount of ATIB is the value in use, which has been determined by calculating the present value of cash flow projections from the operations of ATIB for the remaining period of the term of its long-term contract with the PPA. The growth rate used of 3% is consistent with the long-term average growth rate for the industry. The discount rate applied to cash flow projections is 8.72% in 2011 and 10.29% in 2010. Management believes that no reasonably possible change in the key assumptions would cause the carrying amount of the investment in ATIB to which the goodwill relates to materially exceed its recoverable amount.

### *Sensitivity to Changes in Assumptions*

The estimated recoverable amount of ATIB exceeds its carrying amount by approximately P115.7 million and P229.1 million in 2011 and 2010, 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.

## **14. Other Financial Assets**

	<i>Note</i>	<b>2011</b>	<b>2010</b>
		<i>(In Thousands)</i>	
Deposits	29	<b>P22,278</b>	P21,111
Available-for-sale financial assets	29	<b>2,652</b>	2,652
		<b>P24,930</b>	P23,763

Deposits mainly represent payments related to property leases and utilities. This account includes noninterest-bearing rental deposits on two lease agreements in 2009 that were carried at fair value as of initial recognition determined based on the present value of future cash flows discounted using effective interest rates of 13.26% and 15.61%. In 2010, one of the lease agreements was transferred to MGC. The carrying amounts of these deposits at amortized cost amounted to P5.0 million and P4.3 million as of December 31, 2011 and 2010, respectively. The difference between the original amount of noninterest-bearing rental deposits and their present values at "Day 1" qualified for recognition as prepaid rental. The prepaid rental (included in current and noncurrent prepayment) amounted to P9.2 million and P10.2 million as of December 31, 2011 and 2010, respectively.

The current portion of such prepaid rental, presented under "Prepaid expenses - rental" amounted to P1.0 million as of December 31, 2011 and 2010.

Available-for-sale financial assets consist of investments in quoted and unquoted shares.



## 15. Income Tax

The components of deferred tax assets and liabilities are as follows:

	2011	2010
	<i>(In Thousands)</i>	
Deferred tax assets:		
Pension liability	P41,650	P37,823
Provisions for claims	26,409	13,946
Excess of cost over net realizable value of spare parts and supplies	8,951	8,287
Accrued operating lease	7,920	7,286
Rental deposit	2,109	2,029
Impairment losses on receivables	6,919	6,922
Unrealized foreign exchange losses	2,584	-
	96,542	76,293
Less deferred tax liabilities:		
Capitalized borrowing costs and custom duties	36,138	38,173
Debt issue costs	-	601
Unrealized foreign exchange gains	-	235
	36,138	39,009
Net deferred tax assets	P60,404	P37,284

Deferred income tax related to items charged directly to equity is as follows:

	2011	2010	2009
	<i>(In Thousands)</i>		
Actuarial gains (losses)	(P10,518)	(P16,329)	P19,123
Changes in fair value of interest rate swap	-	-	7,397
Income tax expense (benefit) reported in equity	(P10,518)	(P16,329)	P26,520

The details of the Company's income tax expense from continuing and discontinued operations for the years ended December 31 is as follows:

	2011	2010	2009
	<i>(In Thousands)</i>		
Income tax expense from continuing operations	P617,209	P609,332	P411,895
Income tax expense from discontinued operations (excluding gain on sale)	-	71,346	40,595
Total income tax expense	P617,209	P680,678	P452,490

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

	2011	2010	2009
Statutory income tax rate	30.00%	30.00%	30.00%
Changes in income tax rate resulting from:			
Nondeductible expenses and others	0.41	0.16	0.21
Income subjected to final tax	(1.09)	(0.74)	(1.23)
Income subject to capital gains tax	-	(5.12)	-
Income tax holiday (ITH) incentives availed (see Note 26)	-	-	(0.63)
Others	(1.34)	(0.21)	(0.33)
Effective income tax rate	27.98%	24.09%	28.02%

#### 16. Other Noncurrent Assets

	Note	2011	2010
		<i>(In Thousands)</i>	
Prepaid expenses		P93,991	P21,926
Pension asset	24	-	12,015
		P93,991	P33,941

#### 17. Trade and Other Payables

	Note	2011	2010
		<i>(In Thousands)</i>	
Trade		P77,795	P44,624
Accrued expenses:			
Personnel costs		132,451	151,949
Rental	27	61,763	61,043
Repairs and maintenance		57,689	33,118
Finance costs	19	16,358	25,757
Security expenses		10,009	10,962
Professional fees		9,177	23,018
Safety and environment		2,175	3,530
Others		193,407	212,850
Dividends		500,000	-
Due to government agencies	27	308,536	298,824
Equipment acquisitions		79,858	605,699
Shippers' and brokers' deposits		34,927	31,434
Due to related parties	23	6,853	9,621
Others		59,384	42,433
		P1,550,382	P1,554,862

Following are the terms and conditions of the above financial 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 financial liabilities are non interest-bearing and are normally settled within twelve months from inception date.

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#### 18. Provisions for Claims

	2011	2010
	<i>(In Thousands)</i>	
Balance at beginning of year	P46,487	P53,014
Provisions during the year	50,276	1,973
Payments during the year	(8,734)	(8,500)
Balance at end of year	P88,029	P46,487

Provisions relate to property, equipment and cargo damage and other claims, which were recognized in connection with services rendered during the year. It is expected that most of these provisions will be settled within the next financial year or on demand.

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#### 19. Interest-bearing Loan

This account consists of long-term debt.

##### Long-term Debt

	2010
	<i>(In Thousands)</i>
<b>Non-Current</b>	
Syndicated fixed rate notes (FRN) - Tranche 3	P300,000
Unamortized debt issue costs	(2,002)
	P297,998

ATI prepaid long-term debt totaling P300 million in 2011 and P550 million in 2010, with pretermination penalty of P15 million and P27.5 million, respectively.

The other significant terms of the foregoing long-term debt are summarized below:

Syndicated FFRN - Tranche 3 is payable lump sum at various maturities. Prior to the maturity dates, the Company may redeem, in whole but not a part of, any of the relevant outstanding 5-year and 10-year fixed notes starting at the end of the 3<sup>rd</sup> and 7<sup>th</sup> year, respectively.

The amount payable to the noteholders in respect of such early redemption shall be the amount calculated by the Facility Agent as the present value of the remaining cash flows of the notes discounted at the yield of the “comparable benchmark tenor” as shown on the MART 1 page of Bloomberg on the second business day preceding the early redemption date, provided, however, that the early redemption amount shall not exceed 105% nor be less than 100% of the principal amount of the notes being earlier redeemed; provided further, that in all instances of early redemption, the Company shall pay the noteholders accrued interest on the principal amount of the notes redeemed.

Interest rate per annum on unsecured long-term debt, ranges from 1.26% to 5.80% in 2011, 8.88% to 14.74% in 2010 and 6.60% to 14.74% in 2009.

The loan agreements require, among others, maintenance of debt to equity ratio not to exceed 2.5 to 1 and prior consent of the creditor on the declaration of cash dividends in excess of 50% of the Parent Company’s retained earnings; merger or consolidation; mortgage or disposal of all or substantially all of its assets; prepayment on any long-term loans unless a proportionate prepayment of other long-term loans is made and extension of credit or investments and granting of advances, except those necessary in the ordinary course of business. The Company has complied with all of the provisions of the loan agreements as of December 31, 2011.

## 20. 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 Company were registered and may be offered for sale at an offer price of P5.10 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 Company and may be offered for sale at an offer price of P1.00 per common share. As of December 31, 2011, the Company has a total of 2 billion issued and outstanding common shares and 910 stockholders.

### Common Stock - P1 Par Value

The Company has authorized, issued and fully paid capital stock of 2,000,000,000 common shares as of December 31, 2011 and 2010.

### Retained Earnings

The balance of the Company’s retained earnings includes a subsidiary and an associate’s undistributed net earnings of P208.0 million and P171.9 million as of December 31, 2011 and 2010, respectively, which are available for distribution only upon declaration of dividends by such subsidiary and associate to the Parent Company. Cash dividends are distributed yearly since 2000.

### Other Reserves

	2011	2010	2009
		(In Thousands)	
Balance at beginning of year	(P20,001)	(P20,001)	(P57,136)
Reversal of other reserves	14,181	-	-
Net gains recognized directly in equity	-	-	37,135
Balance at end of year	(P5,820)	(P20,001)	(P20,001)

Other reserves represents unrealized loss on AFS financial assets and fair value gains on cash flow hedges, net of tax.

**21. Costs and Expenses**

	<i>Note</i>	<b>2011</b>	<b>2010</b>	<b>2009</b>
<i>(In Thousands)</i>				
Labor costs	23, 24	<b>P798,186</b>	<b>P825,031</b>	<b>P740,195</b>
Equipment running		<b>470,282</b>	<b>445,133</b>	<b>320,820</b>
Depreciation and amortization	12, 13	<b>419,998</b>	<b>391,913</b>	<b>404,697</b>
Taxes and licenses		<b>135,058</b>	<b>90,257</b>	<b>108,085</b>
Management fees	23	<b>93,822</b>	<b>124,411</b>	<b>65,236</b>
Security, health, environment and safety		<b>73,130</b>	<b>71,801</b>	<b>70,231</b>
Insurance		<b>72,516</b>	<b>55,947</b>	<b>57,239</b>
General transport		<b>57,646</b>	<b>46,745</b>	<b>32,803</b>
Rental	27	<b>52,782</b>	<b>54,831</b>	<b>76,145</b>
Facilities-related expenses		<b>50,324</b>	<b>46,415</b>	<b>33,418</b>
Professional fees		<b>18,478</b>	<b>34,487</b>	<b>30,954</b>
Entertainment, amusement and recreation		<b>4,469</b>	<b>3,891</b>	<b>2,995</b>
Others		<b>113,171</b>	<b>186,494</b>	<b>139,322</b>
		<b>P2,359,862</b>	<b>P2,377,356</b>	<b>P2,082,140</b>

Labor costs include salaries, benefits and pension expense.

Spare parts and supplies used and included under equipment running amounted to P120.8 million, P117.9 million and P101.8 million in 2011, 2010 and 2009, respectively.

**22. Other Income and Expenses**

Finance cost is broken down as follows:

	<i>Note</i>	<b>2011</b>	<b>2010</b>	<b>2009</b>
<i>(In Thousands)</i>				
Interest on bank loans	19	<b>P59,577</b>	<b>P121,238</b>	<b>P283,899</b>
Amortization of debt issue costs	19	<b>2,002</b>	<b>3,434</b>	<b>7,511</b>
Interest component of pension expense	24	<b>155</b>	<b>(8,332)</b>	<b>2,228</b>
		<b>P61,734</b>	<b>P116,340</b>	<b>P293,638</b>

Finance income is broken down as follows:

	<i>Note</i>	<b>2011</b>	<b>2010</b>	<b>2009</b>
<i>(In Thousands)</i>				
Interest on cash in banks and short-term investments	8	<b>P82,452</b>	<b>P43,156</b>	<b>P31,430</b>
Accretion of rental deposits	27	<b>716</b>	<b>613</b>	<b>525</b>
		<b>P83,168</b>	<b>P43,769</b>	<b>P31,955</b>

Others consisted of the following:

<i>Note</i>	<b>2011</b>	<b>2010</b>	<b>2009</b>
	<i>(In Thousands)</i>		
Income from insurance claims	<b>P56,662</b>	<b>P99,551</b>	<b>P -</b>
Equity in net earnings of an associate <i>11</i>	<b>20,489</b>	<b>19,708</b>	<b>17,772</b>
Lease and other income - net	<b>8,830</b>	<b>15,136</b>	<b>19,169</b>
Foreign exchange losses - net	<b>(478)</b>	<b>(9,012)</b>	<b>(4,443)</b>
	<b>P85,503</b>	<b>P125,383</b>	<b>P32,498</b>

Income from insurance claims pertain to claims on damaged quay crane and reach stacker in South Harbor.

### **23. Related Party Transactions**

The Company, in the normal course of business, has transactions with related parties, which are made on an arm's length basis, consist of the following:

- a. The Parent Company's management agreement with POMS was renewed on September 1, 2010 for another five years until August 31, 2015. The terms of the agreement provide for the payment of a monthly management fee equivalent to 5% of ATI's consolidated income before income tax of the immediately preceding month. Management fees (under "Costs and expenses" in the consolidated statements of income) incurred for the years ended December 31, 2011, 2010 and 2009 amounted to P93.8 million, P124.4 million and P70.9 million, respectively. Accrued management fees (included under "Trade and other payables" account in the consolidated statements of financial position) amounted to P6.9 million and P9.6 million as of December 31, 2011 and 2010, respectively.
- b. Advances to DP World South East Asia Regional Office for reimbursable expenses amounted to P0.8 million and P1.2 million as of December 31, 2011 and 2010, respectively. P0.3 million and P0.4 million of the outstanding balances pertain to the transactions made for 2011 and 2010, respectively.
- c. Advances to SCIPSI for reimbursable expenses amounted to P0.5 million and P0.6 million as of December 31, 2011 and 2010, respectively.

None of the balances mentioned above is secured.

Following are the details of compensation of key management personnel of the Company:

	<b>2011</b>	<b>2010</b>	<b>2009</b>
	<i>(In Thousands)</i>		
Short-term employee benefits	<b>P107,333</b>	<b>P89,866</b>	<b>P82,582</b>
Post-employment pension benefits	<b>5,140</b>	<b>2,298</b>	<b>1,222</b>
	<b>P112,473</b>	<b>P92,164</b>	<b>P83,804</b>

## 24. Pensions

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		
	2011	2010	2009	2011	2010	2009
	<i>(In Thousands)</i>					
Current service cost	P23,022	P24,885	P19,543	P1,437	P983	P1,578
Interest cost	27,866	26,564	28,846	2,222	1,747	2,408
Expected return on plan assets	(28,716)	(35,555)	(28,133)	(1,217)	(1,088)	(860)
Pension expense	P22,172	P15,894	P20,256	P2,442	P1,642	P3,126
Actual return on plan assets	P43,217	P40,528	P59,254	P1,891	P1,664	P1,409

Current service cost is included in "Costs and expenses" account in the consolidated statements of income. Interest cost, net of expected return on plan assets, is included in "Finance cost" account in the consolidated statements of income.

### Pension Asset (Liability) as of December 31

	ATI			ATIB		
	2011	2010	2009	2011	2010	2009
	<i>(In Thousands)</i>					
Present value of pension obligation	(P414,063)	(P338,181)	(P278,165)	(P31,572)	(P26,118)	(P18,017)
Fair value of plan assets	381,381	350,196	355,556	20,074	14,844	10,879
Pension asset (liability)	(P32,682)	P12,015	P77,391	(P11,498)	(P11,274)	(P7,138)

### Changes in the Present Value of Pension Obligation

	ATI			ATIB		
	2011	2010	2009	2011	2010	2009
	<i>(In Thousands)</i>					
Present value of pension obligation at beginning of year	P338,181	P278,165	P272,644	P26,118	P18,017	P22,337
Interest cost	27,866	26,564	28,846	2,222	1,747	2,408
Current service cost	23,022	24,885	19,543	1,437	983	1,578
Benefits paid	(22,583)	(15,943)	(16,290)	(864)	(154)	(2,812)
Actuarial loss (gain)	47,577	54,455	(26,578)	2,659	5,525	(5,494)
Effect of curtailment	-	(29,945)	-	-	-	-
Present value of pension obligation at end of year	P414,063	P338,181	P278,165	P31,572	P26,118	P18,017

### Changes in the Fair Value of Plan Assets

	ATI			ATIB		
	2011	2010	2009	2011	2010	2009
	<i>(In Thousands)</i>					
Fair value of plan assets at beginning of year	P350,196	P355,556	P312,592	P14,844	P10,879	P12,281
Expected return on plan assets	28,716	35,555	28,133	1,217	1,088	860
Contributions	10,550	-	-	4,203	2,455	-
Benefits paid	(22,583)	(45,888)	(16,290)	(864)	(154)	(2,812)
Actuarial gain	14,502	4,973	31,121	674	576	550
Fair value of plan assets at end of year	P381,381	P350,196	P355,556	P20,074	P14,844	P10,879

The major categories of plan assets as percentages of the fair value of total plan assets are as follows:

	ATI			ATIB		
	2011	2010	2009	2011	2010	2009
Bonds	83.8%	84.9%	80.4%	73.1%	79.7%	68.8%
Equities	10.3%	10.5%	10.2%	18.0%	12.6%	10.5%
Others	5.9%	4.6%	9.4%	8.9%	7.7%	20.7%
	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

The overall expected rate of return on assets is determined based on the market prices prevailing on valuation date, applicable to the period over which the obligation is to be settled.

The cumulative amount of actuarial losses recognized in the consolidated statements of comprehensive income is P54.1 million and P19.0 million as of December 31, 2011 and 2010.

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

	ATI			ATIB		
	2011	2010	2009	2011	2010	2009
Discount rate at end of year	6.4%	8.2%	9.6%	6.5%	8.5%	9.7%
Expected rate of return on plan assets at end of year	8.4%	8.2%	10.0%	8.4%	8.2%	10.0%
Salary increase rate	6.0%	6.0%	5.0%	6.0%	6.0%	5.0%

The historical information for the current and previous four annual periods is as follows:

	ATI				
	2011	2010	2009	2008	2007
	<i>(In Thousands)</i>				
Present value of pension obligation	P414,063	P338,181	P278,165	P272,644	P375,683
Fair value of plan assets	381,381	350,196	355,556	312,592	316,816
Excess (deficit)	(32,682)	12,015	77,391	39,948	(58,867)
Experience adjustments on plan liabilities	18,847	6,803	13,398	(34,162)	(9,974)

	ATIB				
	2011	2010	2009	2008	2007
	<i>(In Thousands)</i>				
Present value of pension obligation	P31,572	P26,118	P18,017	P22,337	P31,002
Fair value of plan assets	20,074	14,844	10,879	12,281	15,015
Deficit	(11,498)	(11,274)	(7,138)	(10,056)	(15,987)
Experience adjustments on plan liabilities	3,432	(163)	3,638	(2,432)	4,099

The Company expects to pay P2.6 million in contributions to defined benefit plans in 2012.



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**25. Earnings Per Share (EPS) Attributable to Owners of the Parent Company**

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Basic EPS is computed as follows:

	2011	2010	2009
(a) Net income attributable to owners of the Parent Company (in thousands)	P1,519,397	P2,144,066	P1,161,677
(b) Net income attributable to owners of the Parent Company (in thousands) - continuing	P1,519,397	P1,591,291	P1,051,556
(c) Weighted average number of common shares outstanding	2,000,000,000	2,000,000,000	2,000,000,000
Basic EPS attributable to owners of the Parent Company (a/c)	P0.76	P1.07	P0.58
Basic EPS attributable to owners of the Parent Company - continuing (b/c)	P0.76	P0.80	P0.53

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.

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**26. Registration with Board of Investments (BOI)**

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The Parent Company has a BOI registration under the Omnibus Investments Code of 1987 (Executive Order No. 226) as a new port operator of domestic passenger terminal and container yard in South Harbor, Manila, granting ITH for six years which ended on August 2009. ITH incentives availed of on domestic terminal operation (DTO) amounted to P10.8 million in 2009.

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**27. Commitments and Contingencies**

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- a. The Parent Company is authorized by the PPA to render cargo handling services at the South Harbor until May 2013. On October 19, 2007, the cargo handling services contract was extended until May 2038 under the terms mutually agreed upon with the PPA.
  - (i) In accordance with the Investment Plan, in the Third Supplement to the Cargo Handling Contract, the Parent Company has committed to invest US\$300.5 million from 2009 to 2022, for the rehabilitation, development and expansion of the South Harbor facilities. The commitment is dependent on container volume, and 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 Company the opportunity of a fair return on investment.
  - (ii) Fees to the PPA
    - For storage operations, the Company shall pay an annual fixed fee of P55 million payable quarterly and a variable fee of 30% of its annual gross storage revenue in excess of P273 million.

- For arrastre operations, the Company shall pay a quarterly fixed fee of US\$1.15 million plus a variable fee of 8% of its total gross income, or 20% of its total quarterly gross income, whichever is higher, until May 2013. After May 2013, the Company shall pay quarterly fixed fee of US\$2.25 million plus a variable fee of 20% of its total gross income.
- For general cargo operations, the Company shall pay 20% of its total gross income collected from arrastre services and 14% of its total gross income collected from stevedoring services for general cargoes.
- For domestic terminal operations, the Company shall pay 10% of its total gross income derived from its domestic cargo handling and passenger terminal operations.

The PPA fees in 2011, 2010 and 2009 amounted to P1.1 billion, P1 billion and P860.4 million, respectively.

The future minimum payments as of December 31 are as follows:

**Storage Operations**

	<b>2011</b>	<b>2010</b>
	<i>(In Thousands)</i>	
Within one year	<b>P55,000</b>	P55,000
After one year but not more than five years	<b>220,000</b>	220,000
After more than five years	<b>1,177,917</b>	1,232,917
	<b>P1,452,917</b>	P1,507,917

**Arrastre Operations - South Harbor**

	<b>2011</b>	<b>2010</b>
	<i>(In Thousands)</i>	
Within one year	<b>US\$4,600</b>	US\$4,600
After one year but not more than five years	<b>34,533</b>	31,600
After more than five years	<b>192,750</b>	201,750
	<b>US\$231,883</b>	US\$237,950

- 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 Company shall pay an annual fixed fee of US\$2.26 million for the first 2 years, US\$4.68 million for the 3<sup>rd</sup> year, US\$5.08 million for the 4<sup>th</sup>-7<sup>th</sup> year, and US\$5.33 million for the 8<sup>th</sup>-25<sup>th</sup> year. The Company shall also pay annual variable fees based on committed yearly percentage share multiplied by whichever is higher of the projected gross income in the bid proposal or actual gross income.

The future minimum payments as of December 31 are as follows:

**Arrastre Operations - Batangas Phase 2**

	<b>2011</b>	<b>2010</b>
		<i>(In Thousands)</i>
Within one year	<b>US\$3,470</b>	<b>US\$2,260</b>
After one year but not more than five years	<b>20,120</b>	<b>19,920</b>
After more than five years	<b>98,480</b>	<b>101,020</b>
	<b>US\$122,070</b>	<b>US\$123,200</b>

c. ATIB has the following lease agreements:

- (i) 5-year lease agreement until February 13, 2012 covering the Passenger Terminal Building 1 at the Port of Batangas, Phase 1 to be used for the purpose of operating a supply base for companies engaged in oil and gas exploration.
- (ii) 10-year lease agreement until October 19, 2015 covering the Terminal Building 3 at the Port of Batangas, Phase 1.
- (iii) 6-year lease agreement with PPA effective August 1, 2009 covering the land for Batangas Phase 1.

The future minimum rentals payable under operating lease as of December 31 are as follows:

	<b>2011</b>	<b>2010</b>
		<i>(In Thousands)</i>
Within one year	<b>P12,828</b>	<b>P19,619</b>
After one year but not more than five years	<b>35,359</b>	<b>48,187</b>
After more than five years	<b>-</b>	<b>-</b>
	<b>P48,187</b>	<b>P67,806</b>

- d. ATIB is authorized by the PPA to render arrastre, stevedoring, storage and related cargo handling services at the Port of Batangas until October 2015. For domestic cargo operations, ATIB shall pay 10% of its domestic cargo revenues. For foreign cargo operations, ATIB shall pay 20% of its foreign cargo revenues. For passenger terminal operations, ATIB shall pay a fixed monthly fee of P0.4 million.
- e. The Parent Company has a 25-year lease agreement until April 2021 covering the land in Calamba, Laguna to be used exclusively as an Inland Container Depot. The future minimum rentals payable under operating leases as of December 31 are as follows:

	<b>2011</b>	<b>2010</b>
		<i>(In Thousands)</i>
Within one year	<b>P11,428</b>	<b>P10,582</b>
After one year but not more than five years	<b>49,443</b>	<b>47,541</b>
After more than five years	<b>73,218</b>	<b>86,547</b>
	<b>P134,089</b>	<b>P144,670</b>

- f. The Company has two undrawn committed borrowing facilities totaling to P500 million as of December 31, 2011 and 2010.
- g. The Company 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 Company's consolidated financial position and consolidated financial performance.

## 28. Financial Risk Management Objectives and Policies

The Company's principal financial instruments comprise of cash and cash equivalents, and loans from banks and other financial institutions. The main purpose of these financial instruments is to raise financing for the Company's capital expenditures and operations. The Company has various financial assets and liabilities such as trade and other receivables, trade and other payables and deposits, which arise directly from its operations. Other financial instruments include AFS financial assets and derivative instruments.

The main risks arising from the Company'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. The Company's accounting policies in relation to derivatives are set out in Note 4.

### Interest Rate Risk

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

As of December 31, 2011 and 2010, the interest rate profile of the Company's interest bearing financial instruments is as follows:

	2011	2010
	<i>(In Thousands)</i>	
<b>Fixed rate instruments</b>		
Cash and cash equivalents	P2,510,829	P2,312,085
Interest-bearing loan	-	297,998
	<b>P2,510,829</b>	<b>P2,610,083</b>

### *Fair Value Sensitivity Analysis for Fixed Rate Instruments*

The Company does not account for any fixed rate financial assets and liabilities at fair value through profit or loss, and the Company does not designate derivatives (interest rate swaps) as hedging instruments under a fair value hedge accounting model. Therefore, a change in interest rates at the reporting date would not affect profit or loss.

### Liquidity Risk

The Company monitors its risk of shortage of funds using a liquidity planning tool. This tool considers the maturity of both the Company's financial investments and financial assets and projected cash flows from operations, among others. The Company'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 Company's financial liabilities based on contractual undiscounted payments:

As of December 31, 2011	Carrying Amount	Contractual Cash Flows					Total
		On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	> 5 Years	
(In Thousands)							
Trade and other payables	P1,550,382	P283,796	P765,467	P501,119	P -	P -	P1,550,382

As of December 31, 2010	Carrying Amount	Contractual Cash Flows					Total
		On Demand	Less than 3 Months	3 to 12 Months	1 to 5 Years	> 5 Years	
(In Thousands)							
Interest-bearing loan	P297,998	P -	P -	P -	P462,924	P -	P462,924
Trade and other payables	1,554,862	486,700	287,917	780,245	-	-	1,554,862
Total	P1,852,860	P486,700	P287,917	P780,245	P462,924	P -	P2,017,786

### Credit Risk

The Company trades only with recognized, creditworthy third parties. It is the Company'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 Company's exposure to bad debts is not significant. A regular/annual review and evaluation of accounts is being executed to assess the credit standing of customers. In addition, a portion of revenues is on cash basis.

With respect to credit risk arising from the other financial assets of the Company, which comprise cash in bank and cash equivalents, trade receivables, deposits and AFS financial assets, the Company's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments. Since the Company trades only with recognized third parties, there is no requirement for collateral.

Financial information on the Company's maximum exposure to credit risk as of December 31, 2011 and 2010, without considering the effects of collaterals and other risk mitigation techniques, is presented below.

	<i>Note</i>	2011	2010
Cash and cash equivalents	8	P2,510,829	P2,312,085
Trade and other receivables - net	9	360,953	877,932
Deposits	14	22,278	21,111
AFS financial assets	14	2,652	2,652
		P2,896,712	P3,213,780

There are no significant concentrations of credit risk within the Company. Of the total trade and other receivables which are neither past due nor impaired, 98% are of high grade quality instruments because there were few or no history of default on the agreed terms of the contract. The remaining 2% which are past due by less than 30 days are of standard quality because they are nevertheless on collectible.

### Foreign Currency Risk

The Company has foreign currency financial assets and liabilities arising from US dollar (USD)-denominated revenues, lease payments, PPA fees, and other foreign currency-denominated purchases by operating units.

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

The Company's foreign currency-denominated accounts as of December 31 are as follows:

	2011	2010
	<i>(In Thousands)</i>	
<b>Assets:</b>		
Cash and cash equivalents	US\$1,027	US\$2,254
Trade and other receivables	2,290	6,853
	3,317	9,107
<b>Liabilities:</b>		
Trade and other payables	1,172	12,901
Net foreign currency-denominated assets (liabilities)	US\$2,145	(US\$3,794)
Peso equivalent	P94,030	(P166,334)

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

Increase/Decrease in U.S. dollar Exchange Rate	Effect on Income Before Income Tax	Effect on Equity
	<i>(In Thousands, Except Percentages)</i>	
<b>2011</b>		
+5%	P4,701	P3,291
-5%	(4,701)	(3,291)
<b>2010</b>		
+5%	(P8,317)	(P5,822)
-5%	8,317	5,822

### Capital Management

The primary objective of the Company'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 Company considers capital to include capital stock, additional paid-in capital, retained earnings, and other reserves. The Company manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust its capital structure, the Company 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 as of December 31, 2011 and 2010.

The Company is not subject to externally imposed capital requirements.

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

	2011	2010
	<i>(In Thousands)</i>	
Capital stock	P2,000,000	P2,000,000
Additional paid-in capital	264,300	264,300
Retained earnings	5,218,963	4,824,091
Other reserves	(5,820)	(20,001)
<b>Total</b>	<b>P7,477,443</b>	<b>P7,068,390</b>

## 29. Financial Instruments

The table below presents a comparison by category of carrying amounts and estimated fair values of all the Company's financial instruments as of December 31, 2011 and 2010.

		2011		2010	
	Note	Carrying Amount	Fair Values	Carrying Amount	Fair Values
		<i>(In Thousands)</i>			
<b>Financial assets:</b>					
Loans and receivables:					
Cash and cash equivalents	8	P2,512,975	P2,512,975	P2,313,353	P2,313,353
Trade and other receivables - net	9	360,953	360,953	877,932	877,932
Deposits	14	22,278	30,156	21,111	28,026
		2,896,206	2,904,084	3,212,396	3,219,311
AFS financial assets	14	2,652	2,652	2,652	2,652
		<b>P2,898,858</b>	<b>P2,906,736</b>	<b>P3,215,048</b>	<b>P3,221,963</b>
<b>Financial liabilities:</b>					
Other financial liabilities:					
Trade and other payables	17	P1,550,382	P1,550,382	P1,256,038	P1,256,038
Interest-bearing loan (fixed rate)	19	-	-	297,998	413,873
		<b>P1,550,382</b>	<b>P1,550,382</b>	<b>P1,554,036</b>	<b>P1,669,911</b>

### Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of financial instrument for which it is practicable to estimate such value.

#### *Nonderivative 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 the short-term nature of these transactions.

The fair value of fixed rate interest bearing loans is based on the discounted value of future cash flows using the applicable rates for similar types of loans. The discount rates used range from 1.72% to 4.51% in 2010.

Quoted market prices have been used to determine the fair values of listed AFS financial assets. The fair values of unquoted AFS financial assets are based on cost since the fair values are not readily 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 5.35% in 2011 and 6.20% in 2010.

#### Derivative Accounted for as Cash Flow Hedges

##### *Interest Rate Swap*

The Company entered into an interest rate swap on its long-term variable rate loan with aggregate notional amount of P500 million which matured in 2009. The Company pays fixed interest amount of 11.22% per annum and receives interest equivalent to the prevailing 3-month MARTI rate as of payment date. The long-term variable loan and the interest rate swap have the same critical terms.

##### *Hedge Effectiveness Results*

As of December 31, 2011 and 2010, there are no effective mark-to-market value changes on the Company's cash flow hedges that were deferred in equity due to the maturity of the long-term variable rate loan in 2009 (see above). The distinction of the results of hedge accounting into "Effective" or "Ineffective" represents designation based on PAS 39 and are not necessarily reflective of the economic effectiveness of the instruments.

The movement of cash flows hedge derivative included in other reserves in 2009 is as follows:

	2009
	<i>(In Thousands)</i>
Balance at the beginning of year	(P17,259)
Net changes in fair value of derivative	17,259
Balance at end of year	P -

#### Derivative Not Accounted for as Hedges

##### ▪ Embedded Currency Derivatives

The Company has an agreement with the Provincial Government of the Province of Bataan leasing a 10-hectare portion of land to establish a land-based bulk grain and cargo terminal. Future lease payments are indexed to USD:PHP exchange rate changes, in which additional payments will be made if the prevailing exchange rate breaches a specified base exchange rate, which is the spot rate prevailing on contract date. The total lease fee per contract (before taking into account adjustments resulting from changes in the foreign exchange rates) amounted to P296.8 million. The lease agreement was transferred to MGC on July 27, 2010 under revised terms and conditions.



### Fair Value Changes on Derivatives

The net movements in fair value changes of all derivative instruments are as follows:

	<i>Note</i>	2010
		<i>(In Thousands)</i>
Balance at beginning of year		P59,445
Net changes in fair value of derivatives:		
Not designated as accounting hedges		(50,313)
		9,132
Less fair value of settled instruments		9,132
Balance at end of year	19	P -

### Fair Value Hierarchy

The table below analyses financial instruments carried at fair value, by valuation method.

The different levels 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).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

As of December 31, 2011	<i>Note</i>	Level 1	Level 2	Level 3
			<i>(In Thousands)</i>	
AFS financial assets	14	P933	P -	P1,719

As of December 31, 2010	<i>Note</i>	Level 1	Level 2	Level 3
			<i>(In Thousands)</i>	
AFS financial assets	14	P933	P -	P1,719

There have been no transfers from one level to another in 2011 and 2010.



Manabat Sanagustin & Co., CPAs  
The KPMG Center, 9/F  
6787 Ayala Avenue  
Makati City 1226, Metro Manila, Philippines

Telephone +63 (2) 885 7000  
Fax +63 (2) 894 1965  
Internet www.kpmg.com.ph  
E-Mail manila@kpmg.com.ph

Branches - Subic - Cebu - Bacolod - Iloilo

## REPORT OF INDEPENDENT AUDITORS

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Asian Terminals Inc. and a Subsidiary included in this Form 17-A and have issued our report thereon dated February 23, 2012.

Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The schedules listed in the Index to Financial Statements and Supplementary Schedules (A - H) are the responsibility of the Company's management. Such schedules are presented for purposes of complying with the Securities Regulation Code Rule 68, As Amended and are not part of the basic consolidated financial statements. These schedules have been subjected to auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly state in all material respects the consolidated financial statements data required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

### MANABAT SANAGUSTIN & CO., CPAs

JOSE P. JAVIER, JR.

Partner

CPA License No. 0070807

SEC Accreditation No. 0678-AR-1, Group A, valid until March 30, 2014

Tax Identification No. 112-071-224

BIR Accreditation No. 08-001987-16-2011

Issued February 4, 2011; valid until February 3, 2014

PTR No. 3174013MA

Issued January 2, 2012 at Makati City

February 23, 2012  
Makati City, Metro Manila

ASIAN TERMINALS, INC. AND A SUBSIDIARY  
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**Consolidated Financial Statements**

Statement of Management's Responsibility for Consolidated Financial Statements  
Report of Independent Public Accountants  
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Consolidated Statements of Income for the years ended  
December 31, 2011, 2010 and 2009  
Consolidated Statements of Comprehensive Income for the years  
December 31, 2011, 2010 and 2009  
Consolidated Statements of Changes in Equity as of December 31, 2011 and 2010  
Consolidated Statements of Cash Flows for the years  
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**Supplementary Schedules**

**Report of Independent Public Accountants on Supplementary Schedules**

A. Financial Assets	*
B. Amounts Receivable from Directors, Officers, Employees, Related Parties and Principal Stockholders (Other than Related Parties)	**
C. Amounts Receivable from Related Parties which are Eliminated during the Consolidation of Financial Statements	*
D. Intangible Assets - Other Assets	1
E. Long-term Debt	*
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**Reconciliation of Retained Earnings for Cash Dividend Declaration**

Report of Independent Public Accountants on Reconciliation of Retained Earnings for Cash Dividend Declaration

Reconciliation of Retained Earnings for Cash Dividend Declaration for Asian Terminals Inc.

**Tabular Schedule of Standards and Interpretations as of December 31, 2011**

**Conglomerate Map**

\* These schedules, which are required by SRC Rule 68, have been omitted because they are either not required, not applicable or the information required to be presented is included in the Company's consolidated financial statements or the notes to consolidated financial statements.

\*\* Substantially represents advances subject to liquidation and advances to union members which are non-interest bearing and collectible through salary deduction.

**ASIAN TERMINALS, INC. AND A SUBSIDIARY**  
**Schedule D. Intangible Assets - Other Assets**  
**December 31, 2011**  
*(in thousands)*

Description	Beginning Balance	Additions At Cost	Deductions		Other Changes- Additions (Deductions)	Ending Balance
			Charged to Costs and Expenses	Charged to Other Accounts		
Goodwill	P 42,060	P -	P	P -	P -	P 42,060
Service Concession	5,142,810	455,646	(364,044)	(6,776)	-	5,227,636
						-
						-
						-
						-
						-
						-
	P 5,184,870	P 455,646	P (364,044)	P (6,776)	P -	P 5,269,696

ASIAN TERMINALS, INC. AND A SUBSIDIARY

Schedule H. Capital Stock  
December 31, 2011  
(in thousands)

Title of Issue	Number of Shares Authorized	Number of Shares Issued and Outstanding	Number of Shares Reserved for Options, Warrants, Conversions, and Other Rights	Number of Shares Held By		
				Affiliates	Directors, Officers and Employees	Others
Common shares	4,000,000	2,000,000	None	637,838	16,006	1,346,156



Manabat Sanagustin & Co., CPAs  
The KPMG Center, 9/F  
6787 Ayala Avenue  
Makati City 1226, Metro Manila, Philippines

Telephone +63 (2) 885 7000  
Fax +63 (2) 894 1985  
Internet www.kpmg.com.ph  
E-Mail manila@kpmg.com.ph

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## REPORT OF INDEPENDENT AUDITORS

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

We have audited in accordance with Philippine Standards on Auditing, the separate financial statements of Asian Terminals, Inc. (the "Company") as of and for the year ended December 31, 2011, and have issued our report thereon dated February 23, 2012.

Our audit was made for the purpose of forming an opinion on the separate financial statements taken as a whole. The schedule of Reconciliation of Retained Earnings Available for Dividend Declaration is the responsibility of the Company's management. Such schedule is presented for purposes of complying with the Securities Regulation Code Rule 68, As Amended and is not part of the separate financial statements. This schedule has been subjected to the auditing procedures applied in the audit of the separate financial statements of the Company and, in our opinion, fairly state in all material respects the financial statements data required to be set forth therein in relation to the separate financial statements taken as a whole.

### MANABAT SANAGUSTIN & CO., CPAs

JOSE P. JAVIER, JR.

Partner

CPA License No. 0070807

SEC Accreditation No. 0678-AR-1, Group A, valid until March 30, 2014

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February 23, 2012  
Makati City, Metro Manila

Asian Terminals Inc.  
A. Bonifacio Drive, Port Area, Manila

**Reconciliation of Retained Earnings for Cash Dividend Declaration**

	in PHP	
Unappropriated Retained Earnings available for dividend declaration as of December 31, 2010, as reported		3,490,750,554
Add: Net income actually earned/realized during the period		
Net income during the period closed to Retained Earnings		<u>1,497,352,485</u>
		4,988,103,039
Less: Non actual/unrealized income		
Realized deferred tax liabilities		<u>12,803,223</u>
Net income actually earned during the period		4,975,299,816
Less: Dividend declarations during the period	1,100,000,000	
Actuarial losses, net of tax, reclassified to Retained Earnings from Other Reserves	<u>23,152,417</u>	<u>1,123,152,417</u>
<b>Total Retained Earnings available for dividend as of December 31, 2011</b>		<u><b>3,852,147,399</b></u>





Manabat Sanagustin & Co., CPAs  
The KPMG Center, 9/F  
6787 Ayala Avenue  
Makati City 1226, Metro Manila, Philippines

Telephone +63 (2) 885 7000  
Fax +63 (2) 894 1985  
Internet www.kpmg.com.ph  
E-Mail manila@kpmg.com.ph

Branches : Subic - Cebu - Bacolod - Iloilo

## REPORT OF INDEPENDENT AUDITORS

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Asian Terminals Inc. and a Subsidiary and have issued our report thereon dated February 23, 2012.

Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The tabular schedule of Philippine Financial Reporting Standards as of December 31, 2011 is the responsibility of the Company's management. Such tabular schedule is presented for purposes of complying with the Securities Regulation Code Rule 68, As Amended and is not part of the basic consolidated financial statements. The tabular schedule has been subjected to auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly states in all material respects the consolidated financial statements data required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

### MANABAT SANAGUSTIN & CO., CPAs

JOSE P. JAVIER, JR.  
Partner

CPA License No. 0070807

SEC Accreditation No. 0678-AR-1, Group A, valid until March 30, 2014

Tax Identification No. 112-071-224

BIR Accreditation No. 08-001987-16-2011

Issued February 4, 2011; valid until February 3, 2014

PTR No. 3174013MA

Issued January 2, 2012 at Makati City

February 23, 2012  
Makati City, Metro Manila



**ASIAN TERMINALS, INC. AND A SUBSIDIARY**
**Tabular Schedule of Standards and Interpretations as of December 31, 2011**

Standards	"Adopted", "Not adopted" or "Not applicable"
<b><i>Philippine Financial Reporting Standards (PFRSs)</i></b>	
<b><i>PFRS 1</i></b> First-time Adoption of Philippine Financial Reporting Standards	Adopted
<b><i>PFRS 2</i></b> Share-based Payment	Not applicable
<b><i>PFRS 3</i></b> Business Combinations	Adopted
<b><i>PFRS 4</i></b> Insurance Contracts	Not applicable
<b><i>PFRS 5</i></b> Non-current Assets Held for Sale and Discontinued Operations	Adopted
<b><i>PFRS 6</i></b> Exploration for and Evaluation of Mineral Resources	Not applicable
<b><i>PFRS 7</i></b> Financial Instruments: Disclosures	Adopted
<b><i>PFRS 8</i></b> Operating Segments	Adopted
<b><i>Philippine Accounting Standards (PASs)</i></b>	
<b><i>PAS 1</i></b> Presentation of Financial Statements	Adopted
<b><i>PAS 2</i></b> Inventories	Adopted
<b><i>PAS 7</i></b> Statement of Cash Flows	Adopted
<b><i>PAS 8</i></b> Accounting Policies, Changes in Accounting Estimates and Errors	Adopted
<b><i>PAS 10</i></b> Events after the Reporting Period	Adopted
<b><i>PAS 11</i></b> Construction Contracts	Not applicable
<b><i>PAS 12</i></b> Income Taxes	Adopted
<b><i>PAS 16</i></b> Property, Plant and Equipment	Adopted
<b><i>PAS 17</i></b> Leases	Adopted
<b><i>PAS 18</i></b> Revenue	Adopted
<b><i>PAS 19</i></b> Employee Benefits	Adopted
<b><i>PAS 20</i></b> Accounting for Government Grants and Disclosure of Government Assistance	Not applicable
<b><i>PAS 21</i></b> The Effects of Changes in Foreign Exchange Rates	Adopted
<b><i>PAS 23</i></b> Borrowing Costs	Adopted
<b><i>PAS 24</i></b> Related Party Disclosures	Adopted
<b><i>PAS 26</i></b> Accounting and Reporting by Retirement Benefit Plans	Adopted
<b><i>PAS 27</i></b> Consolidated and Separate Financial Statements	Adopted
<b><i>PAS 28</i></b> Investments in Associates	Adopted
<b><i>PAS 29</i></b> Financial Reporting in Hyperinflationary Economies	Not applicable
<b><i>PAS 31</i></b> Interests in Joint Venture	Adopted
<b><i>PAS 32</i></b> Financial Instruments: Presentation	Adopted
<b><i>PAS 33</i></b> Earnings per Share	Adopted
<b><i>PAS 34</i></b> Interim Financial Reporting	Adopted
<b><i>PAS 36</i></b> Impairment of Assets	Adopted
<b><i>PAS 37</i></b> Provisions, Contingent Liabilities and Contingent Assets	Adopted
<b><i>PAS 38</i></b> Intangible Assets	Adopted
<b><i>PAS 39</i></b> Financial Instruments: Recognition and Measurement	Adopted
<b><i>PAS 40</i></b> Investment Property	Adopted
<b><i>PAS 41</i></b> Agriculture	Not applicable



Manabat Sanagustin & Co., CPAs  
The KPMG Center, 9/F  
6787 Ayala Avenue  
Makati City 1226, Metro Manila, Philippines

Telephone +63 (2) 885 7000  
Fax +63 (2) 894 1985  
Internet www.kpmg.com.ph  
E-Mail manila@kpmg.com.ph

Branches - Subic - Cebu - Bacolod - Iloilo

## REPORT OF INDEPENDENT AUDITORS

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

We have audited in accordance with Philippine Standards on Auditing, the consolidated financial statements of Asian Terminals Inc. and a Subsidiary and have issued our report thereon dated February 23, 2012.

Our audit was made for the purpose of forming an opinion on the basic consolidated financial statements taken as a whole. The map of the conglomerate within which the Company belongs is the responsibility of the Company's management. Such map is presented for purposes of complying with the Securities Regulation Code Rule 68, As Amended and is not part of the basic consolidated financial statements. The map has been subjected to auditing procedures applied in the audit of the basic consolidated financial statements and, in our opinion, fairly states in all material respects the consolidated financial statements data required to be set forth therein in relation to the basic consolidated financial statements taken as a whole.

### MANABAT SANAGUSTIN & CO., CPAs

JOSE P. JAVIER, JR.

Partner

CPA License No. 0070807

SEC Accreditation No. 0678-AR-1, Group A, valid until March 30, 2014

Tax Identification No. 112-071-224

BIR Accreditation No. 08-001987-16-2011

Issued February 4, 2011; valid until February 3, 2014

PTR No. 3174013MA

Issued January 2, 2012 at Makati City

February 23, 2012  
Makati City, Metro Manila

Asian Terminals, Inc.  
Subsidiary and an Associate  
December 31, 2011

