ANNUAL REPORT 2008

International Container Terminal Services, Inc.

 International Container Terminal Services, Inc. Annual Report 2008

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The Chairman's Report

The economic events that transpired in the second half of 2008 were like no other that any of us have ever experienced in the past. What started in Wall Street in the third quarter would soon engulf the world in the worst financial and economic crisis since the Great Depression.

The bankruptcy of Lehman Brothers in September led to widespread fear and panic in financial markets, resulting in the freezing up of global credit, which disrupted world trade in a massive way. This situation continues to this day although to a somewhat lesser degree. In 2009, we will probably see the first outright contraction of global GDP since the Second World War.

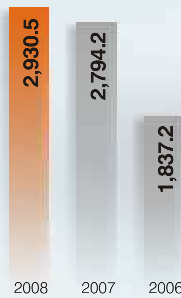
Although the Company's revenue, volume and cash flow increased in 2008 over 2007, the growth occurred in the first nine months. This trend was reversed in the fourth quarter. In this environment, past performance is no indication of future results.

Consolidated volume was up by 24.2 percent, from 3,007,216 TEUs in 2007 to 3,734,892 TEUs in 2008 with our Manila terminal as the largest contributor at 40.5 percent, handling over 1.5 million TEUs.

Philippine operations accounted for 1,907,753 TEUs, or 51 percent of consolidated volume for the full year, while overseas container volume grew 31 percent at 1,827,139 TEUs. Overseas volume now accounts for 49 percent of total as compared to 46 percent in 2007.

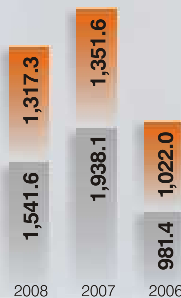
The increase in volume was a result of growth in our Philippine ports, Madagascar, and from new terminals in Ecuador and Georgia. On the other hand, our terminals in China, Indonesia and Poland were down by 2.2 percent, two percent, and 10.8 percent, respectively.

Net Income Attributable to Equity Holders (Pre IFRIC)
Million PHP



Net Income Attributable to Equity Holders (Post IFRIC)
Million PHP

Income Contribution per Segment
Million PHP
Foreign Domestic



Financial Highlights

Full year gross revenues increased 37 percent to ₱20.6 billion, from ₱15 billion in 2007. Revenues from foreign operations grew 54 percent, from ₱7.38 billion in 2007 to ₱11.35 billion in 2008. Foreign operations accounted for 55 percent of consolidated gross revenues, as compared with 49 percent in 2007. On the other hand, Philippine operations grew 21 percent, from ₱7.6 billion in 2007 to ₱9.2 billion in 2008.

Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) was ₱8.74 billion, up 46 percent from ₱5.99 billion in 2007. EBITDA margin was higher at 42 percent compared to 40 percent in 2007.

Net income attributable to equity holders was ₱2.86 billion, down 13 percent from the ₱3.29 billion profit in 2007. The lower net income was mainly due to the retroactive adoption on 1 January 2008 of IFRIC 12 – Accounting for Service Concession Agreements, and the weakening of currencies in countries where we operate versus the US dollar, especially during the last quarter of the year. The 2007 and 2008 results reflect the adoption of IFRIC 12.

This includes the restatement of predominantly US dollar denominated concession rights payable under IFRIC 12 to local currencies that resulted in a net foreign exchange gain of ₱553 million in 2007, and a net foreign exchange loss of ₱337 million in 2008. Excluding the impact of IFRIC 12, net income would have been ₱2.78 billion in 2007 and ₱2.93 billion in 2008, an increase of 6 percent.

Total consolidated cash operating expenses increased 31 percent to ₱9.06 billion, from ₱6.9 billion in 2007 mainly because of added expenses from new port operations in Ecuador, China, Syria, Georgia, and pre-operating expenses in Colombia. Increases in manpower, fuel, equipment and utilities consumption related to the increase in volume were also factors for the increase in cash operating expenses. Moreover, our terminal in Poland initiated a workforce reduction program, and posted severance and restructuring costs of ₱167 million in the last quarter of 2008.

Total Income
(Net Revenues, Interest and Other Income)
Million PHP

Consolidated financing costs and bank charges increased slightly by 6.2 percent to ₱747 million compared to last year's ₱704 million due to higher debt levels. We fully drew down the US$180 million balance on a US$250 million facility, and availed of ₱5.20 billion from ₱7.20 billion in facilities with three other financial institutions in December. This resulted in a year-end cash balance of ₱10.59 billion.

Total Expenses
(Operating, Financing and Other Expenses)
Million PHP

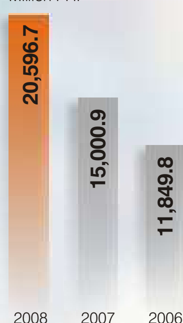
In 2008, we invested ₱7.97 billion to expand handling capacity and improve operating efficiency in Manila, Brazil, Madagascar, and Ecuador. For 2009, we are lowering expenditures to ₱7.20 billion mainly for civil works, and purchases of major cargo handling equipment in Manila, Brazil and Ecuador.

The past year marked our 20th anniversary, and was highlighted by three new port concessions. It also marked our re-entry into the Argentine market through a re-development project at the Port of La Plata. The other concessions are the Mindanao Container Terminal in Misamis Oriental, southern Philippines, and the Pulau Muara Besar port project in Brunei Darussalam.

As of date, we are involved in 18 port projects worldwide: four in Latin America, two in Eastern Europe, two in East Asia, eight in Southeast Asia, including the Philippines, and two projects in the Middle East and Africa.

These new concessions have strong potential in providing for the future growth of the Company. The Mindanao Container Terminal (MCT), wherein the Phividec Industrial Authority awarded us a 25-year concession in April last year, is northern Mindanao's trading gateway.

Gross Revenues from Port Operations
Million PHP



Revenue Contribution per Segment
Million PHP
Foreign Domestic

Consolidated Total Assets
Million PHP

We have minimal investment at the MCT as the terminal is well equipped and fully developed.

With the Brunei project, major investments will only be made in 2012 after the Brunei Economic Development Board (BEDB) completes a new 800,000-TEU annual capacity terminal in the Port of Muara, the only deepwater port in Brunei. We will assist BEDB to design, construct and develop the terminal. The Brunei Government is developing the port into a manufacturing complex for major industries including an aluminum smelter and an export processing zone for halal food.

In August 2008, through subsidiary Tecplata S.A., we signed an agreement with Consorcio de Gestion del Puerto La Plata for the development and operation of a container terminal in the Port of La Plata in Argentina. The terminal is located at the southern end of the capital Buenos Aires, and is along the River Plate. Total development cost for Phase 1 is US$153 million. We expect the facility to handle 450,000 TEUs in its first full year of operation, and should be ready for operation by early 2011.

We continued to receive citations and plaudits in 2008. Of note is when the United Nations Conference on Trade and Development or UNCTAD listed ICTSI as among the world's top infrastructure transnational corporations in developing and transition economies in terms of foreign assets. We ranked 38th and we are the only Philippine company in a list of 50 global companies.

The Challenging Year Ahead

We are projecting the current global recession to continue throughout this year, and most likely into next year. The easy credit and lose lending standards of the last four years had created an enormous bubble in almost all asset classes, private equity firms and hedge funds worldwide, all of which fueled this bubble by leveraging themselves to the hilt.

Our own industry was certainly no exception as financial investors paid increasingly ridiculous multiples for port assets in the last five years.

In our case, having managed our financial position and balance sheet very conservatively over the past eight years puts ICTSI in a unique position going forward.

We fully expect that a lot of the acquisitions by financial investors in the last three years to come undone and collapse under a mountain of debt and deflating asset values. Fortunately for ICTSI, we are in a strong position to take advantage of these opportunities over the next two to three years.

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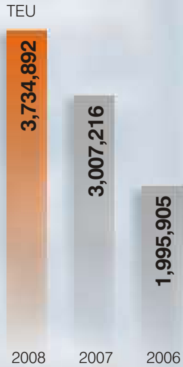
EBITDA
Million PHP

Consolidated Volumes
TEU



As the crisis was unfolding, we took steps to ensure that we had ample liquidity to support the needs of our business, and a solid capital structure to withstand the headwind that loomed in the horizon.

In October last year, we drew the remaining US$106 million from the revolving and term facility that was established the year before. And in December, we signed fully committed peso-denominated medium-term facilities totaling ₱7.2 billion with final maturities ranging from five to seven years.

This exercise strengthened our capital structure as we replaced working capital facilities with term financing, thus freeing ICTSI from any substantial principal payments in 2009, and ensuring that our committed capital expenditures this year were fully pre-funded. We have strenuously reviewed our capital and expense budgets, and cut these down to the barest minimum.

As I mentioned earlier in the report, we are in the midst of a crisis that we have never before experienced on a global basis. But we also believe that we will see opportunities that we have never seen before. And, we will be in a good position to take advantage of these opportunities.

I thank the men and women of ICTSI who were, and continue to be, instrumental in helping the Company weather the storm. To our clients, business partners, and stockholders, thank you for your continued patronage, trust, and support.

Enrique K. Razon Jr.
Chairman and President

Review of Operations

The Company posted positive overall results, but container volumes towards the latter part of the year decreased with the deceleration of global trade.

International Container Terminal Services, Inc.

International Container Terminal Services, Inc. was not spared from the impact of the global financial meltdown in 2008. The Company posted positive overall results, but container volumes towards the latter part of the year decreased with the deceleration of global trade.

Consolidated volumes were up by 24.2 percent, from 3,007,216 twenty foot equivalent units (TEU) in 2007 to 3,734,892 TEUs in 2008 with ICTSI's flagship Manila International Container Terminal in the Philippines contributing 40.5 percent, handling over 1.5 million TEUs. Aside from Manila, drivers for the increase were volumes from Davao in southern Philippines, Brazil and Madagascar; volumes from new terminals in Misamis Oriental, southern Philippines, Ecuador and Georgia; and the consolidation of volumes in General Santos, also in southern Philippines.

On the other hand, volume decreases were posted in Subic, northern Philippines by 17.9 percent, China by 2.2 percent, Indonesia by two percent, and Poland by 10.8 percent.

Philippine operations accounted for 1,907,753 TEUs, or 51 percent of the total consolidated volumes, while volumes from foreign terminals grew 31 percent to 1,827,139 TEUs. Foreign container volumes accounted for 49 percent of the consolidated volume compared to 46 percent in 2007.

ICTSI marked its 20th year with the acquisition of the Mindanao Container Terminal in Misamis Oriental; the re-entry of ICTSI in the Argentine port market through a re-development project in the Port of La Plata; and the signing of a Memorandum of Understanding between ICTSI and the Brunei Economic Development Board for the Pulau Muara Besar port project.

In March, the Phividec Industrial Authority (PIA) awarded ICTSI a 25-year concession for the operation and management of the Mindanao Container Terminal (MCT) in Tagaloan, Misamis Oriental in southern Philippines. ICTSI was the highest rated bidder for the concession. PIA officially turned over MCT operations to ICTSI subsidiary Mindanao International Container Terminal Services Inc. in June.

In August, ICTSI, through subsidiary Tecplata, S.A., signed an agreement with Consorcio de Gestion del Puerto La Plata for the development and operation of a container terminal in the Port of La Plata in Argentina. Aside from serving Argentine trade, the planned 450,000-TEU annual capacity terminal is seen to serve neighboring Uruguay. Located at the southern end of the capital Buenos Aires along the River Plate, the facility is expected to be ready for operation by early 2011.

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MAERSK

In October, the Sultan of Brunei Darussalam consented to award to ICTSI the tender for the container terminal operations at the Port of Muara, Brunei's only deepwater port, subject to certain requirements. A Memorandum of Understanding was signed for the design, construction and development of the 800,000-TEU annual capacity Pulau Muara Besar Container Terminal. The Brunei government expects the terminal to be completed in 2012. ICTSI recently established the New Muara Container Terminal Services Sdn. Bhd. to oversee the project in Brunei.

ICTSI's control over its Philippine affiliate South Cotabato Integrated Port Services Inc. (SCIPSI) expanded when the former gained majority ownership of the Gen. Santos City-based cargo handler. ICTSI acquired all the shares held by Cordilla Properties Holdings Inc. in SCIPSI in July. To date, ICTSI has a 50.08 percent shareholding in SCIPSI. SCIPSI volumes are now consolidated into the ICTSI Group.

Official launching rites were held in three terminals: the New Container Terminal-1 at Cubi Point, Subic Bay Freeport in May; the Tartous International Container Terminal in Syria with Syrian Prime Minister Maohammad Najo Ottari leading the inauguration in July; and the Mindanao Container Terminal in August.

In Colombia, Sociedad Puerto Industrial de Aguadulce SA (SPIA) continued with the phased development of the multi-user container terminal project at the Aguadulce peninsula in Buenaventura. Because of the volatile economic conditions, SPIA will carry out the development at a protracted pace.

To further improve its financial standing, ICTSI acquired a ₱6.85 billion medium term credit facility in November. The facility will be used to finance ICTSI's investment projects and re-finance debts that have been identified for pre-payment in 2009. It has various loan maturities, ranging from five to seven years, and was provided by Philippine-based commercial banks and institutional investors. On the corporate front, ICTSI expanded its Corporate Services Group with the appointment of key personnel with specialized functions.

ICTSI actively participated in international business and maritime industry meets to support marketing initiatives by the Company's global business development units and foreign operating subsidiaries. Among the key conferences were the Philippine Business Conference in Manila, Intermodal South America in Brazil, ASEAN Ports and Shipping and ASEAN Ports Association Annual Meeting in Vietnam, Mersin Logistics and Transport Fair in Turkey, Indian Ocean Ports and Logistics in Mauritius, and the Trans Middle East in Dubai.

ICTSI continued to receive citations and plaudits in 2008. For the second straight year, a regional business poll by *Finance Asia* voted ICTSI as the Philippines' Best Mid Cap Company released in the publication's June issue, while *Forbes Asia* cited the Company in September as among Asia's “Best under a Billion” for the second straight year. Also in September, the United Nations Conference on Trade and Development listed ICTSI as among the world's top infrastructure transnational corporations in developing and transition economies in terms of foreign assets in its *World Investment Report*. The Company was ranked 38th and is the only Philippine company in a list of 50 global companies.

As of date, ICTSI is involved in 18 port projects worldwide: four in the Americas, two in Europe, nine in Asia (six of which are in the Philippines), and a project each in the Middle East and Africa. Despite the global recession, ICTSI assures its stakeholders and the host governments of its global operations that the Company will continue to honor its commitments to its obligations while continuing to prudently look for new operating concessions.

28 March – ICTSI receives notice from the Phividec Industrial Authority that ICTSI will be awarded the Concession Contract for the Operation and Management of the Mindanao Container Terminal in Tagaloan, Misamis Oriental in Southern Philippines. ICTSI was the highest rated responsive bidder for the concession.

Manila International Container Terminal

Despite the widespread economic recession and deceleration of global trade, volumes at ICTSI's flagship Manila International Container Terminal (MICT) posted positive results in 2008. Yearend throughput was at 1,513,543 TEUs, a 10 percent increase from 1,372,251 TEUs in 2007. Volumes gradually declined during the last quarter, dropping two percent, from 375,374 TEUs in 2007 to 367,881 TEUs over the same quarter last year.

The MICT remained the port of choice in the Port of Manila, maintaining its market share of over 65 percent. A total of 2,113 vessels called at the terminal, 46 of which were maiden calls and nine were maiden voyages. The MICT also welcomed three new shipping line clients: Concorde Line, Shanghai Hai Hua Shipping Co., and Maxicon Container Line Pte. Ltd.

MICT continued beefing up its container handling feet with the acquisition of four rubber tired gantries (RTG), 10 prime movers and other auxiliary equipment. In September, the terminal took delivery of four RTGs from Noell Crane (China) Systems Ltd., bringing to 32 MICT's RTG fleet, the largest in the country. The new RTGs each have a stacking capacity of one over five high and a working width of six containers plus truck lane – the first of their type in the Philippines.

Twelve fuel-saving units, using the Regen flywheel energy storage system, were purchased and fitted onto the terminal's RTGs including the new Noell cranes. Manufactured by California-based Vycon Inc., the Regen units optimize the crane's diesel generator operation by storing and regenerating energy during the cranes lowering and lifting cycles. The MICT also deployed 10 additional prime movers from Terberg including several support equipment: 20 trailers from Dutch Lanka, two over-height spreaders from Stinis, two skid steer loaders, a payloader, and a self-propelled telescopic boom.

As part of the concession agreement between ICTSI and the Philippine Ports Authority, MICT's terminal area was expanded with the construction of Berth 6. Once completed, the new berth will have a 375-meter wharf at 12 meters deep and a 14-hectare container yard. On completion, it will be equipped with three quay cranes and eight rubber tired gantries.

Vehicular traffic further improved with the opening of a new road for empty trucks entering the MICT. The new road, a one-way paved road forking from the South Access Road and leading to the East Access Road, reduced the travel time of trucks going to the Empty Container Depot.

On the safety and security front, the MICT hosted the Philippine leg of the ASEAN-Japan Joint Maritime Security Exercise in January where the terminal's security and safety systems and emergency response plan were put to test. After the activity, Japanese officials lauded the MICT for its successful conduct of the exercise including the terminal's overall safety and security programs and practices.

40TONNES

With the global economic recession, the MICT has implemented contingency and austerity measures to mitigate the effects of the financial crisis.

MICT's Emergency Response Team (ERT) continued to undergo training on disaster management, and spearheaded a terminal-wide rescue and evacuation drill. In November, the ERT responded to the call of the Philippine Coast Guard to assist marine accident victims at the Manila Bay. The MICT also implemented an added safety measure, which requires all employees and visitors to wear safety vests upon entering the terminal.

On the IT front, new systems were rolled out and several of the existing systems were upgraded. Among the key software introduced were the CMA Contiki, an enterprise contract management solution, which provided an integrated and collaborative platform for legal staff and end users; and phase 1 of Mobius' enterprise document archiving and retrieval solution, which allowed automated archiving of documents. A new e-mail filtering tool, Proofpoint Anti Spam Solution, was also implemented to improve electronic mail security.

The in-house developed Terminal Operations Management system or TOPMAN was upgraded including the system's SPACE, SHIPS and Vessel Productivity modules. The Vessel Productivity module now displays projections and hourly targets needed to achieve the estimated completion time given to a particular vessel. The module's crane log was also reprogrammed to assign a vessel to one user.

Functional upgrades were implemented in SAP's resource planning software, SAPECC. After going live in February, SAPECC version 6.0 improved modules in Human Capital Management, and Financial Accounting and Controlling. The upgrades resulted in real-time, accessible, and faster processing of reports. Another upgrade was the implementation of Batch Management in the Materials Management module, which improved MICT's procurement process.

On the human resources front, the MICT sustained its existing training programs and introduced new training addressing specific skills such as effective communication and writing, and customer service. Meanwhile, a new training program, Operations for Non-Operations, was implemented to give employees an overview of port operations.

At the MICT's Anchorage division, labor relations improved with the formation of a Labor Management Council (LMC) composed of management and union officers. The LMC was created to serve as a venue to address employee concerns and enhance management and labor cooperation.

With the global economic recession, the MICT has implemented contingency and austerity measures to mitigate the effects of the financial crisis.

2 April – ICTSI starts operation of the New Container Terminal 1 at Cubi Point, Subic Bay Freeport with the servicing of the first vessel to call at the terminal, American President Lines' Eagle Excellence.

Bauan International Port, Inc.

Volumes of most of the cargo segments handled by Bauan International Port, Inc., manager and operator of the Bauan Terminal, Batangas, Philippines posted declines in 2008: revenue tonnage (RT) decreased by 78 percent, from 318,479 RT in 2007 to 69,119 RT in 2008; metric tonnage (MT) by 47 percent, from 79,840 MT to 42,527 MT; and millboard feet (MBFT) by 41 percent, from 10,609 MBFT to 6,287 MBFT. Only revenue tonnage for roll on-roll off (ro-ro) cargo posted an increase of 43 percent, from 193,115 RT to 257,717 RT. Total billable tonnage (BT) dropped by 35 percent, from 602,557 BT in 2007 to 393,913 BT in 2008.

The rise in ro-ro cargo was largely a result of increased completely built up units (CBU) handled at the terminal. By yearend, BIPI had handled, 22,372 CBUs, which is a 31 percent increase from the 15,400 CBUs handled in 2007. Ford cars accounted for 42 percent of the CBUs handled while Mitsubishi and Honda brought in 24 percent each, and Nissan contributed 10 percent. In April, BIPI serviced the largest dedicated car carrier to ever dock in the terminal, NYK's *MV Dorado Leader*, which has a gross revenue tonnage of 62,571 tons and an over-all length of 199.94 meters.

Facilities were improved with the installation of a 15 meter-high protective screen fence in the terminal's car compound. A second pre-delivery inspection facility is being constructed and will be completed early in 2009 to be operated by NYK Logistics.

BIPI expects to recover from the slump in the project cargo segment in 2009. BIPI shareholder and key client, AG&P, plans to ship industrial components it will fabricate, which will be used in the construction of an oil refinery in the United States. Other mega lift projects are scheduled to be handled at the terminal.

Subic Bay International Terminal Corp.

Subic Bay International Terminal Corp. (SBITC), manager and operator of the New Container Terminal-1 (NCT-1) at the Cubi Point of the Subic Bay Freeport in Zambales, posted a 17.9 percent decrease in container volumes, from 35,974 TEUs in 2007 to 28,889 TEUs in 2008. SBITC attributed the decrease to the slowdown in trade in the region.

A milestone for the year in review was the successful transfer of the freeport's container handling operations from the NSD Terminal to the New Container Terminal (NCT) -1, which happened in April. The new terminal was officially launched in May.

In June 2007, the Subic Bay Metropolitan Authority awarded SBITC a 25-year contract for the operation and management of the NCT-1. Completed in 2008, NCT-1 is the first phase of the Subic Port Development Project, which was financed by the Japanese government through the Japan Bank for International Cooperation.

sbma
GC-1

NCT-1's inaugural vessel was American President Lines' (APL) *Eagle Excellence*. A total of 123 vessel calls were serviced at the new terminal, three of which were maiden voyages. Aside from APL, other shipping line clients are Wan Hai and Tasman Orient.

The 13.16-hectare terminal has a capacity of 300,000 TEUs, and is equipped with two new post-Panamax Mitsui quay cranes (QC). It has a 280-meter berth and a controlling depth of 13 meters, making it capable of handling post-Panamax vessels. QC productivity in 2008 was at 26 moves per hour per crane.

The container yard (CY), on the other hand, has a storage area of 5.57 hectares and features an empty container depot and reefer area equipped with 84 reefer plugs at 440 volts. Currently, four reach stackers are operating the CY but as volumes in the terminal significantly increase, SBITC will place orders for rubber tired gantries. Ancillary equipment includes nine prime movers, 15 chassis and various forklifts, and a 60-ton capacity weighbridge.

Other facilities at the NCT-1 are: a six-lane gate, an engineering workshop, and a container office housing SBITC's administration, billing, marketing and safety departments. Plans are underway to construct a new building that will house the satellite offices of the SBMA, Bureau of Customs and the Presidential Anti-Smuggling Group, and a warehouse that will serve as storage for spare parts.

On the safety and security front, the Philippine Office for Transport Security (OTS) certified the NCT-1 as ISPS Code compliant when the OTS awarded SBITC a three-year certification for the global maritime transport security standard early on in the year. The certification is an attestation to NCT-1's readiness for global trade and its readiness to ensure the safety and security of the terminal entire.

New software were rolled out to complement SBITC's Graphical Tracking System (GTS). A newly developed module of the GTS, the GTSGates, improved operational efficiency at the terminal gates by automatically generating CY locations for trucks entering the terminal. The gates module can also process multiple movements of import and export containers during any truck visit, and is linked to the GTS yard allocation module. SBITC's website, www.sbitc.net, was updated and given a new look with the Company's transfer to NCT-1.

To step up technical skills among the terminal's equipment operators and engineers, new training programs on container handling operations and equipment maintenance were implemented with the new QCs as well as training on power plant maintenance.

As part of SBITC's marketing efforts, the Company participated in the North Luzon Area Business Conference organized by the Philippine Chamber of Commerce and Industry in Angeles City, Pampanga in September, and the International Network of Affiliated Ports Exhibition and Conference in Subic in October. SBITC was a key participant in the events, which highlighted NCT-1's role in the economic development of the northern and central regions of the island of Luzon. SBITC and SBMA have been jointly promoting NCT-1 as an alternative port to the Port of Manila, and another transshipment hub in the Asia-Pacific region.

Businesses and industries located in Subic's natural hinterland are being invited to use the NCT-1 as transit point for imports and exports, while international carriers are enticed to use the terminal for transshipment operations with its lower fees and freer space. SBITC is positioning the NCT-1 to become a key port in the Philippines and the region.

International Container Terminal Services, Inc. Annual Report 2008

25 April – ICTSI and the Phividec Industrial Authority sign the Concession Contract for the management and operation of the Mindanao Container Terminal. The concession period is 25 years.

Davao Integrated Port & Stevedoring Services Corp.

On its second full year of operation as an ICTSI Group company, Davao Integrated Port and Stevedoring Services Corp. (DIPSSCOR) posted a 20 percent increase in containers handled at the Sasa Wharf, International Port of Davao in southern Philippines, from 203,601 TEUs in 2007 to 244,521 TEUs in 2008. The increase was a result of continuous capacity enhancements by shipping line clients particularly in the exports segment.

DIPSSCOR serviced four maiden calls, and serviced mostly newer and bigger vessels from existing clients. The Davao cargo handler welcomed a new client, MCC Transport Philippines, a domestic feeder service provider, which calls at the terminal twice a week. MCC is a joint venture between MCC Transport Singapore, a unit of the AP Moller-Maersk Group, Mercantile-Ocean Maritime Co. (Filipinas) Inc., and the Aboitiz Transport Systems Corp. Overall, DIPSSCOR's market share at the Port of Davao increased from 57 percent to 60 percent.

To improve turnaround time and operational efficiency, DIPSSCOR acquired its fourth Kalmar reach stacker and two Stinis spreaders in July, and rehabilitated and refurbished a reach stacker and three forklifts. These improved DIPSSCOR's hustling operation.

To better facilitate bigger vessels calling at the Sasa Wharf, facilities were improved with the completion by the Philippine Ports Authority of a 113 meter berth extension and a 1.5 hectare back-up area. The quay was further dredged from 10.6 meters to 12 meters. Meanwhile, DIPSSCOR acquired exclusivity of use on a two-hectare area at Sasa's container yard, enabling the Company to optimize and control yard space.

DIPSSCOR continued stepping up improvements in its systems and processes. The Company laid the groundwork for its terminal operating system with the implementation of new container yard procedures. Moreover, DIPSSCOR maintained its ISO certification, and was graded zero non-compliance based on the surveillance audit by Societe Generale de Surveillance, proof of the Company's consistent adherence to global best practices.

On the human resources development front, DIPSSCOR and the DIPSSCOR Employees and Workers Union-Association of Trade and Unions signed a memorandum of agreement (MOA) on a renegotiated economic provision for the fourth and fifth year of their existing collective bargaining agreement, which will expire on 31 May 2010. The MOA includes wage increases, adjustments on medical benefits, hospitalization insurance and monthly rice subsidy.

Seminars on safety awareness, health policies, information technology and equipment handling were implemented throughout the year with every employee required to undergo four training days.

Notwithstanding the global economic crisis, DIPSSCOR will continue to double efforts in maintaining growth at Sasa. DIPSSCOR will further strengthen its partnership with the PPA, local government of Davao, and port users of the terminal in transforming the Port of Davao into a competitive global trading gateway.

Mindanao International Container Terminal Services Inc.

In April 2008, the Phividec Industrial Authority (PIA) awarded ICTSI the 25-year concession to operate and manage the Mindanao Container Terminal (MCT) located at the Phividec Industrial Estate in Tagaloan, Misamis Oriental in southern Philippines. ICTSI was declared the highest responsive bidder in the international tender of the terminal. ICTSI established the Mindanao International Container Terminal Services Inc. (MICTSI) to operate the MCT with MICTSI taking over the reins of the terminal in June.

For the year in review, the terminal handled over 109,438 TEUs, 61,461 TEUs of which were handled by MICTSI from June to December.

The MCT, which is approximately 20 kilometers from Cagayan de Oro City, is being primed to become the key trading gateway in the northern region of the island of Mindanao. The 24-hectare, 270,000 TEU annual capacity terminal handles containerized and non-containerized cargo. The berth is equipped with two quay cranes, each with an average productivity of 25 moves per hour per crane. The container yard, on the other hand, is equipped with four rubber tired gantries and a reach stacker.

The terminal's 300-meter berth, which has a controlling depth of 13 meters, is capable of serving two vessels at one time, and can accommodate container vessels of up to 30,000 dead weight tons. The container yard, meanwhile, has a paved area of 9.4 hectares, a capacity of 6,816 TEUs at any one time, and a maximum stacking height of four-container high. The terminal is also equipped with 262 reefer outlets at 440 volts each.

Other facilities at the MCT are a radar-system equipped control tower, an operations building, a maintenance workshop, a power plant, a six-lane gate facility equipped with a 50-ton capacity weighbridge, a fuel station, and a sewerage treatment plant.

25 June – Phividec Industrial Authority formally turns over the operation of Mindanao Container Terminal to Mindanao International Container Terminal Services Inc., a subsidiary of ICTSI, in accordance with the Concession Contract awarded to ICTSI.

On the safety and security front, the MCT successfully maintained its ISPS Code compliance as certified by the Philippine Office of Transport Security. Emergency response and fire brigade teams were organized to respond to disasters and emergencies in the terminal. Drills and seminars on firefighting, disaster relief and other safety and security training have been ongoing at the MCT.

Automation of operations was a key information technology activity since MICTSI's take over. Rolled out in the terminal were ICTSI's systems such as the Graphical Terminal System, an in-house developed billing system, and the Ariba procurement system. Plans are underway to install the Integrated Computer Aided Maintenance system for MCT's container handling fleet.

ICTSI's brand of terminal operations was immediately implemented at the MCT through various training programs on container handling operations and equipment maintenance. At the same time, MICTSI implemented an energy conservation program enjoining all employees to do their share in lowering power usage at the MCT.

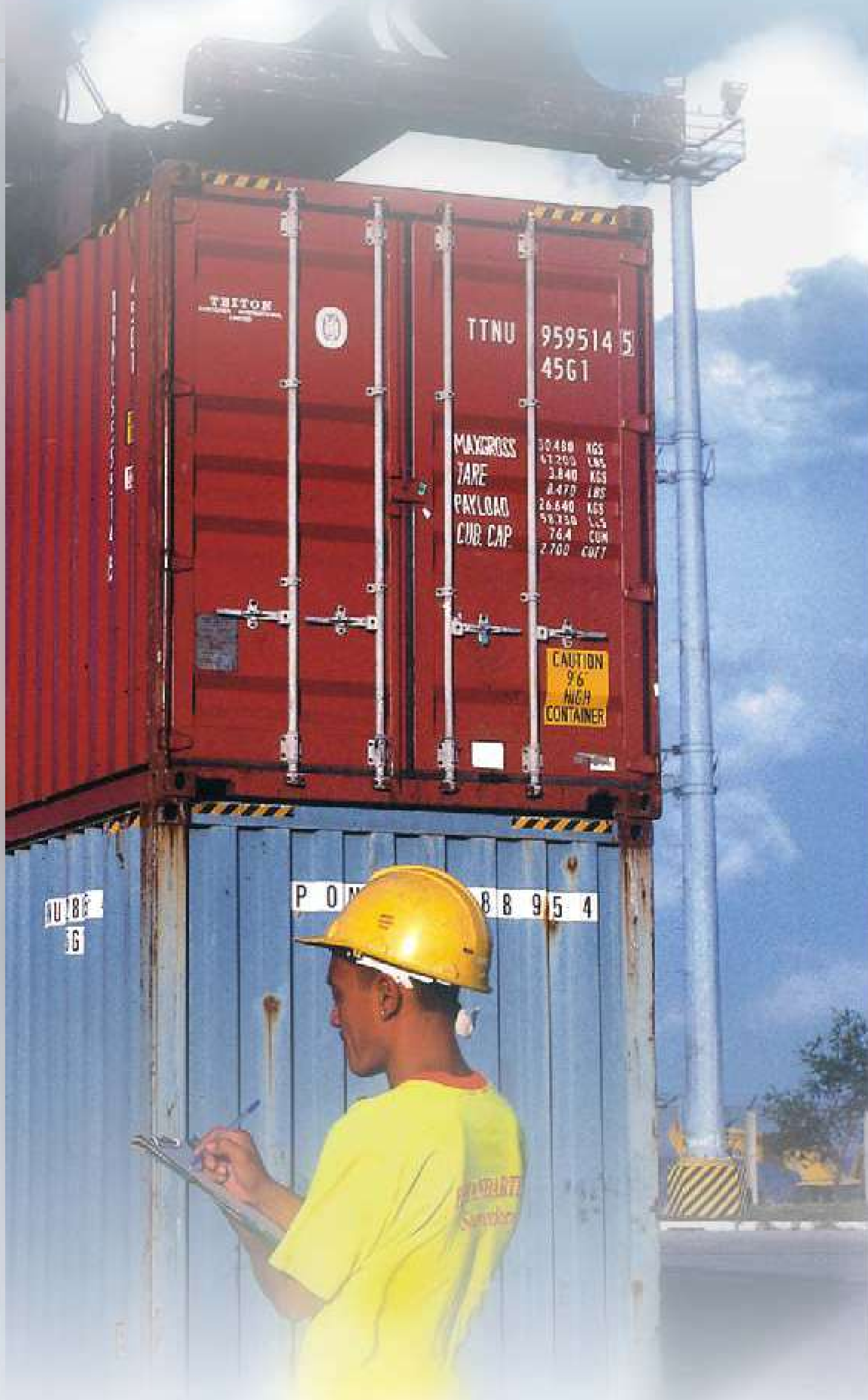
In 2009, MICTSI will continue to cascade ICTSI's corporate culture across the new organization as the MCT celebrates its first year anniversary as an ICTSI terminal in June. With the region's strong agricultural base and flourishing trade, MICTSI is readying the terminal for brisk business through world class container handling services.

South Cotabato Integrated Port Services, Inc.

South Cotabato Integrated Ports Services, Inc. (SCIPSI), cargo handler at the Makar Wharf in Gen. Santos City in southern Philippines, posted flat growth in containers handled, from 115,855 TEUs in 2007 to 115,019 TEUs in 2008. Non-containerized cargo also slightly decreased by one percent, from 432,554 metric tons (mt) in 2007 to 430,159 mt in 2008.

A key development during the year was the expansion of ICTSI's controlling interest in SCIPSI. In July, ICTSI purchased the remaining shares held by Cordilla Properties Holdings, Inc. in SCIPSI. A total of 71,845 shares were purchased, increasing ICTSI's ownership of the Gen. Santos cargo handler to 50.08 percent. The increase in ownership enabled the consolidation of SCIPSI's volumes into the ICTSI Group's volume. For the year in review, a total of 59,339 TEUs were included in ICTSI's consolidated volumes representing containers handled by SCIPSI from July to December.

Customer service at the terminal further improved with the opening of a two-storey administration building. The new facility provided a one-stop processing venue for all transactions in the terminal. The new building also houses the general manager's office, Finance and Human Resources departments, the paymaster's office, and the clinic.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SCIPSI's union embarked on its first income generating project, the Consumer Store, under the Philippine Department of Labor and Employment's Workers Income Augmentation Program. The project aims to provide union members with additional income through patronage refunds and the creation of jobs for a member's family beneficiaries. The Consumer Store provides employees easy access to basic commodities at reasonable costs. To promote good health at SCIPSI, the Company launched a program on family planning-maternal child health care. Free tetanus vaccines were given to pregnant women and dependents of SCIPSI employees.

SCIPSI is positive that trade in the southern region of Mindanao will bounce back in the coming months and that the Company will bounce back from the flat growth it experienced in 2008.

Contecon Guyaquil SA

In August 2007, ICTSI, through its subsidiary Contecon Guayaquil S.A. (CGSA), took over the operations of the Guayaquil Container and Multipurpose Terminals (GCMT) in Ecuador. The entry of CGSA into the Ecuadorian port system heralded a new era of modern port operations in the South American nation. As the private sector port operator of Ecuador's main port and international trading gateway, the Port of Guayaquil, CGSA introduced ICTSI's brand of world class terminal operations into the GCMT which, in turn, improved port productivity and trade facilitation.

After CGSA took over of operations, the Company immediately implemented a comprehensive reorganization and modernization program designed to ensure higher levels of operational efficiency. With two mobile harbor cranes and ship gears, CGSA expedited the handling of cargo at the port, obtaining valuable results, even as the Company finalized civil works and awaited the arrival of new equipment.

GMCT handles containerized, general and bulk cargo, and holds over the 90 percent of the country's container traffic estimated at over 900,000 TEUs annually. Bulk cargo includes bananas where Ecuador ranks as the world's number one exporter.

GMCT has a total terminal area of 115 hectares: 40 hectares for container operations (storage, CFS, etc.), 30 hectares for general and bulk cargo operations (including warehouses), and 45 hectares for future expansion. The total berth length is 1,625 meters with nine berthing positions. For its part, APG (Guayaquil Port Authority) will dredge the port's 91 kilometer access channel deeper from the existing depth to 9.6 meters.

As planned, 2008 was characterized with capital expenditure to further upgrade the terminal: yard improvement, construction of a new berth and the reinforcement of an existing one, building of an electric substation, CFS area improvement, and the acquisition of three quay cranes and eight rubber tired gantries in January 2009. More upgrades are scheduled for implementation in 2009.

7 July – ICTSI acquires all of the shares held by Cordilla Properties Holdings, Inc. in South Cotabato Integrated Port Services Inc. (SCIPSI) to gain majority ownership in SCIPSI. ICTSI's shareholdings in SCIPSI is now 50.08 percent.

In October, GCMT serviced the largest vessel to berth in Guayaquil, Hamburg Sud's 4,288-TEU capacity *MN Cap Gilbert*.

GCMT obtained in March a certification of compliance to the International Ship and Port Facility Security (ISPS) Code from DIGMER, Ecuador's ISPS Code assessing and certifying body. It took only eight months for CGSA to obtain the certification, which signaled GCMT's readiness for international trade and its ability to curb security threats in the terminal. BASC certification was also obtained by the end of 2008.

CGSA successfully rolled out new systems, which improved the terminal's procurement, inventory and maintenance processes, and IT services. NAVIS SPARCS system was implemented for the terminal operations. The Integrated Computer Aided Maintenance system stepped up processes at CGSA's maintenance and procurement departments, while the IT Service Management Suite allowed CGSA to establish an efficient and effective service management process including seamless workflow automation of the IT Infrastructure Library. The ADAM System was successfully implemented for the management of processes at Human Resources.

As of December 2008, 1,149 employees have been hired directly, with benefits such as medical insurance, food subsidies, transportation, uniforms, and on-site medical services. Around the 80 percent of them have received training in specific areas such as security, industrial safety, technical programs. Leadership training was also given to some 400 employees. In addition, foreign training was given to outstanding and deserving employees who were sent to China and Brazil for training on the mechanical maintenance and performance of the new equipment acquired from China.

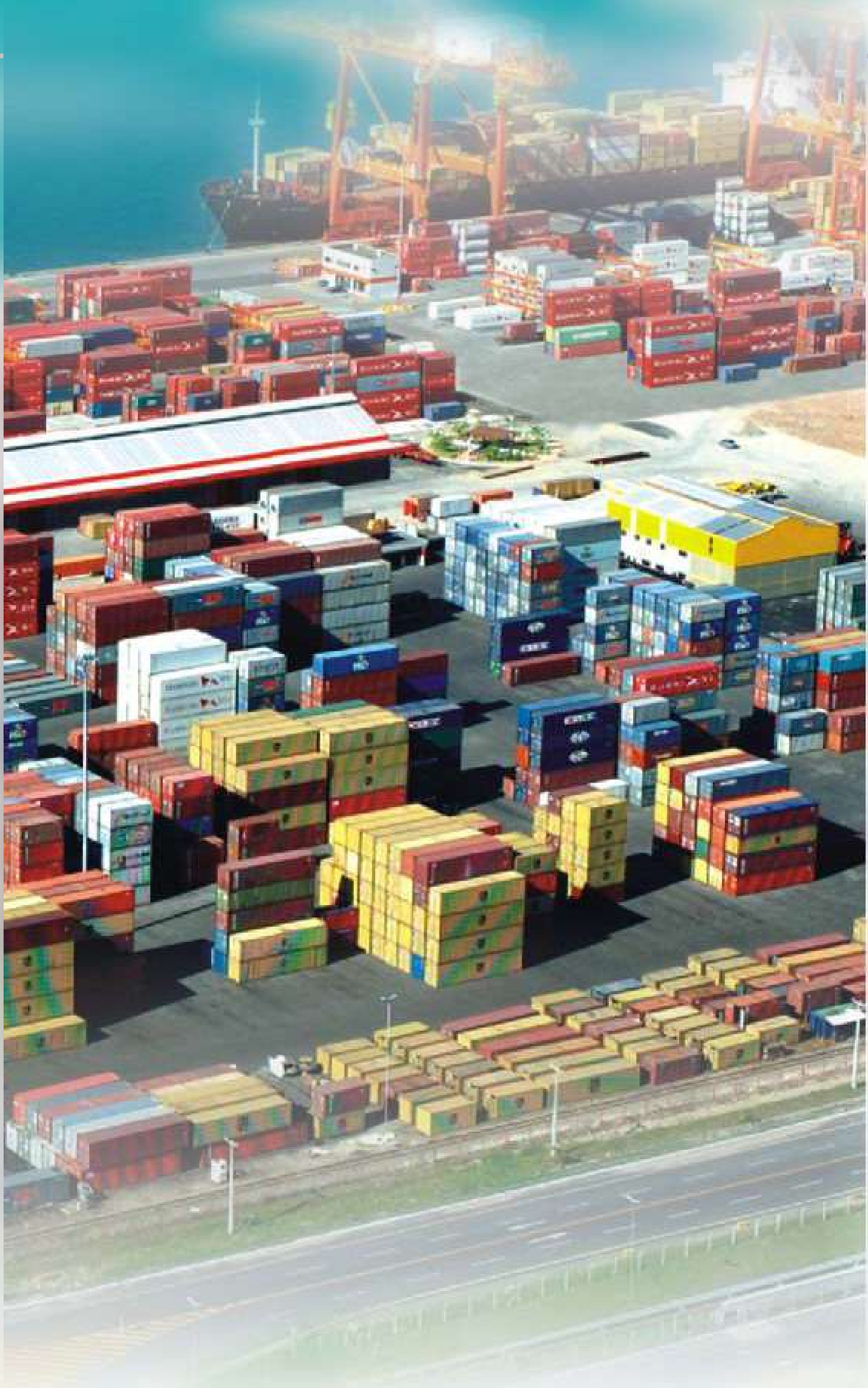
CGSA participated in the largest transportation exposition in the Western Hemisphere, the Intermodal South America. The three-day event boosted CGSA's business reach networking with key industry players and executives across the globe. CGSA also joined the TOC Market Briefing held in Guayaquil on November.

In 2009, CGSA is further priming the GCMT for more innovations and technologies in terminal operations and management. Aside from serving Ecuador's international trade, the GCMT is envisioned to become a key port in Latin America's trans-Pacific trade.

Tecon Suape, S.A.

Tecon Suape, S.A. (TSSA), manager and operator of the Suape Container Terminal (SCT) in Pernambuco, Brazil, reported improved container volumes at the SCT with an increase of 21.8 percent, from 241,757 TEUs in 2007 to 294,383 TEUs in 2008.

The volume increase was a result of increasing transshipment containers handled in the terminal. Transshipment almost doubled, from 25,726 TEUs in 2007 to 48,932 TEUs in 2008.



LOG-IN

The main driver of the boost was Mediterranean Shipping Co.'s (MSC) new transshipment service, which started in June. MSC also deployed new vessels of 5,500 to 6,000 TEU capacities, and opened a direct service to and from Suape and northern Europe.

Log-In Shipping Line, a Brazilian cabotage company, chartered two new vessels of 1,680 TEU capacities, enhancing the lines' capacity at the terminal by 60 percent. Meanwhile, Aliança, a local unit of Hamburg Süd, enhanced its fleet: two new vessels, each with a capacity of 2,500 TEUs, were entered into service, instead of the planned two 1,200 TEU capacity vessels.

In 2009, TSSA plans to continue developing the SCT not only as a key port in Brazil but also as a major hub for trans-Atlantic trade.

TSSA serviced a total of 556 vessels, 317 of which were chartered for long course services and 239 for cabotage. In June, SCT serviced its one millionth TEU since the terminal started operations in 2002. Included in the shipment were terminal tractors from Kalmar off loaded from Hamburg Süd's *Cap San Marco*.

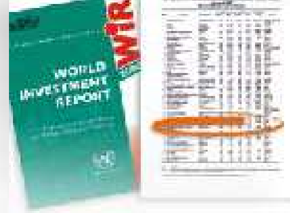
For the year in review, TSSA acquired three new reach stackers and 11 terminal tractors from Kalmar, a 65-ton capacity quay crane spreader from Ram, 13 65-ton capacity trailers, and a new forklift. Orders were also placed for four new rubber tired gantries from Noell for delivery in November 2009. TSSA also invested in a full container stacking area, paving seven hectares more. All 30 hectares leased from the Suape Port Authority are now totally paved.

To further improve systems and processes at the SCT, an Integrated Management System (IMS) was implemented combining the terminal's ISO 9001 Quality Management System and ISO 14001 Environmental Management System. The IMS optimized controls, and enables better usage of terminal resources.

A new module, Equipment Control, was rolled out to optimize usage of yard equipment, enable better communication among operation personnel, improve inventory control, introduce paperless processing, and reduce errors in data entry, staffing requirements, and voice radio traffic. The module is part of the terminal's SPARCS' system.

TSSA also implemented a more robust platform of servers using Blade Solution with storage and fail-safe capabilities. The new servers improved the performance and availability of the terminal's various systems. Another system was introduced, the ISOSYSTEM, which provides a consolidated database of TSSA's business procedures, documentations, processes, practices, key performance indicators and strengths-weaknesses-opportunities-threats analysis.

Customer service improved with enhancements in TSSA's systems and the Port of Suape's customs systems. Processing of transactions became seamless with the integration of SCT's Terminal Operation System (TOS) and Siscomex Carga, a customs system. The TOS was also integrated into TSSA's website, adding a new web portal which provides online services such as container registry and inquiry, status monitoring, invoicing, and information on gate in and gate out.



September – ICTSI is ranked 38th among the 50 largest infrastructure transnational corporations of developing and transition economies (ranked by foreign assets) by the United Nations Conference on Trade and Development. ICTSI is the only Philippine company included in the list.

Human resources development continued year round with the Port Worker Development Program, which included training modules focusing on container terminal operations, manufacture of containers, and foreign trade as well as special courses on port security and warehouse management.

In 2009, TSSA plans to continue developing the SCT not only as a key port in Brazil but also as a major hub for trans-Atlantic trade.

Baltic Container Terminal Ltd.

Baltic Container Terminal Ltd. in Gdynia, Poland managed to rise above setbacks encountered in 2008, producing better-than-expected yearend results. Commercial operations were affected by the withdrawal of the majority of Hapag-Lloyd operations in February; a short-lived labor disruption in March; and the completed contract of Maersk's operations in December.

Container volumes at the Baltic Container Terminal thus decreased by 10.8 percent, from 493,860 TEUs in 2007 to 440,591 TEUs in 2008. Vessel calls dropped 10 percent, from 793 in 2007 to 712 in 2008.

BCT nevertheless continued operational and administrative upgrades in key areas – equipment, facilities, information technology and manpower development.

Equipment acquisitions in 2008 included two Kalmar rubber tired gantries, one Bromma over-height spreader, two Kalmar terminal tractors, three Buiscar chassis and two Nissan forklifts. BCT, in tandem with the Gdynia Port Authority, also undertook improvements in terminal facilities through the rehabilitation of the quay, replacement of fenders, maintenance dredging of the berth's draft, and repairs in the container yard.

Seamless terminal operations through information technology were stepped up with the upgrade of BCT's Terminal Operating System designed by Tideworks. BCT also launched a new look for its website, www.bct.gdynia.pl.

To maintain high quality in terminal operations, BCT adopted the strict regulations of the EURO II and EU NRMM for its equipment fleet. These standards ensure that carbon and sound emissions in the terminal are kept to the minimum acceptable standards, if not totally eliminated. In addition, all forklifts at the BCT warehouses have shifted to the use of calor gas.

In March, BCT began implementing an organizational restructuring program with the end view of increasing terminal productivity. With a more streamlined workforce, BCT has been able to focus on further enhancing the development of its workforce. Various training were carried out during the year specifically on professional, technical and behavioral development. Furthermore, in line with its safety and security programs, employees were further primed on disaster preparedness through the regular conduct of training and anti-terror, emergency and fire drills. Through its adherence to European regulations and

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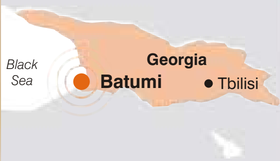
participation in various training programs, BCT was able to maintain its compliance to the ISPS Code, as well as maintain its certification with ISO 9001, HACCP-FSMS 2008, and ISO 22000-HACCP. It also received an approval certificate for Freight Containers Repair Works.

To maintain its market dominance, BCT, also In tandem with the Gdynia Port Authority, conducted road shows and promotional activities in Munich, Germany. The terminal also hosted the annual customer meeting for forwarders and shipping lines in Gdynia.

Despite the challenges faced by the company during the year in review, BCT continued to reap citations and good reviews for its terminal operations in international publications. Moreover, the Company received the Business Gazelle Award for being one of the most dynamic companies in Poland.

With increasing competition and a slowing global economy, BCT sees no slow down in its efforts to improve efficiency and productivity. The Company hopes to further boost innovations while maintaining its leadership in the Polish port market.

Batumi International Container Terminal LLC



On its first full year of operation, Batumi International Container Terminal LLC (BICTL), manager and operator of the Batumi International Container Terminal (BICT) in Adjara, Georgia, handled 44,197 TEUs by yearend 2008. Container handling operations officially started in March with the Mediterranean Shipping Co. as its maiden shipping line client. Aside from containers, BICT handles rail ferry vessels, scrap steel exports, liquid bulk and dry general cargo.

Two Gottwald mobile harbor cranes (MHC), each with a lifting capacity of 41 tons, were commissioned in the first six months of operation. Three telescopic spreaders and four manual spreaders from Stinnis are in use for the MHCs. The terminal also has five reach stackers, two side lifters, six tractors, 14 container chassis, and various forklifts. Current MHC productivity is at 16 moves per hour per crane, while outside trucks have an average dwell time of 20 minutes in the terminal. The 13.6-hectare terminal has a present annual design capacity of 100,000 TEUs, which willl be increased to 350,000 TEUs upon the completion of the intended extension.

On the safety and security front, the BICT implemented a 24/7 security and closed circuit surveillance cameras to monitor the terminal.

BICTL has invested in the SPINNAKER container management operating system, which has five modules: vessel planning, yard planning, gate control, electronic data interchange, and railway movement. It has also implemented ICTSI-developed programs such as software for billing and vessel productivity monitoring. The ICAM system was rolled out for equipment maintenance, purchasing and parts inventory.

23 September – ICTSI receives the letter of award from the Brunei Economic Development Board informing ICTSI that the Sultan of Brunei Darussalam consents to award ICTSI the concession for the container terminal cargo handling operations at the Palau Muara Besar (PMB) subject to certain requirements including the negotiation of a Memorandum of Understanding.

Customer service was stepped up through one-stop-shop processing at the terminal: People's Bank as the designated teller for the payment of duties; a brokers' office for processing of services; and BICTL billing office for collection and issuance of gate pass. In order to run the container handling operations smoothly, BICTL immediately implemented training programs on equipment operations. The Port Operations Training Program was launched to help a newly hired workforce understand ICTSI's brand of terminal operations including the concept of multi-skills, wherein equipment operators are trained to use two or more types of equipment. At present, 97 percent of employees are Georgians.

BICTL plans to invest in the expansion of the container stacking area and the designation of a dedicated area for the stripping of automobiles. Plans are also underway to increase terminal capacity by converting the container yard from reach stacker to rubber tired gantry operations.

Madagascar International Container Terminal Services Ltd.

Madagascar International Container Terminal Services Ltd. (MICTSL), manager and operator of the Madagascar International Container Terminal (MICT) in Toamasina, Madagascar, posted a 27.5 percent increase in container volumes, from 112,427 TEUs in 2007 to 143,371 TEUs in 2008. The increase was a result of an improving economy due to new investments coming into the African island nation.

Key to the increase was the new service of French megaliner CMA CGM, the Mascareignes Express Service, which included the MICT in its Indian Ocean port rotation. The new service chartered three vessels: 1,512-TEU capacity *San Cristobal*, 1,730-TEU *Azteca* and 1,604-TEU which ply the key ports of Djibouti, Seychelles, Mauritius, Reunion, Madagascar and Comores.

Increasing volumes at the terminal and the demand for higher productivity in the last two years prompted MICTSL to make major investments in its equipment fleet. Delivered during the year were two single-lift mobile harbor cranes (MHC) and one twin-lift MHC from Gottwald, four one-over-five-high rubber tired gantries from Noell, five reach stackers from Kalmar and Fantuzzi, two empty handlers, 19 terminal tractors and various forklifts from Ottawa and Kalmar, and 21 terminal trailers. The new equipment improved the terminal's yard capacity with MICTSL planning to stack containers up to seven-high.

To complement the new equipment, MICT facilities were improved with the rehabilitation of the terminal's berth. Large areas of the quay were reinforced with the installation of 22 new fenders.

ICTSI
MAERSK
SEALAND

A new Navis module was rolled out, the SPARCS Expert Decking, which fully automated yard positioning by distributing containers throughout the yard based on user-defined constraints. The module prevents traffic congestion and promotes seamless operations.

The MICT remains the country's leading international trading gateway, handling over 90 percent of Madagascar's containers. Despite the deceleration of the country's trade caused by the recent global financial and local political crises, MICTSL remains positive that trade in Madagascar will stabilize with the country's sound economic policies.

Tartous International Container Terminal jsc

Tartous International Container Terminal jsc (TICT), manager and operator of the Tartous International Container Terminal in the Port of Tartous in Syria, completed its first full year of operation in 2008, and handled 40,607 TEUs. TICT took over operations of the terminal in 2007.

A highlight of the year in review was when His Excellency, Prime Minister Mohammad Naji Ottari of Syria himself formally inaugurated the terminal, signalling a new era in terminal operatons in the region. The country's newest international gateway is nearest to the capital of Damascus and other industrial cities. The terminal also serves Iraqi and Jordanian cargo coming from the Mediterranean and the Americas.

The increase in volume handled is a direct result of continuing improvements implemented by TICT for its backroom support, employing port user friendly procedures as well as recognition of terminal efficiencies. Volume was further boosted with the introduction of weekly calls from Maersk Line., and a new client, Turkish shipping line EMES.

TICT continued to automate operations and administration systems during the year. Of significance was the implementation of a terminal operating system for start-up operations covering vessel, yard, container freight station and billing activities. This will be upgraded to GTS in mid-2009. In November, the Company's website went live. With interactive menus, the website contains information about the company and its operations.

Human resources development was a continuing program throughout the year. Of particular importance was the intensive, specialist training of equipment maintenance personnel on the operation and maintenance of TICT's mobile harbor cranes. The MHCs were acquired the year before, and are the first specialized container handling equipment in Syria. Current productivity of the MHCs is 17-18 gross moves per hour per crane.

TICT continues to gear up for increased business activities. Two quay cranes are scheduled for delivery in mid-2009. In early 2009, the Syrian Government granted TICT the authority to handle transshipment, making TICT the first and only terminal in Syria to handle transshipment.

28 October – ICTSI signs a Memorandum of Understanding with the Brunei Economic Development Board where ICTSI is to join the BEDB in designing, building and operating a deep sea container terminal in the new port of Pulau Muara Besar, Brunei Darussalam (PMB Container Terminal).

PT Makassar Terminal Services

PT Makassar Terminal Services (MTS), cargo handler at the Makassar Container Terminal (MCT) in South Sulawesi, Indonesia, handled 143,584 TEUs in 2008, a two percent decrease from the 146,527 TEUs in 2007. The decrease was due to an ongoing equipment rehabilitation program by MTS, which will reduce and later on eliminate equipment breakdown in its container handling fleet.

With MTS' equipment, two quay cranes and three rubber tired gantries (RTG), undergoing repair, rehabilitation and retrofitting, MTS' regulator and co-operator at the terminal, port authority PT Pelabuhan Indonesia IV (Pelindo IV), handled most of the container traffic at the MCT. Total container volumes at the Port of Makassar increased by 17 percent in 2008 with MTS' market share remaining at 40 percent.

For the year in review, MTS increased the heights and stacking capacities of its RTGs from three-high to four-high stacking. An order for a reach stacker was placed for delivery in 2009. MCT facilities, on the other hand, were improved with the opening of a new truck holding area, and the conversion of a multi-purpose area into a container yard, increasing the terminal's container storage area to 12.4 hectares.

MTS sees the slight drop in container volumes as transitory while the Company continues improving its container handling equipment. MTS will continue to support Pelindo IV in its plans of transforming the MCT into a vital port in Indonesia serving Indonesian and international trade.

Naha International Container Terminal, Inc.

Naha International Container Terminal, Inc. (NICTI), manager of the Naha International Container Terminal (NICT) in Okinawa, Japan, posted a 15 percent increase in container volumes, from 59,942 TEUs in 2007 to 70,437 TEUs in 2008. The significant volume increase was due to new clients: Mariana Express Lines Ltd. (MELL) and Asian Container Express Lines (ACX).

MELL, a member of the Hong Kong-based Luen Thai Group, is the sole ocean-cargo service that operates weekly in Asia and Oceania. The new shipping line client's inaugural call at the NICT was held in August with the maiden voyage of *MELL Senoko* in Naha. The vessel calls weekly at the NICT, and plies the Hong Kong-Kaohsiung-Naha-Saipan-Guam-Koror-Yap-Davao-Gen. Santos-Cebu route. ACX, on the other hand, started its vessel calls in September.

For the year in review, the terminal serviced a total of 194 vessels. To boost the NICT's reefer services, a new transformer was acquired for the reefer facilities.

As port manager of the NICT, NICTI will continue to strengthen its relations with its key partners, the terminal's stevedoring companies, and the Naha Port Authority (NPA).

ZIM
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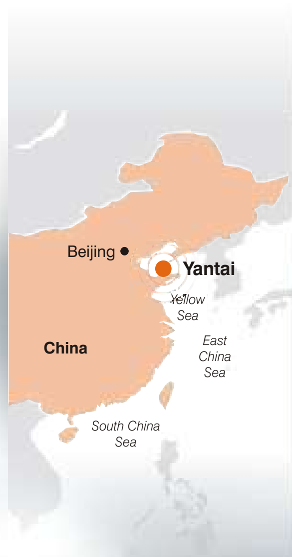
Yantai Rising Dragon International Container Terminals Ltd.

Container volumes at the Yantai Rising Dragon International Container Terminals (YRDICT) in Shandong, China slightly decreased by 2.2 percent, from 133,139 TEUs in 2007 to 130,193 TEUs in 2008. The decrease was a result of slowing volumes during the third quarter brought about by the global financial crisis and the deceleration of trade that hit the latter part of 2008.

During the year, shipping line clients COSCO and Qingdao Marine Noah's Ark Shipping introduced new service routes to and from Yantai and Japan. COSCO deployed two vessels and Qingdao Marine three vessels into the direct Japan routes. In January, YRDICT serviced its first mega boxship, COSCO's 4,200 TEU capacity *Shanhe* for its domestic route calling Yantai and Guangzhou on a weekly schedule.



Cargo consolidation / deconsolidation service was upgraded in the terminal with the official opening in April of a 4,500 square meter container freight station (CFS) as an independent operating unit. The CFS yard was also extended to add an extra 2,000 square meters, and a dedicated CFS gate was installed. These additional CFS facilities improved the turnaround time in CFS operations including overall terminal productivity. Also, two Xiaosong forklifts were purchased to further boost CFS operations.

With the global recession, YRDICT has implemented cost savings activities including energy saving measures for its rubber tired gantry fleet, and introduced paperless transactions through online inquiry and documentation handling for import and export transactions. Customs clearances were also digitally released through an electronic data interchange.

Human resources development in YRDICT focused on technical and behavioral training, adopting ICTSI's brand and culture in terminal operations and management. Key officers and employees visited the Manila International Container Terminal during the year to train and benchmark on ICTSI flagship's container handling operations. An employee incentive program was also implemented in recognition of productive and deserving employees.

With China's major trading partners, especially the United States, going through a recession, the country has shifted most of its trade to its neighboring countries like Japan, Korea and countries in Southeast Asia. As Chinese businesses beef up for more intra-regional trade, YRDICT plans to further improve its services and facilities to cater to this growing segment.

 International Container Terminal Services, Inc. Annual Report 2008

Corporate Social Responsibility

International Container Terminal Services, Inc.'s (ICTSI) commitment to corporate social responsibility continued throughout the year with a sustainable approach while enjoining its subsidiaries to incorporate CSR into their respective agendas.

ICTSI, both individually and in partnership with select organizations, implemented programs on education, disaster relief and rehabilitation, health and community welfare, environment, and youth and sports. The Company continued its strategic partnership with the Philippine Business for Social Progress (PBSP) in several of these programs.

Scholars from Bauan Technical High School

Education

ICTSI's Scholarship Project, a long-term program in partnership with PBSP, hopes to secure a better future for less privileged children by giving the children the opportunity to continue their studies in the secondary level, and pave the way for them to go into the tertiary level. ICTSI increased the number of its scholars to 20 in its second year of implementation. These scholars live in Philippine cities or provinces where ICTSI terminals are located: Batangas, Olongapo, Cagayan de Oro, Davao and General Santos.

ICTSI also supported the 3rd National ICT's in Basic Education Congress in September. Organized by the Foundation for Information Technology Education and Development in partnership with the Philippine Department of Education, the Ramendo Livelihood & Educational Foundation, Inc., St. Martin of Tours Credit and Development Cooperative, the Balangahai Study Center (Youth Center) in Tondo, Manila and various schools, the congress aimed to encourage the youth's artistry with poster-making and birthday card-making contests for elementary and high school students.

The Manila International Container Terminal (MICT) continued to support the Ronald McDonald House Charities “Bright Minds Read,” a project that encourages the youth to read.

CGSA employees volunteer for the improvement of the school.

South Cotabato Integrated Port Services, Inc. (SCIPSI) in southern Philippines continued to grant elementary, high school and college scholarships to deserving children of its employees, most of whom are on-call employees.

During the year, Madagascar International Container Terminal Services Ltd. gave out its first scholarship to the son of an employee. A continuing project, the scholarship program will benefit children of employees who top the country's annual baccalaureate exams.

Contecon Guayaquil SA (CGSA) in Ecuador initiated a program called “With Our Hands.” The program encourages employees to personally do their share of community service. In December, employee volunteers joined hands in painting, bricklaying, plumbing and improving the appearance of the nearby Luis Chiriboga Parra School. During the turn over ceremony CGSA further provided students with health flu vaccinations.

Scholars from Olongapo City National High School

Scholars from Davao City National High School

Scholars from General Santos City High School

MICTSL's first scholar, James William Mandzare (center), will continue his studies at St. Michel Technical Center. With him are his parents and officers of MICTSL.

Relief goods for fire victims of Parola in Tondo, Manila

Fully furnished mobile court at the Manila City Jail

MICT Livelihood training project

DIPSSCOR's free medical and dental services in Sasa

Disaster Relief and Rehabilitation

ICTSI conducted relief operations for fire victims in its neighboring community in Tondo, Manila. A total of 300 families benefited from relief goods assembled and distributed by employee volunteers, MICT Emergency Response Team members, MICT security personnel and the Philippine Department of Social Welfare and Development-Manila. Together with PBSP and the Coalition for Bicol Development, ICTSI also funded relief operations for the typhoon victims in Camarines Sur. Moreover, the Company supported the assistance projects of Y101 Always First and The Roman Catholic Bishop of Romblon for the victims of typhoon Frank.

Batumi International Container Terminal LLC in Georgia gave its support to the TBC Fund, which rehabilitated war victims in South Ossetia. On the other hand, CGSA employees raised funds to purchase medicine, food and other important supplies for the victims of heavy rains in communities along coastal areas in Ecuador.

ICTSI-MICT mobile free clinics at Parola area and Isla Puting Bato in Tondo

Health and Community Welfare

Heeding the call of the Manila City Mayor's desire to have a regional trial court and a metropolitan trial court within the premises of the Manila City Jail, ICTSI supported the Supreme Court of the Philippines' "Justice on Wheels" project by donating two completely furnished mobile courts. "Justice on Wheels" aims to hasten the processing of cases of indigent litigants. ICTSI also supported the Manila Police District's (MPD) computerization program for different MPD offices.

Closer to the MICT, a total of 1,176 in the terminal's neighboring community of Parola and Isla Puting Bato benefited from the continuing "Gamutan sa Pantanlan." Held quarterly, residents are given free medial and dental aid, including medicines. For the safety of the same residents, ICTSI also started the construction of a fence between the access road and the residential area.

MICTSL donates an ambulance

Meanwhile the MICT management and its labor union, Nagkakaisang Manggagawa sa Pantalan, Inc. - National Federation of Labor Unions, together with the Philippine Department of Labor and Employment, launched a livelihood program for employees and their families. The program initially gave workshops on soap making and perfume making that will benefit the employees and their family to earn extra income.

SCIPSI's management and union also launched a program for its members with the opening of a consumer store. In cooperation the Philippine Department of Labor and Employment's Workers' Income Augmentation Program, the store hopes to provide members easy access to basic commodities at reasonable prices. The Company also launched a Family Planning - Maternal Child Health Care program for its employees and for the Saranggani Marine and General Workers Union-Trade Union of the Philippines and Allied Services. Free tetanus vaccinations were given to pregnant women and dependents of employees.

During its anniversary, Davao Integrated Port & Stevedoring Services Corp. in southern Philippines, together with volunteer doctors and dentists from Davao Doctors Hospital, Barkadahan Foundation, Dr. Clarizel Bulac and dental and nursing students from Ateneo de Davao Universities, launched a medical and dental mission for its community in Barangay Sasa. A total 461 residents, mostly children, benefited from free consultations and medicines, while 111 residents benefited from free dental procedures.

DIPSSCOR turns over medicines to a local government official of Sasa.

Madagascar International Container Terminal Services Ltd. (MICTSL) also assisted its community by donating an ambulance to the Toamasina local government.

Throughout the year, ICTSI continued to support various charities, foundations and civic organizations.

Environment

To reduce air pollution in the terminal, the MICT implemented Vycon Regen's system for its RTGs, an environmentally friendly energy storage system designed to save energy and reduce emission. The MICT also continued to turn over its junk batteries for proper disposal to ABS-CBN Foundation, Inc.'s Bantay Kalikasan called Bantay Baterya. The total of 131 junk batteries raised a monetary contribution of over PhP100,000 which will, in turn, go to the La Mesa Watershed Project.

Hope Center beneficiaries

DIPSSCOR employee volunteers again joined the celebration of International Coastal Clean-Up by participating in the clean-up drive for Sasa Wharf. This activity is part of a worldwide event where volunteers clean shorelines, beaches, waterways, rivers, and other marine habitat.

Youth and Sports

ICTSI sustained its support for young Philippine men and women athletes.

The ICTSI Golf Team, composed of 25 amateur golfers ranging from ages 14 to 27, brought in a record 63 wins in the Philippines and abroad. Because of their training and exposure, three of these amateurs successfully turned professional during the year. Meanwhile, the nine professionals supported by the Company have been pacing themselves very well against the world's golfing giants.

To further assist struggling Philippine professional golfers, and to promote the Philippines as a golfing destination, ICTSI also initiated the Professional Golf Tour. In 2008, three professional tournaments were held in various golf courses around the country, giving Philippine professionals and amateurs alike a venue to test their mettle. In 2009, more of these tournaments will be held.

ICTSI also provided assistance to promising athletes in baseball, bodybuilding and taekwondo.

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DIPSSCOR employees during the coastal clean-up drive

ICTSI turns-over junk batteries to ABS-CBN Foundation, Inc.'s Bantay Baterya project.

Ferdie Aunzo and Tonlits Asistio are among ICTSI's golf athletes.

Management's Discussion & Analysis

Management's discussion and analysis (MD&A) relates to the financial condition and results of operations of ICTSI and its majority-owned subsidiaries (collectively referred to as "the Group"), and should be read in conjunction with the consolidated financial statements and accompanying notes to consolidated financial statements as of and for the year ended December 31, 2008.

References in this MD&A to "we", "us", "our", "Company" means the ICTSI Group and references to "ICTSI" refer to ICTSI Parent Company, not including its consolidated subsidiaries.

RESULTS OF OPERATIONS

Consolidated Results

The Company's consolidated financial results for 2008 and 2007 are as follows:

Consolidated Statements of Income

In PHP millions except % change and EPS data	**2008**	2007 As restated	% change
Gross revenues from port operations	**20,596.7**	15,000.9	37.3
Revenues from port operations, net of Port Authorities' share	**17,800.1**	12,906.4	37.9
Total Income (Net revenues, interest and other income)	**20,757.4**	15,079.7	37.7
Total Expenses (Operating, financing and other expenses)	**16,263.8**	10,549.0	54.2
EBITDA[1]	**8,736.3**	5,986.6	45.9
EBIT[2]	**6,482.8**	4,339.1	49.4
Net Income Attributable to Equity Holders	**2,858.9**	3,289.7	(13.1)
Earnings per share			
Basic	**1.504**	1.788	(15.9)
Diluted	**1.443**	1.710	(15.6)

[1] EBITDA is not a uniformly or legally defined financial measure. It generally represents earnings before interest, taxes, depreciation and amortization. We present EBITDA because we believe it to be an important supplemental measure of our performance and liquidity, and believe it is frequently used by securities analysts, investors and other interested parties in the evaluation of companies in our industry.

Our EBITDA figures are not, however, readily comparable to other companies' EBITDA figures, as they are calculated differently and must be read in conjunction with the related additional explanations. EBITDA has limitations as an analytical tool, and should not be considered in isolation or as a substitute for analysis of results as reported under PFRS. Some of the limitations concerning EBITDA are:

- EBITDA does not reflect cash expenditures or future requirements for capital expenditures or contractual commitments;
- EBITDA does not reflect changes in, or cash requirements for, working capital needs;
- EBITDA does not reflect the interest expense, or the cash requirements necessary to service interest or principal payments, on debt;
- Although depreciation and amortization are non-cash charges, the assets being depreciated or amortized will often have to be replaced in the future, and EBITDA does not reflect any cash requirements for such replacements; and
- Other companies in our industry may calculate EBITDA differently than we do, limiting its usefulness as a comparative measure.

Because of these limitations, EBITDA should not be considered as a measure of discretionary cash available to us to invest in the growth of our business. We compensate for these limitations by relying primarily on our PFRS results and using EBITDA only supplementary.

The following table shows EBITDA as derived from our net income for the period:

In PHP millions except % change and EPS data	**2008**	2007 As restated	% change
Net income attributable to equity holders	**2,858.9**	3,289.7	(13.4)
Minority interest	**(142.8)**	(99.6)	43.3
Provision for income tax	**1,777.5**	1,340.6	32.6
Income before income tax	**4,493.5**	4,530.7	(0.8)
Depreciation and amortization	**2,253.5**	1,647.5	36.8
Interest expense and others	**4,946.6**	1,981.7	149.6
Interest income and others	**(2,957.3)**	(2,173.3)	36.1
EBITDA	**8,736.3**	5.986.6	45.9

[2] EBIT, or Earnings Before Interest and Taxes, is calculated by taking net revenues from port operations and deducting cash operating expenses and depreciation and amortization.

Year Ended December 31, 2008 Compared with Year Ended December 31, 2007

All comparative analyses of the 2008 versus 2007 accounts refer to the audited consolidated financial statements which included the six months operations of MICTSI and six months operations of SCIPSI (gained control) in 2008 while 2007 includes nine months operations of YRDICTL, five months operations of CGSA, three months operations of TICT and two months operations of BICT. The 2007 accounts were restated as a result of the adoption of IFRIC 12 on January 1, 2008 and the adjustments to provisional values of SPIA and YRDICT at acquisition date.

Total Income

Total Income consists of (1) revenues from port operations net of Port Authorities' share ("net revenues"), (2) interest income, (3) foreign exchange gain and (4) other income.

In PHP millions except % change data	**2008**	2007	% change
Gross revenues from port operations	**20,596.7**	15,000.9	37.3
Port Authorities' share in gross revenues	**2,796.6**	2,094.5	33.5
Net revenues	**17,800.1**	12,906.4	37.9
Interest income	**179.2**	195.9	(8.5)
Foreign exchange gain	**2,468.9**	1,463.3	68.7
Unrealized mark-to-market gain on derivatives	**–**	406.6	(100.0)
Reversal of impairment loss on investment property	**242.7**	–	100.0
Other income	**66.6**	107.5	(38.1)
Total Income	**20,757.4**	15,079.7	37.7

Total consolidated income for 2008 amounted to ₱20,757.4 million, an increase of 37.7% from ₱15,079.7 million in 2007. Net revenues accounted for 85.8% of total consolidated income, with interest, foreign exchange gain, reversal of impairment loss on investment property and other income contributing the balance of 14.2%. In 2007, net revenues consisted of 85.6% of total consolidated income.

Revenues from Port Operations, net of Port Authorities' Share

Revenues from port operations include fees received from cargo handling, wharfage and berthing, storage, and special services. Port Authorities' variable share in gross revenues (including wharfage and berthing fees collected by the Port Authority at each terminal) represents fees and payments to the port authority of each cargo terminal operated by the Company, as provided in the respective concession contracts.

Gross revenues from port operations increased by ₱5,595.8 million, or 37.3% to ₱20,596.7 million in 2008 from ₱15,000.9 million in 2007. The double digit growth for the year was driven mainly by revenues from new terminal operations in YRDICTL, China (net of last year's 9 months operations), CGSA, Ecuador (net of last year's 5 months operations), TICT, Syria (net of last year's 3 months operations), BICTL, Georgia (net of last year's 2 months operations) and MICTSI, Misamis Oriental, Philippines which contributed ₱2,835.9 million in revenues and strong organic growth in MICTSL, Madagascar (44.4%), TSSA, Brazil (32.2%), DIPSSCOR, Philippines (28.8%) and MICT, Philippines (19.6%) which accounted for 64.5% (₱13,274.9 million) of total gross revenues from terminal operations. In July 2008, ICTSI increased its ownership in SCIPSI from 35.7% to 50.08% and obtained control. From the date ICTSI obtained control over SCIPSI up to December 31, 2008, SCIPSI contributed ₱83.9 million to gross revenues. BCT, Poland, however, posted a single digit growth of 2.9% primarily due to a two-week work stoppage in 2008 and on account of a new competitor terminal in Gdansk, Poland.

Net revenues after deducting port authorities' variable share increased by ₱4,893.7 million or 37.9% to ₱17,800.1 million in 2008 from ₱12,906.4 million in 2007. With the adoption of IFRIC 12, *Service Concession Arrangements*, fixed fees of subsidiaries subject to IFRIC 12, which were previously reported in the Company's audited consolidated financial statements as a deduction to gross revenues, are now presented as part of amortization expenses and interest expense on concession rights. In addition, subsidiaries not subject to IFRIC 12, automatically fell under IFRIC 4, *Determining whether an Arrangement Contains a Lease*, and the fixed fees which were previously classified in the Company's audited consolidated financial statements as a deduction to gross revenues are now presented as part of equipment and facilities-related expenses.

Gross revenues from foreign operations now account for 55.1% of consolidated revenues in 2008 compared to 49.2% in 2007 primarily due to new foreign terminals added to the portfolio (YRDICTL, CGSA, BICT and TICT), which accounted for 37.4% of total gross revenues from foreign operations in 2008.

Consolidated volume handled for the year 2008 increased by 24.2% to 3,734,892 TEUs. The substantial increase in volume was attributed to new terminal operations contributing 465,852 TEUs (YRDICTL-net of last year's nine months operations, CGSA-net of last year's five months operations, TICT net of last year's three months operations, BICT-net of last year's two months operations and MICTSI). In addition, SCIPSI which ICTSI gained control in July 2008 brought in additional 59,339 TEU's and the double digit volume growth in major terminals at MICTSL (27.5%), TSSA (21.8%), DIPSSCOR (20.1%) and MICT (10.3%) contributed to the increase in volume. However, BCT's volume declined by 10.8%.

MICT, operated by the Parent Company, handled 1,513,543 TEUs in 2008. This accounts for 40.5% of total consolidated volume of ICTSI. MICT's volume increased by 10.3% versus 2007. Gross revenues increased at a higher rate than volume at 19.6% primarily attributable to non-container and storage revenues, and 5% stevedoring tariff increase which took effect last April 1, 2008.

Volume handled at the *Port of Toamasina* in Madagascar (MICTSL) was 143,371 TEUs in 2008, 27.5% higher compared to 2007 of 112,427 TEUs. Gross revenues posted a 44.4% growth over 2007, primarily due to the tariff increase which took effect last January 1, 2008, storage revenues and the appreciation of the EURO against Malagasy Ariary as tariff is billed in EURO.

The *Port of Suape*, operated by subsidiary TSSA, handled 294,383 TEUs in 2008, 21.8% higher than 2007. Gross revenues posted a 32.2% growth over 2007, higher than volume primarily due to the shift in volume mix, mainly transshipment, plus the appreciation of the Brazilian Reais against the Philippine Peso (2% appreciation, year-on-year average rate). All of TSSA's revenues are denominated in Brazilian Reais.

Volume handled at the *Port of Gdynia*, operated by subsidiary BCT, was 440,591 TEUs in 2008, 10.8% lower than the 493,860 TEUs in 2007. The decline in volume is due to the two weeks work stoppage in March 2008 and the operation of a new terminal in Gdansk, Poland. Gross revenues increased by 2.9% compared to last year primarily due to hefty storage revenues in 2008.

Consolidated volume grew 24.2% in 2008 with new terminals contributing 64.0% of the total consolidated volume growth (net of last year's nine months operations at YRDICTL, five months operations at CGSA, three months operations at TICT, and two months operations at BICT). The new terminal operations contributed 866,671 TEUs in 2008 which accounted for 23.2% of total consolidated volume in 2008. Volume of CGSA in Ecuador accounted for 68.1% of the total 866,671 TEUs generated from new terminals in 2008. Breakdown of volumes of new terminals is as follows: CGSA – 590,213 TEUs, YRDICTL – 130,193 TEUs, MICTSI – 61,461 TEUs, BICT – 44,197 TEUs and TICT – 40,607 TEUs.

Foreign subsidiaries jointly accounted for 48.9% of consolidated volume in 2008 compared to 46.4% in 2007. Gross revenues from foreign operations in 2008 of ₱11,353.9 million now account for 55.1% of the consolidated gross revenues compared to 49.2% in 2007.

Interest Income, Foreign Exchange Gain and Other Income

Consolidated interest income decreased by ₱16.7 million, or 8.5% to ₱179.1 million in 2008 from ₱195.9 million in 2007 due to lower average cash balance in 2008.

Foreign exchange gain increased by ₱1,005.6 million or 68.7% to ₱2,468.9 million in 2008 from ₱1,463.3 million in 2007 primarily due to net gain on hedging activities of ₱1,673.1 million in 2008 and realized gains on settlement of foreign currency-denominated monetary assets and liabilities in 2008. Of the ₱1,463.3 million foreign exchange gain in 2007, ₱700.5 million came from the adoption of IFRIC 12 principally due to the restatement of the outstanding fixed fee payable as of December 31, 2007.

Total income in 2008 includes ₱242.7 million reversal of previously booked impairment loss on investment properties of the inland container depot.

Other Income decreased by ₱40.9 million or 38.1% to ₱66.6 million in 2008 from ₱107.5 million in 2007 mainly due to the gain on sale of property and equipment amounting to ₱48.6 million in 2007 compared to ₱18.3 in 2008.

Total Expenses

Consolidated expenses in 2008 amounted to ₱16,263.8 million, which was 54.2% higher than the expenses in 2007. This is principally due to the contribution of new subsidiaries (YRDICTL-net of last year's nine months operations, CGSA-net of last year five months operations, TICT-net of last year's three months operations, BICT-net of last year's two months operations, SPIA and MICTSI) which accounted for ₱2,123.2 million or 37.2% of the ₱5,714.8 million increase in consolidated expenses.

Consolidated Operating Expenses

In PHP millions except % change data	**2008**	2007 As restated	% change
Manpower costs	**3,939.0**	2,419.5	62.8
Equipment and facilities-related expenses	**2,669.0**	2,288.5	16.6
Administrative and other operating expenses	**2,456.8**	2,211.8	11.1
Total Cash Operating Expenses	**9,064.8**	6,919.8	31.0
Depreciation and amortization	**2,253.5**	1,547.5	36.8
Financing cost and bank charges	**747.4**	703.9	6.2
Interest expense on concession rights payable	**1,037.8**	807.6	28.5
Unrealized mark-to-market loss on derivatives	**17.2**	–	100.0
Foreign exchange loss	**3,051.2**	415.9	633.6
Other expenses	**92.9**	54.3	71.3
Total Expenses	**16,263.8**	10,549.0	54.2

Manpower costs increased by ₱1,519.5 million, or 62.8%, from ₱2,419.5 million in 2007 to ₱3,939.0 million in 2008. The increase by 62.8% year-on-year was directly attributable to the inclusion of expenses of new terminals in China (YRDICTL-net of last year's nine months operations), Ecuador (CGSA-net of last year's five months operations), Syria (TICT-net of last year's three months operations), Georgia (BICT-net of last year's two months operations), Misamis Oriental, Philippines (MICTSI) and pre-operating costs in Colombia (SPIA). In addition, BCT initiated an early retirement program to qualified employees and recognized severance costs amounting $1.7 million or ₱81.2 million. Of the ₱1,519.5 million increase in manpower costs, ₱995.1 million came from new terminals, while the difference pertains to additional personnel hired and salary increases on existing key terminals in Manila, Philippines (MICT), Poland (BCT), Brazil (TSSA) and Madagascar (MICTSL). Excluding new terminals and provision for severance costs at BCT, manpower costs would have increased only by 21.1% in 2008 as compared with 2007.

Equipment and facilities-related expenses consist mainly of repairs and maintenance charges for equipment and facilities, power and light, technical and system development and maintenance expenses, tools expenses, equipment rentals, fuel and oil and fixed fee expenses. With the adoption of IFRIC 12, the subsidiaries which did not qualify under IFRIC 12 are now under IFRIC 4. Under IFRIC 4, fixed fee portion of payments to port authorities which were previously classified in the Company's audited consolidated financial statements as a deduction to gross revenues is now presented as part of operating expenses under equipment and facilities-related expenses. IFRIC 4 reclassification resulted in an increase in equipment and facilities-related expenses by ₱504.2 million in 2008 and ₱436.9 million in 2007. Despite the additional terminals and high fuel costs in 2008, equipment and facilities-related expenses increased by only ₱379.5 million or 16.6% to ₱2,668.0 million in 2008, from ₱2,288.5 million in 2007 principally due to costs saving measures and operational efficiency projects implemented at the existing terminals and timing of repairs and maintenance of port equipment.

Administrative and other operating expenses increased by 11.1%, from ₱2,211.8 million in 2007 to ₱2,456.8 million in 2008 mainly due to less project development costs compared to the same period last year and costs saving measures implemented on both domestic and international operations. Administrative and other operating expenses would have been lower by ₱91.1 million in 2008 on account of non-recurring professional fees rendered to restructure BCT's operations. Restructuring costs and the severance costs previously discussed are expected to improve BCT's operations and profitability in the long-term.

Depreciation and amortization grew by ₱606.0 million or 36.8% to ₱2,253.5 million in 2008 from ₱1,647.5 in 2007. The increase was associated to the contribution of depreciation and amortization expenses from the new terminals (YRDICTL-net of last year's nine months operations, CGSA net of last year's five months operations, TICT-net of last year's three months operations, BICT-net of last year's two months operations, SPIA and MICTSI) and the result of acquisitions of new port equipment and facilities in MICT, MICTSL, BCT and TSSA. In addition, the impact of the adoption of IFRIC 12 resulted in a net increase in amortization of concession rights by ₱195.2 million in 2008 compared with ₱85.5 million in 2007.

Interest expense and financing charges on borrowings increased 6.2% to ₱747.4 million in 2008, from ₱703.9 million in 2007 due to the drawdown of ₱8.0 billion (US$180.0 million) from the US$250 million revolving term loan facility; ₱4.0 billion term loan from DBP and Landbank and; ₱1.2 billion from HSBC. The increase was partially offset by the capitalization of ₱130.7 million borrowing costs and lower interest rate plus spread in 2008.

Interest expense on concession rights payable increased by ₱230.2 million, or 28.5% to ₱1,037.8 million in 2008 from ₱807.6 million in 2007 mainly due to contributions from Ecuador (CGSA), Subic (SBITC) and Syria (TICT).

Unrealized MTM loss on outstanding derivatives was ₱17.2 million in 2008, compared to nil in 2007. In 2007, the Group posted unrealized MTM gain of ₱406.6 million as part of total income.

Foreign exchange losses increased by ₱2,635.3 million to ₱3,051.2 in 2008 from ₱415.9 million in 2007 mainly due to realized loss on hedging activities of ₱2,007.8 million in 2008 (realized gain on hedging activities amounting to ₱1,673.1 million is reflected as foreign exchange gain under total income). Due to the adoption of IFRIC 12, unrealized foreign exchange losses on the revaluation of outstanding foreign-currency denominated fixed fees payable amounted to ₱169.9 million in 2008 on account of the depreciation of the Philippine peso to the US dollar at December 31, 2008 relative to December 31, 2007. Restatement of outstanding foreign currency-denominated monetary assets and liabilities at TSSA, MICTSL, PTMTS, TICT and SPIA resulted to recognition of unrealized foreign exchange losses of ₱308.9 million due to the appreciation of the US dollar and EURO against the respective functional currency of each subsidiary.

EBITDA and EBIT

Consolidated EBITDA in 2008 grew by 45.9% primarily because of double digit growth in net revenues generated by key terminals MICT, TSSA, MICTSL and DIPSSCOR. Consolidated EBITDA margin improved by 2.5% to 42.4% in 2008 from 39.9% in 2007 due to effective management of cash operating expenses by MICT, BCT, TSSA, MICTSL and DIPSSCOR. Excluding the impact of IFRIC 12, EBITDA in 2008 grew 48.2% and EBITDA margin improved to 35.3% compared to 32.7% 2007.

The following table shows the reconciliation of Pre-IFRIC 12 EBITDA to reported EBITDA:

In PHP millions except % change data	**2008**	2007	% change
EBITDA, Pre-IFRIC 12	**7,267.5**	4,905.4	48.2
Fixed portion of Port authorities' share	**1,468.8**	1,081.2	35.8
EBITDA, Post-IFRIC 12	**8,736.3**	5,986.6	45.9
EBITDA Margin Pre-IFRIC 12	**35.3%**	32.7%	
EBITDA Margin Post-IFRIC 12	**42.4%**	39.9%	

Consolidated EBIT in 2008 grew by 49.4%. EBIT margin increased by 8.8% to 31.5% in 2008 from 28.9% in 2007 primarily due to double digit growth in net revenues and managed operating expenses. The adoption of IFRIC 12 increased EBIT by ₱1,273.5 million and ₱995.7 million in 2008 and 2007, respectively.

Pre-tax Profits, Provision for Income Tax and Net Income

Consolidated income before income tax for 2008 decreased to ₱4,493.5 million from ₱4,530.7 million, or 0.8% lower than 2007. The ratio of pre-tax profits to total gross revenues declined from 30.2% in 2007 to 21.8% in 2008. The decrease in consolidated income before income tax is attributed to the increase in non-operating expenses such as MTM loss on hedging activities, financing charges, foreign exchange losses on the adoption of IFRIC 12 and net unrealized foreign exchange losses on the restatement of outstanding foreign currency-denominated monetary assets and liabilities as of December 31, 2008.

For 2008, consolidated provision for current and deferred income tax amounted to ₱1,777.5 million, 32.6% higher compared to ₱1,340.6 million in 2007. The effective income tax rate in 2008 was also higher at 39.6% versus 29.6% in 2007 mainly because of taxable income generated by CGSA; the end of the two-year income tax holiday granted to MICTSL, and; the change of the corporate income tax rate of ICTSI Parent from 35% to 30%.

Consolidated net income decreased to ₱2,716.1 million in 2008 or 14.9% lower than 2007. The adoption of IFRIC 12, reduced net income by ₱81.1 million mainly due to the impact of net unrealized foreign exchange losses on the restatement of outstanding foreign currency-denominated fixed fees payable due to the devaluation of PHP to USD (from ₱41.28:1 at December 31, 2007 to ₱47.52:1 at December 31, 2008). In contrast, adoption of IFRIC 12 in 2007 increased consolidated net income by ₱515.4 million to ₱3,190.0 million due to the strong Philippine peso (from ₱49.03 at December 31, 2006 to ₱41.28 at December 31, 2007). Excluding the impact of IFRIC 12, consolidated net income in 2008 would have increased by ₱122.6 million to ₱2,797.2 million or 4.6%, from ₱2,674.6 million in 2007.

Net income attributable to equity holders or net profit excluding minority interest for 2008 was ₱2,858.9 million, 13.1% lower than ₱3,289.7 million for 2007. Excluding impact of IFRIC 12, net income attributable to equity holders would have increased by 5.6% or ₱154.5 million from ₱2,776.0 million in 2007 to ₱2,930.5 in 2008.

Basic and diluted earnings per share decreased to ₱1.504 and ₱1.443 from ₱1.788 and ₱1.710 respectively, in the same period last year.

There were no significant elements of income or expense outside the Company's continuing operations in 2008.

Financial Condition

Consolidated Balance Sheets

In PHP millions except % change data	**2008**	2007 As restated	% change
Total Assets	**59,028.2**	39,132.6	50.8
Total Equity attributable to Equity Holders of the Parent	**18,930.7**	16,534.7	14.5
Total Interest-bearing Debt	**21,766.2**	6,034.2	260.7
Total Liabilities	**37,733.4**	19,908.1	89.5
Current Asset/Total Assets	**23.4%**	15.8%	
Current Ratio	**2.17**	1.60	
Debt Equity Ratio	**1.77**	1.04	

Consolidated assets as of December 31, 2008 was higher by 50.8% than what was reported in 2007. The increase of ₱19,895.6 million was attributed mainly to the acquisition of TECPLATA, investments in new port facilities and equipment in CGSA, MICT, TSSA, BCT and MICTSL, proceeds from the US$250 million revolving facility amounting to US$180 million, drawdown of ₱4.0 billion from the ₱6.0 billion term loan facility agreement with DBP and Landbank and availment of ₱1.2 billion corporate notes facility with HSBC.

Consolidated cash and cash equivalents were at ₱10,588.7 million by year-end 2008, an increase of 197% over ₱3,564.9 million in previous year. Total current assets were 23.4% of total consolidated assets in 2008, compared to 15.8% in 2007. Current ratio is 2.16:1.00 for 2008 and 1.60:1.00 for 2007.

Noncurrent assets increased by 37.2% to ₱45,226.3 million as of year-end 2008 because of the acquisition of TECPLATA and additions in port facilities and equipment particularly in major terminals. Total noncurrent assets are 76.6% of total assets in 2008, while 2007 was 84.2%.

Total consolidated liabilities as of December 31, 2008 amounted to ₱37,733.4 million, 89.5% higher than balance of 2007. The increase was attributed to the proceeds from the US$250 million revolving facility amounting to US$180 million, drawdown of ₱4.0 billion from the ₱6.0 billion term loan facility agreement with DBP and Landbank and availment of ₱1.2 billion corporate notes facility with HSBC.

The Group's outstanding loans as of December 31, 2008 are as follows:

	Company	**Year of Maturity**	**Type of Interest Rate**	**Amount**
Short-Term Debt				
PHP short-term loan	Parent	2008	Floating	₱1,150,000,000
RMB short-term loan	YRDICTL	2008	Floating	104,398,260
PLN short-term loan	BCT	2008	Floating	43,564,435
				₱1,297,962,695
Long-Term Debt				
Unsecured Peso Term Loan	Parent	2010-2011	Fixed	₱446,435,426
Unsecured Peso Term Loan	Parent	2013	Floating	3,891,026,246
Unsecured Peso Corporate Note	Parent	2014-2015	Fixed	1,205,048,830
US Dollar Term Loan	TSSA	2014	Fixed	538,163,376
US Dollar Term Loan	BCT	2014	Floating	735,273,559
US Dollar Syndicated Loan	ICTSI Capital BV	2010	Floating	11,738,355,484
RMB Term Loan	YRDICTL	2017	Floating	1,913,968,101
				₱20,468,271,022
Total Debt				**₱21,766,233,717**
Current Portion				1,755,565,532
Net				20,010,668,186

Maturities of long-term debt (net of debt issuance cost) as of December 3, 2008 are as follows:

2009	₱457,602,836
2010	12,438,468,129
2011	1,609,062,418
2012	1,456,260,190
2013 onwards	4,506,877,449
	₱20,468,271,022

ICTSI Capital B.V.
In December 2007, ICTSI Capital BV entered into a revolving and term loan facility agreement with a consortium of 21 international banks for a maximum credit facility of ₱10.3 billion (US$250.0 million), which was arranged by Hongkong and Shanghai Bank Corporation (HSBC), Citibank and Calyon. The facility was guaranteed by ICTSI and was intended to refinance various loans, fund new acquisitions and finance general working capital requirements of the Group. The loan bears an interest of 0.80% over the London Interbank Offered Rate, subject for increase depending on the Debt to EBITDA ratio for the relevant period.

Also in December 2007, ICTSI Capital BV made a drawdown of ₱2.9 billion (US$70.0 million), gross of debt issuance cost and payable in December 2010. Part of the proceeds was used to prepay the outstanding balance of US$36.0 million of the Bridge Facility Agreement (Bridge Facility) discussed in the succeeding paragraph.

On October 18, 2006, ICTSI signed a Bridge Facility with a consortium of banks led by ABN AMRO Bank N.V. with a total credit facility of ₱5.0 billion (US$120.0 million). ICTSI Capital BV was established as the borrower under the Bridge Facility, which was guaranteed by ICTSI. The Bridge Facility is to be used for future acquisitions in the marine container terminal sector. The Bridge Facility carried an interest rate of LIBOR + 2% to 3% per annum. In March 2007, ICTSI Capital BV made a drawdown of ₱1.7 billion (US$36.0 million) from the Bridge Facility. The amount was fully paid in December 2007 out of the proceeds obtained from the Facility Agreement.

Additional drawdowns were made by ICTSI Capital BV amounting to ₱2.9 billion (US$64.0 million), ₱475.2million (US$10.0 million) and ₱5.0 billion (US$106.0 million) in August, September and October, 2008, respectively. As of December 31, 2008, the facility was fully availed of.

ICTSI
Term Loan Facility Agreement (Term Loan Facility). In November 2008, ICTSI signed a five-year ₱6.0 billion Term Loan Facility with Development Bank of the Philippines and Land Bank of the Philippines for the financing of capital expenditures of the Group including the construction of Berth 6 of MICT and refinancing of existing obligations. Interest on the loan shall be the higher of (1) the sum of three months PDST-F Rate and 1.75% p.a. spread, or (2) the BSP Reverse Repo Rate. The Term Loan Facility is unsecured. As of December 31, 2008, ₱4.0 billion has been drawn from the Term Loan Facility.

Corporate Notes Facility Agreement (Fixed Rate Corporate Note or FXCN). In November 2008, ICTSI completed a FXCN Note for ₱885.0 million, which amount may be increased by an Accession Agreement, with several institutions arranged by HSBC. The net proceeds of the FXCN Note will be used for capital expenditures. The FXCN Note is unsecured and has maturities of five and a half, and seven years. Interest is at 9.5% p.a. for the five and a half-year FXCN Note and 10.25% for the seven-year FXCN Note. As of December 31, 2008, outstanding balance of the FXCN Note amounted to ₱1.2 billion.

Other Philippine-based Commercial Banks. The outstanding peso-denominated term loans were obtained by ICTSI from local banks and are payable quarterly or annually with final installments due between 2010 and 2011. The average interest rates on the term loans were fixed rates of 14% to 15%.

YRDICTL
In July 2007, YRDICTL entered into a loan agreement with the Industrial and Commercial Bank of China for ₱1.6 billion (RMB275.0 million) to finance YRDICTL's acquisition of port equipment and the increase in its handling capacity. The loan bears a floating interest rate based on the rate published in The People's Bank of China, discounted by 10%, at July 1 of each year. The loan is payable beginning 2009 up to 2017. Port equipment, together with other assets of YRDICTL, with a total carrying value of up to ₱813.3 million (RMB143.7 million) were used to secure the loan. The facility is without recourse to the ICTSI. The loan is guaranteed by Yantai Port Group, a minority shareholder, up to ₱311.2 million (RMB55.0 million).

BCT

In November 2004, BCT entered into a loan agreement with a syndicate of a Polish and international banks to finance an increase in its handling capacity. The loan agreement is a credit facility totaling ₱1.5 billion (US$36.0 million), which may be drawn through the end of 2006 and is repayable in equal installments between 2007 and 2014. As of December 31, 2006, BCT availed of ₱1,029.6 million (US$21.0 million). BCT paid ₱108.4 million (US$2.6 million) in 2007. The loan bears interest at 1.1% over the LIBOR or, on or after the currency conversion date, Euro Interbank Offered Rate and is payable in 16 equal semi-annual installments up to 2014. Port equipment, together with other assets of BCT, with a total carrying value of up to ₱1.8 billion (US$44.7 million) were used to secure the loan. The facility is without recourse to the ICTSI. The average interest rate was 4.93% in 2008.

TSSA

In December 2005, TSSA entered into a loan agreement with the International Finance Corporation and the Netherlands Development Finance Company to finance TSSA's increase in its handling capacity. The loan agreement is a credit facility totaling ₱577.9 million (US$14.0 million) which may be drawn upon the completion of the required security documentation. In July 2006, TSSA made a drawdown from the credit facility amounting to ₱686.4 million (US$14.0 million). TSSA paid ₱61.3 million (US$1.5 million) in 2007. The loan bears a fixed interest rate of 9.47% and is payable in 16 semi-annual installments up to 2014. Port equipment, together with other assets of TSSA, with a total carrying value of up to ₱782.5 million (US$19.0 million) were used to secure the loan. The facility is without recourse to ICTSI.

Loan Covenants

The loans from local and foreign banks impose certain restrictions with respect to corporate reorganization, disposition of all or a substantial portion of the ICTSI's, BCT's, TSSA's and YRDICTL's assets, acquisitions of futures or stocks, and extending loans to others, except in the ordinary course of business. ICTSI, ICTSI Capital BV and BCT are also required to maintain specified financial ratios relating to their debt to equity and cash flow and earnings level relative to current debt service obligations. As of December 31, 2008 and 2007, ICTSI, ICTSI Capital BV, BCT and TSSA are in compliance with the loan covenants.

Unamortized debt issuance cost related to long-term debt aggregated ₱280.1 million and ₱144.0 million as of December 31, 2008 and 2007, respectively. Interest expense amounted to ₱747.4 million (net of capitalized borrowing costs amounting to ₱130.7 million) and ₱703.9 million in 2008 and 2007 respectively.

Current ratio on a consolidated basis for 2008 was 2.16:1, an increase from previous year's 1.60:1 ratio. Debt to equity ratio increased to 1.77:1 in 2008 from 1.04:1 in 2007.

Total stockholders' equity attributable to equity holders of the parent stood at ₱18,930.7 million as of December 31, 2008, an increase of 14.5% from 2007.

There were no events that will trigger a direct or contingent financial obligation that is material to the Company, including any default or acceleration of an obligation.

There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relations of the Company with unconsolidated entities or other persons created during the reporting period.

Material Variances Affecting the Balance Sheet

(Increase or decrease of 5% or more in the financial statements)

Non-current Assets:

1. Intangibles (net) increased by ₱9,188.2 million (net of amortization), or 50.6% mainly due to the recognition of and additions to initial goodwill and concession assets principally TECPLATA and property and equipment that will revert to the port authorities for those terminals subject to IFRIC 12 and annual fixed fees and concession rights of new terminals.
2. Property and equipment increased by ₱1,499.1 million (net of depreciation), 13.7% over December 31, 2007 due to the acquisition of port equipment and construction of civil works for the new and existing terminals. Property and equipment are net of reclassification to intangibles of those assets that will revert to the grantor as required under IFRIC 12.
3. Investment properties increased by ₱226.9 million, 19.3% over December 31, 2007 due to reclassification of properties related to the inland container depot from property and equipment due to the commencement of operating lease.
4. Investment in associates decreased by 100% due to acquisition of additional ownership resulting to control over and consolidation of SCIPSI.
5. Other non-current assets increased by 143.3% or ₱1,441.6 million mainly due to advances to contractors and suppliers for the construction of Berth 6 at MICT and SPIA, Colombia and acquisition of transportation equipment.

Current Assets:

6. Cash and cash equivalents increased by 197.0% or ₱7,023.8 million due mainly to full availment of the US$250 million revolving facility amounting to US$180 million (₱8.0 billion), drawdown of ₱4.0 billion from the ₱6.0 billion term loan facility agreement with DBP and Landbank and availment of ₱1.2 billion corporate notes facility with HSBC.
7. Spare parts and supplies increased by 35.0% or ₱123.5 million due to the build up of spare parts and supplies at MICTSL and TSSA in line with the current maintenance and repairs of port equipment as well as collective increases at MICT, BCT and CGSA with new facilities and port equipment acquired.
8. Prepaid expenses and other current assets increased by 180.5% or ₱873.2 million due mainly on account of CGSA input VAT tax credit and MICT's input VAT on fixed assets acquisitions and purchases.
9. Derivative assets decreased by 67.2% or ₱366.1 million due to negative position in derivatives activities for 2008.

Stockholders' Equity:

10. Retained earnings increased by 24.6% or ₱2,187.2 million as a result of net income for 2008 and reduced by cash dividends declared in 2008. Retained earnings was restated with the impact of adoption of IFRIC 12.
11. Cumulative translation adjustments decreased by ₱669.8 million or 34.7% due to translation differences in foreign subsidiaries and the depreciation of Philippine peso against the US dollars in 2008.
12. Unrealized mark-to-market gain on available-for-sale investments decreased by ₱3.9 million due to depreciation of investments available-for-sale relative to their fair values as of December 31, 2008.
13. Excess of acquisition cost over the net assets of minority interest increased by ₱157.5 million due to additional ownership in SPIA, Colombia which was accounted for as acquisition of minority interest.
14. Treasury shares decreased by ₱65.7 million due to re-issuance of treasury shares.
15. Cost of shares held by subsidiaries increased by ₱517.2 million or 13.5% with the repurchase of ICTSI shares by a subsidiary during 2008.

Non-current Liabilities:

16. Long-term debt – net of current portion increased by 241.1% or ₱14,144.8 million mainly due to full drawdown from the US$250 million revolving facility amounting to US$180 million (₱8.0 billion), availment of ₱4.0 billion from the ₱6.0 billion term loan facility agreement with DBP and Landbank, and availment of ₱1.2 billion corporate notes facility with HSBC.
17. Deferred tax liabilities decreased by ₱213.9 million or 12.0% due to adjustment of ICTSI Parent's tax rate from 35% to 30%.
18. Pension liabilities increased by 21.0% or ₱8.3 million mainly due to changes to and accrual of defined benefit obligation.
19. Concession rights payable – net of current portion increased by ₱1,371.5 million mainly due to the effect of Philippine peso depreciation against the US dollar on the restatement foreign currency-denominated fixed fees and concession rights payable. Concession rights payable is also net of payments for fixed fees and concession rights payable based on the payment schedules.

Current Liabilities:

20. Loans payable, increased by ₱1,298.0 million due to availment by the Parent Company and YRDICTL of short-term loans.
21. Accounts payable and other current liabilities increased by ₱494.0 million due to higher purchases particularly capital expenditures made in the last quarter of 2008.
22. Income tax payable increased by ₱283.2 million due to strong operational performance in 2008 plus end of income tax holiday of MICTSL.
23. Derivative liabilities increased by ₱389.5 million due mark-to-market loss position on derivatives.

Liquidity

Consolidated Cash Flow

In PHP millions except % change data	**2008**	2007 As restated	% change
Net cash provided by operating activities	**6,801.0**	5,444.2	24.9
Net cash used in investing activities	**(11,373.8)**	(10,424.4)	9.1
Net cash provided by financing activities	**11,270.3**	4,900.8	130.0
Effect of exchange rate changes on cash and cash equivalents	**326.3**	(11.9)	(2,844.6)
Net increase (decrease) in cash and cash equivalents	**7,023.8**	(91.3)	(7,791.8)

Consolidated cash and cash equivalents as of December 31, 2008 increased by ₱7,023.8 million to ₱10,588.7 million from year-end 2007. Funds were sourced mainly from operations amounting to ₱6,801.0 million, full availment of the US$250 million revolving facility amounting to US$180 million (₱8.0 billion), drawdown of ₱4.0 billion from the ₱6.0 billion term loan facility agreement with DBP and Landbank and availment of ₱1.2 billion corporate notes facility with HSBC. Funds were used mainly for new facilities and equipment and acquisition of subsidiaries.

Net cash provided by operating activities increased by ₱1,356.8 million, from ₱5,444.2 million in 2007 to ₱6,801.0 million in 2008 primarily due to strong performance of major terminals in MICT, Philippines; TSSA, Brazil; MICTSL, Madagascar; and CGSA, Ecuador.

Net cash used in investing activities amounted to ₱11,373.8 million, an increase of ₱949.4 million from ₱10,424.4 million in 2007 primarily due to civil works and capital expenditures in MICT, BCT, TSSA, MICTSL, CGSA and SPIA.

The total estimated 2009 consolidated capital expenditures is ₱7.2 billion, relating mainly to civil works, systems improvement, and purchase of major cargo handling equipment of major terminals such as MICT, TSSA and CGSA. The Company expects to meet funding requirements for these expenditures from internally generated funds, available cash balances and new borrowings.

Net cash provided by financing activities amounted to ₱11,270.3 million in 2008 compared with ₱4,900.8 million in 2007. This is mainly attributable to full availment of the US$250 million revolving facility amounting to US$180 million (₱8.0 billion), drawdown of ₱4.0 billion from the ₱6.0 billion term loan facility agreement with DBP and Landbank and availment of ₱1.2 billion corporate notes facility with HSBC.

As a result, cash and cash equivalents increased by ₱7,023.8 million from ₱3,564.9 million in 2007 to ₱10,588.7 million in 2008.

Risks

Quantitative and Qualitative Disclosures about Market Risks

ICTSI's geographically diverse operation exposes the Company to various market risks, particularly foreign exchange risk, liquidity risk and interest rate risk, which movements may materially impact the financial results of the Company. The importance of managing these risks has significantly increased in light of the heightened volatility in both the Philippine and international financial markets. With a view to managing these risks, we have incorporated a financial risk management function in our organization, particularly in our treasury operations.

Foreign Exchange Risk

Fluctuations in the exchange rates between the Philippine peso ("Peso" or "PHP") and the US dollar ("US$") and other foreign currencies will affect the equivalent in US dollars or other foreign currencies of the Peso price of our Shares on the PSE, and of dividends distributed in Pesos, if any. Fluctuations in such exchange rates will also affect the Peso value of our assets and liabilities that are denominated in currencies other than Pesos.

ICTSI's foreign currency-linked revenues were 73.4% and 69% of gross revenues for the years ended December 31, 2008 and 2007, respectively. Foreign currency-linked revenues include the following: (1) the vessel and related charges of MICT; and (2) the total revenues of our international subsidiaries. The ICTSI Group incurs expenses in foreign currency for all the operating and start up requirements of our international subsidiaries. In certain countries, the concession fees payable to the port authorities are either denominated in or linked to the US dollar.

The following table represents the exchange rates of relevant currencies against the Philippine peso as at December 31, 2008 and 2007:

	2008	2007	% change
US Dollars	47.520	41.280	-15.12
Polish Zloty	16.002	16.701	4.22
Brazilian Reais	20.531	23.204	11.52
Euro	66.390	60.223	-10.23

The foreign exchange differentials arising from the revaluation of our foreign currency accounts are credited (charged) to current operations. ICTSI's net foreign exchange loss charged to current operations amounted to ₱582.3 million at the end of 2008, compared to a net foreign exchange gain of ₱1,047.4 million credited in the same period last year.

As at December 31, 2008, 59.8% of ICTSI's consolidated debts were denominated in US dollars, against 66.8% as at December 31, 2007.

The following is a list of foreign currency-denominated long term liabilities (gross of debt issuance costs) of ICTSI as at December 31, 2008:

Borrower	Type of Facility	Amount	Interest	Maturity Date
ICTSI Capital B.V.	Term Loan Facility	USD250,000,000	Floating Libor+0.80% margin	2010
TSSA	Term Loan Facility	USD11,413,647	Fixed Libor+4% margin	2014
BCT	Term Loan Facility	USD15,750,000	Floating Libor+1.1% margin	2014
YRDICTL	Term Loan Facility	CNY275,000,000	Floating	2017

As at December 31, 2008, ICTSI's outstanding short-term forward sell US$ and buy Philippine peso contracts with aggregate notional amounts of US$26.0 million to hedge its foreign currency risk arising from of US$-denominated revenues due to changes in foreign currency exchange rates. These revenues are expected to occur monthly, and will affect profit or loss upon its occurrence. ICTSI designated these currency forwards as cash flow hedges of its anticipated US$-denominated revenues in 2008 and 2009. As of December 31, 2008, the fair value of the outstanding nondeliverable currency forwards amounted to ₱164.4 million loss of which ₱113.7 million (net of ₱49.3 million deferred tax asset) is reported in the equity section of the consolidated balance sheet. The ineffective portion amounting to ₱2.0 million was recognized in the consolidated statement of income as unrealized mark-to-market loss on derivatives. These currency forward contracts have various maturities until December 2009. The total ineffective portion recognized immediately in the consolidated statement of income for 2008 amounted to ₱1.9 million.

As at December 31, 2008, ICTSI's outstanding nondeliverable currency forward contracts have a notional amount of US$40.0 million (buy position) and US$45.0 million (sell position) with maturities extending up to the first quarter of 2009. ICTSI also has an outstanding short-term nondeliverable currency option contract with the bank having an option to sell USD/PHP to ICTSI at an agreed rate and ICTSI having the option to buy USD/PHP at an agreed rate. The currency option contract has a notional amount of US$5.0 million (buy position) and will be maturing in January 2009. These forward contracts were entered to hedge existing and anticipated US$-denominated revenues but were not designated by the Company as cash flow hedges.

Gains (losses) on derivative instruments represent the net mark-to-market (MTM) gains (losses) on derivative instruments. As of December 31, 2008, the MTM value of outstanding derivatives of ICTSI recorded in the statement of income amounted to ₱17.2 million.

Interest Rate Risk

ICTSI's long-term liabilities have combined fixed and floating interest rates. A rise in short-term interest rates in US dollars will result in a corresponding increase in the interest rates due on the floating rate US dollar denominated liabilities of ICTSI. On a limited basis, we enter into interest rate swap agreements in order to manage our exposure to interest rate fluctuations.

As of December 31, 2008, the consolidated floating interest rate bearing liabilities of ICTSI are broken down as follows:

Borrower	Type of Facility	Amount	Interest	Maturity Date
ICTSI Capital B.V.	Term Loan Facility	USD250,000,000	Floating Libor+0.80% margin	2010
BCT	Term Loan Facility	USD18,375,000	Floating Libor+1.1% margin	2014
YRDICTL	Term Loan Facility	CNY275,000,000	Floating	2017

As of December 31, 2008, ICTSI has an outstanding pay-fixed, receive-float interest rate swap contract to hedge the variability of cash flows pertaining to its floating rate US$ loan. The interest rate swap effectively fixed the benchmark rate of the hedged loan at 3.64% over the duration of the agreement, which involves quarterly payment intervals up to December 2010. The notional amount of the interest rate swap is ₱50.0 million.

As of December 31, 2008, the fair value change of this interest rate swap amounted to ₱47.5 million loss, of which ₱33.3 million is reported in the equity section of the consolidated balance sheet (net of ₱14.2 million deferred tax asset).

Liquidity Risk

We manage our liquidity profile to be able to finance our working capital and capital expenditure requirements through internally generated cash and proceeds from debt.

As part of our liquidity risk management, we regularly evaluate our projected and actual cash flow information and continually assess conditions in the financial market to pursue fund raising initiatives. These initiatives may include bank loans, project finance facilities and debt capital markets.

The Group monitors and maintains a level of cash and cash equivalents and bank credit facilities deemed adequate by management to finance the Group's operations, ensure continuity of funding and to mitigate the effects of fluctuations in cash flows. The Group's policy is that not more than 25% of borrowings should mature in any 12-month period. The Group's debt that will mature in less than one year is 2% and 3% of the total borrowings as of December 31, 2008 and 2007 respectively.

There are no other known trends, demands, commitments, events or uncertainties that will materially affect the company's liquidity.

Credit Risk

The Group trades only with recognized, creditworthy third parties and the exposure to credit risk is monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. Since the Group trades only with recognized third parties, collateral is not required in respect of financial assets.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, and available-for-sale financial assets, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

At balance sheet date, there is no significant concentration of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated balance sheets.

Capital Management

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to stockholders, return capital to stockholders or issue new shares. No changes were made in the objectives, policies or processes during the year ended December 31, 2008.

Key Performance Indicators (KPI)

The top five KPIs for ICTSI's containerized business (which included MICT, BCT, TSSA, MICTSL and CGSA) are as follows:

- TEU Volume Growth
- Gross Revenues Growth
- Gross Moves per Hour per Crane
- Crane Availability
- Berth Utilization

Subsidiary BIPI, which handles breakbulk or non-containerized cargo, and RORO has the following top KPI:

- Gross Revenues Growth
- Completely Built-Up Units (CBU) Handling/Hour
- Foreign Shipcalls

The KPI for each operating unit are as follows:

	MICT		CGSA		BCT		TSSA		MICTSL	
	2008	2007	2008	2007	2008	2007	2008	2007	2008	2007
TEU Volume Growth	10%	14%	125%	Nil	-11%	23%	22%	23%	28%	22%
Gross Revenues Growth	20%	9%	171%	Nil	3%	9%	32%	19%	44%	14%
Gross Moves per Hour per Crane	27	26	14	11	28	21	19	20	32	35
Crane Availability	95%	97%	98%	97%	98%	99%	96%	91%	90%	92%
Berth Utilization	67%	66%	62%	60%	20%	36%	56%	43%	25%	20%

Subsidiary BIPI, which handles breakbulk or non-containerized cargo, and RORO has the following top KPI:

- Gross Revenues Growth
- CBU Handling/Hour
- Foreign Shipcalls

KPI	2008	2007
Gross Revenues Growth	-68%	177%
CBU Handling/Hour	121	107
Foreign Shipcalls	148	98

TEU Volume Growth
TEU Volume Growth is computed as increase in actual TEU volume handled (Current Year versus Previous Year) divided by Previous Year's TEU volume.

Gross Revenues Growth
Gross Revenues Growth is computed as increase in Gross Revenues (Current Year's Revenues Less Previous year's Gross Revenues) divided by Previous Year's Gross Revenues.

Gross Moves Per Hour
Gross Moves per Hour per Crane is computed as Total Number of Moves (including hatch covers, shifters, IBC box and all other crane moves except break bulks) divided by the Gross Service Time [Gross service time = Total time (from first lift to last lift) a crane was utilized excluding the circumstances beyond the control of the terminal or vessel]

Crane Availability
Crane Availability (%) is computed as 1 - (Total Crane Downtime Hours / Total Crane Operating Hours)

Berth Utilization
Berth Utilization (%) is computed as Berth Stay / Berth Capacity, where berth stay is equivalent to the total actual number of hours vessels stayed on dock and berth capacity is the total berthing hours available, or number of berths x working hours

CBU (Completely Built-Up Units) Handling/Hour
CBU Handling/Hour is computed as the Total Number of CBUs loaded/unloaded divided by the Total Hours Spent in loading/unloading (excluding stoppage in operations due to inspection, break time, etc.).

Capital Expenditures
The Group estimates that consolidated capital expenditures for 2009 will be approximately ₱7.2 billion.

The above estimated capital expenditures do not include other project and start-up costs for international and domestic container terminals that the Group may attempt to acquire in 2009. Several opportunities are currently being evaluated.

The Group expects to meet funding requirements for these expenditures from internally generated funds, available cash balances and new borrowings.

Trends, Events or Uncertainties
The Company's businesses rely on the growth in trade volumes, which is in turn heavily influenced by global and local economic conditions. Factors that could cause actual results of the Company to differ materially include, but are not limited to: (a) material adverse change in the economic or industry conditions affecting consumer demand, production and distribution sectors in the Philippines and in the countries where ICTSI operates a cargo terminal; (b) significant changes in foreign exchange rates; (c) changes in labor cost and labor situations; and (d) natural events (i.e. earthquakes, severe weather and other disruptions) that may adversely disrupt the operations or affect the equipment, infrastructure and operating systems of the Company and/or its subsidiaries.

Seasonality
The container terminal industry has historically experienced seasonal variations. This seasonality may result in quarter-to-quarter volatility in our operating results. Trade volumes in the jurisdictions in which we operate tend to be stronger in the third and fourth quarters and weaker in the first quarter. We do not believe that such seasonal variations over the last three years have had a material effect on our results of operations.

Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year except that the Group has adopted the following International Financial Reporting Interpretations Committee (IFRIC) interpretations mandatory for financial years beginning on or after January 1, 2008, except IFRIC 11, *PFRS 2 - Group and Treasury Share Transactions*, which the Group early adopted as of January 1, 2007.

- IFRIC 12, *Service Concession Arrangements*, gives guidance on the accounting by operators for public-to-private service concession arrangements and sets out general principles on recognizing and measuring the obligations and related rights in service concession arrangements.

  A service concession arrangement is within the scope of IFRIC 12 if: (a) The grantor regulates the services, customers and the pricing of the services to be provided; and (b) The grantor controls any significant residual interest in the infrastructure at the end of the term of the arrangement.

  Management determined that the concession contracts of the Parent Company, SBITC, CGSA, MICTSL and TICT are within the scope of IFRIC 12. Under these contracts, tariffs are regulated by the port authorities and port facilities and equipment revert to the port authorities at the end of the concession period.

  The adoption of IFRIC 12 resulted in:

  a. reclassification of property and equipment related to concession arrangements amounting to ₱4,284.3 million as of December 31, 2007 and ₱3,261.1 million as of December 31, 2006 to intangible assets and amortized over the period of the concession;
  b. recognition of the fixed portion of port fees as intangible assets at fair value with the corresponding liability for the unpaid portion taken up at discounted value amounting to ₱1,081.2 million and ₱932.1 million as of December 31, 2007 and 2006, respectively. Interest expense on concession rights payable amounted to ₱807.6 million and ₱747.0 million were recognized in 2007 and 2006, respectively. Amortization of concession rights, representing fixed portion of port fees, amounted to ₱85.5 million in 2007 and ₱24.7 million in 2006. Previously, fixed portion of port fees was recognized as part of Port Authorities' share in gross revenues;
  c. recognition of deferred tax assets and liabilities amounting to ₱1,345.6 million and ₱515.8 million as of December 31, 2008 and ₱1,302.1 million and ₱268.8 million as of December 31, 2007, respectively, representing the difference between book basis and tax basis of concession rights, property and equipment and concession rights payable;
  d. decrease in retained earnings by ₱1,884.0 million and ₱2,397.7 million as at December 31, 2007 and 2006, respectively and ₱2,563.9 million as at January 1, 2005;
  e. recognition of net foreign exchange gains arising from the restatement of foreign currency-denominated concession rights amounting to ₱553.3 million in 2007 and ₱272.4 million in 2006; and
  f. recognition of construction revenue and expense amounting to ₱2,116.3 million in 2007 and ₱566.8 million in 2006.

  The effects of the adoption of IFRIC 12 and other adjustments on the consolidated financial statements are discussed in Note 3.2 to the consolidated financial statements attached to this report.

- IFRIC 13, *Customer Loyalty Programmes*, requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted and therefore part of the fair value of the consideration received is allocated to the award credits and deferred over the period that the award credits are fulfilled.

- IFRIC 14, *IAS 19, The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*, provides guidance on how to assess the limit on the amount of surplus in a defined benefit scheme that can be recognized as an asset under PAS 19, *Employee Benefits*.

Adoption of IFRIC 13 and IFRIC 14 did not have any effect on the consolidated financial statements of the Group.

Financial Statements

The Group's consolidated financial statements and accompanying notes are incorporated herein by reference.

Changes in and Disagreements with Accountants of Accounting and Financial Disclosure

There were no changes or disagreements with ICTSI's external auditors, SyCip Gorres Velayo & Co., on accounting and financial statement disclosures.

Information on Independent Accountant

The principal external auditor is the firm Sycip Gorres Velayo & Co. (SGV & Co.). The appointment of the external auditors is still for discussion and approval by the Board of Directors.

In compliance with SEC Memorandum Circular No. 8, series of 2003 on Rotation of External Auditors, the Company has engaged Mr. Emmanuel V. Clarino, partner of SGV & Co., for the audit of the Company's books starting in 2007.

External Audit Fees and Services

ICTSI paid its external auditors the following fees for the last three years for professional services rendered:

Year	Audit Fees	Tax Fees	Other Fees
		(Amount in Millions)	
2008	₱17.7	₱1.4	₱0.8
2007	14.3	1.0	1.4
2006	11.9	2.2	1.4

Tax fees paid to SGV & Co. are for tax compliance and tax advisory services. Other fees pertain to fees paid for training and consultancy services pertaining to translation hedging and derivatives and other agreed-upon procedures.

The Audit Committee makes recommendations to the Board of Directors concerning the external auditors and pre-approves audit plans, scope and frequency before the conduct of the external audit. The Audit Committee reviews the nature of the non-audit related services rendered by the external auditors and the appropriate fees paid for these services.

The reappointment of SGV & Co. as the Company's external auditors was approved by the stockholders in the Annual Stockholders Meeting held last April 17, 2008.

CORPORATE GOVERNANCE

The Company adopted and has been in substantial compliance with the Manual on Corporate Governance, except for the following:

1. Procedure for directors to take independent professional advice concerning matters pending before the Board.
   The Board has not provided for this procedure because each of the directors has, on his own, access to independent professional advice, over which the Corporation has no control. None of the directors have found it necessary to charge the corporation for such independent professional advice.
2. Development of an evaluation system to determine and measure compliance with the Corporate Governance Manual.
   An evaluation system to measure compliance with the Manual has already been finalized and was approved by the Board on January 25, 2007.

On January 30, 2009, we submitted our annual certification to the SEC confirming our substantial compliance with our Manual on Corporate Governance. ICTSI continues to improve systems and processes to enhance adherence to practices of good corporate governance.

The Company commits itself to principles and best practices of governance in the attainment of corporate goals.

A. Manual of Corporate Governance

ICTSI adopted a Manual on Corporate Governance in January 2003. Its Corporate Secretary was appointed as compliance officer in coordination with Philippine SEC with respect to compliance requirements and monitoring compliance with manual and report of any governance-related issues to the BOD. As of December 31, 2008, the Company reported to Philippine SEC that it has been in substantial compliance with its Manual on Corporate Governance. The reported area of non-compliance is with respect to Procedure for directors to take independent professional advice concerning matters pending before the Board (The Board has not provided for this procedure because each of the directors has, on his own, access to independent professional advice, over which the Corporation has no control. None of the directors have found it necessary to charge the

corporation for such independent professional advice). In January 2009, it submitted its annual certification to Philippine SEC confirming our substantial compliance with its Manual Corporate Governance. ICTSI continues to improve systems and processes to enhance adherence to practices of good corporate governance.

B. Board of Directors

The Company's Board of Directors has the expertise, professional experience, and background that allow for a thorough examination and deliberation of the various issues and matters affecting the Company. The BOD is responsible for overall management and direction. The BOD meets on a quarterly basis, or more frequently as required, to review and monitor financial position and operations. The Company's Articles of Incorporation provide that BOD will consist of nine (9) directors. At a special stockholder's meeting held on March 7, 2007, the company's stockholders agreed to reduce the minimum number of directors to seven (7). ICTSI's directors are elected at the annual stockholders' meeting and hold office until the next succeeding annual meeting and until their respective successors have been elected and qualified.

C. Audit Committee

In accordance with the Manual of Corporate Governance, its BOD created the Audit Committee. The Audit Committee maintains independence from management and the controlling stockholders. The BOD appointed members thereto in December 2002. Our Audit Committee is responsible for assisting the BOD in its fiduciary responsibilities by providing an independent and objective assurance to its management and stockholders of the continuous improvement of its risk management systems, business operations and the proper safeguarding and use of its resources and assets. Audit Committee provides a general evaluation and assistance in the overall improvement of its risk management, control and governance processes. The Committee must comprise three (3) Board members, including at least one (1) independent director who also serves as the committee chairman. Such Committee reports to its BOD and is required to meet at least four (4) times a year. As of the date of this report, the Audit Committee Chairman is Mr. Octavio Espiritu who serves with Mr. Jose Ibazeta and Mr. Stephen Paradies.

D. Executive Officers

ICTSI's Executive Officers, together with its Executive Directors, are responsible for our day-to-day management and operations. The registered address of our executive officers is ICTSI Administration Building, MICT South Access Road, Manila, Philippines.

E. Group Management and Reporting Structure

ICTSI generally operates subsidiaries in decentralized manner. Each of its operating subsidiaries has its own board of directors and senior management. Its Chairman and Chief Financial Officer serve on the BOD of all of our major foreign subsidiaries. The BOD approves group budget but is not responsible for day-to-day operations of the subsidiaries. Through shareholdings, the BOD has the right to appoint majority of the directors at each of its operating subsidiaries. The joint venture agreements contain provisions regarding division of management between the Company and joint venture partners.

F. Employee Benefit Plans

ICTSI is centered on empowering, motivating and energizing its employees' talents. The Company continues to improve and develop competencies in the people working for its success.

An Employees Stock Option Plan ("ESOP") in 1991 was established under which shares from authorized but unissued capital stock were set aside for subscription by directors, officers, and employees. A Stock Option Committee composed of three (3) directors determined the number of shares to which a particular recipient was entitled. The subscription price under the ESOP was 95% of the issue price in the initial public offering of the Company and is subject to revision by Stock Option Committee from time to time.

In January 2007, BOD approved the amendment of ESOP to convert it into a restricted stock plan called the "Stock Incentive Plan" (the "SIP"). The amendment of the ESOP into an SIP was approved by the stockholders at a special meeting held in March 2007.

Under the SIP, shares from our treasury will be granted to a participant by a resolution of Stock Incentive Committee. The Committee determines who and how many will be the awarded shares under the SIP.

G. Continuing Improvements for Corporate Governance

ICTSI continues to improve its corporate governance, systems and processes to enhance adherence to practices of good corporate governance.

Management's Responsibility for Financial Statements

The Management of International Container Terminal Services, Inc. is responsible for all information and representations contained in the Consolidated Financial Statements for the year ended December 31, 2008 and 2007. The Consolidated Financial Statements have been prepared in conformity with accounting principles generally accepted in the Philippines as set forth in Philippine Financial Reporting Standards, and reflect amounts that are based on the best estimates and informed judgement of Management with an appropriate consideration to materiality.

In this regards, Management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded. The Management likewise discloses to the Company's audit committee and to its external auditors: (i) all significant deficiencies in the design or operation of internal controls that could adversely affect its ability to record, process, and report financial data; (ii) material weaknesses in the internal controls; and (iii) any fraud that involves management or other employees who exercise significant roles in internal controls.

The Board of Directors reviews the Consolidated Financial Statements before such statements are approved and submitted to the stockholders of the Company.

Sycip Gorres Velayo & Co., the independent auditors appointed by the stockholders, have examined the Consolidated Financial Statements of the Company in accordance with accounting principles generally accepted in the Philippines as set forth in Philippine Financial Reporting Standards, and have expressed their opinion on the fairness of presentation upon completion of such examination in the Report to the Stockholders and Board of Directors.

Enrique K. Razon Jr.
Chairman and President

Martin L. O'Neil
Senior Vice President
and Chief Financial Officer

Independent Auditors' Report

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BOA/PRC Reg. No. 0001
SEC Accreditation No. 0012-FR-1

The Stockholders and the Board of Directors
International Container Terminal Services, Inc. and Subsidiaries

We have audited the accompanying financial statements of International Container Terminal Services, Inc. and Subsidiaries, which comprise the consolidated balance sheets as at December 31, 2008 and 2007, and the consolidated statements of income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years ended December 31, 2008, and a summary of significant accounting policies and other explanatory notes.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Philippine Financial Reporting Standards. This responsibility includes: designing, implementing and maintaining internal control 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these 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 whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 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 financial position of International Container Terminal Services, Inc. and Subsidiaries as of December 31, 2008 and 2007, and their financial performance and their cash flows for each of the three years ended December 31, 2008 in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Emmanuel V. Clarino
Partner
CPA Certificate No. 27455
SEC Accreditation No. 0071-AR-1
Tax Identification No. 102-084-004
PTR No. 1566417, January 5, 2009, Makati City

March 3, 2009

Consolidated Balance Sheets

	December 31	
	2008	2007 (As restated - Note 3 and 4)
ASSETS		
Noncurrent Assets		
Intangibles - net (Notes 4, 6 and 24)	**₱27,353,872,695**	₱18,165,669,689
Property and equipment - net (Notes 4, 7, 16 and 24)	**12,405,770,879**	10,906,629,198
Investment properties (Note 8)	**1,402,501,791**	1,175,597,112
Deferred tax assets - net (Note 21)	**1,616,487,134**	1,673,580,888
Investments in an associate (Notes 9 and 20)	**—**	33,493,097
Other noncurrent assets (Notes 4, 10, 23 and 24)	**2,447,683,030**	1,006,076,104
Total Noncurrent Assets	**45,226,315,529**	32,961,046,088
Current Assets		
Cash and cash equivalents (Notes 4, 12 and 26)	**10,588,660,900**	3,564,863,096
Receivables - net (Notes 4, 13, 22 and 26)	**1,201,276,825**	1,225,336,374
Spare parts and supplies (net of allowance for obsolescence of ₱17,664,545 in 2008 and ₱12,588,891 in 2007) (Note 4)	**475,971,457**	352,510,898
Prepaid expenses and other current assets (Notes 14 and 24)	**1,357,066,072**	483,853,661
Derivative assets (Note 26)	**178,945,577**	545,025,718
Total Current Assets	**13,801,920,831**	6,171,589,747
	₱59,028,236,360	₱39,132,635,835

	2008	2007
STOCKHOLDERS' EQUITY AND LIABILITIES		
Equity Attributable to Equity Holders of the Parent		
Capital stock:		
Preferred stock (Note 15)	**₱3,800,000**	₱3,800,000
Common stock (Notes 15 and 19)	**1,991,664,766**	1,969,814,612
Additional paid-in capital (Notes 15 and 19)	**12,277,157,393**	12,147,034,031
Excess of acquisition cost over the carrying value of minority interests (Note 15)	**(561,039,289)**	(403,503,582)
Cost of shares held by subsidiaries (Note 15)	**(4,336,655,635)**	(3,819,438,900)
Treasury shares (Notes 4, 15 and 22)	**(270,374,203)**	(336,096,176)
Retained earnings (Note 15)	**11,084,896,889**	8,897,711,037
Cumulative translation adjustments (Note 26)	**(1,262,985,874)**	(1,932,737,788)
Unrealized mark-to-market gain on available-for-sale investments (Note 10)	**4,201,996**	8,094,920
Total equity attributable to equity holders of the parent	**18,930,666,043**	16,534,678,154
Equity Attributable to Minority Interests (Note 15)	**2,364,165,628**	2,689,858,230
Total Stockholders' Equity	**21,294,831,671**	19,224,536,384
Noncurrent Liabilities		
Long-term debt - net of current portion (Notes 7, 16 and 26)	**20,010,668,186**	5,865,834,994
Deferred tax liabilities (Note 21)	**1,573,988,483**	1,787,896,407
Pension liabilities (Note 23)	**47,833,633**	39,545,650
Concession rights payable - net of current portion (Notes 6 and 24)	**9,725,777,671**	8,354,281,505
Total Noncurrent Liabilities	**31,358,267,973**	16,047,558,556
Current Liabilities		
Loans payable (Notes 17 and 26)	**1,297,962,695**	—
Accounts payable and other current liabilities (Notes 4, 18, 22 and 26)	**2,758,591,196**	2,264,587,874
Current portion of long-term debt (Notes 7, 16 and 26)	**457,602,836**	168,342,405
Current portion of concession rights payable (Notes 6 and 24)	**930,661,750**	1,170,049,434
Income tax payable (Note 21)	**534,992,771**	251,776,182
Derivative liabilities (Note 26)	**395,325,468**	5,785,000
Total Current Liabilities	**6,375,136,716**	3,860,540,895
	₱59,028,236,360	₱39,132,635,835

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Income

	Years Ended December 31		
	2008	2007 (As restated - Notes 3 and 4)	2006 (As restated - Note 3)
INCOME			
Gross revenues from port operations (Note 24)	**₱20,596,697,164**	₱15,000,872,327	₱11,849,817,639
Foreign exchange gain	**2,468,863,617**	1,463,308,359	474,954,594
Reversal of impairment loss on investment property (Note 7)	**242,678,982**	—	—
Interest income (Note 12)	**179,180,891**	195,854,786	174,150,342
Unrealized mark to market gain on derivatives - net (Note 26)	**—**	406,626,489	—
Other income (Notes 8, 9 and 20)	**66,561,917**	107,466,608	207,069,407
	23,553,982,571	17,174,128,569	12,705,991,982
EXPENSES			
Port Authorities' share in gross revenues (Notes 20, 22 and 24)	**2,796,623,657**	2,094,477,205	1,673,257,879
Manpower cost (Notes 19, 22 and 23)	**3,938,963,199**	2,419,487,099	1,787,981,167
Equipment and facilities-related expenses (Note 24)	**2,667,996,111**	2,288,472,722	1,599,428,248
Administrative and other operating expenses (Note 22)	**2,456,802,212**	2,211,844,649	1,943,610,083
Depreciation and amortization (Notes 6 and 7)	**2,253,475,647**	1,647,477,498	1,091,480,573
Foreign exchange loss (Note 6)	**3,051,212,838**	415,941,145	232,060,078
Interest expense on concession rights payable (Notes 7 and 20)	**1,037,823,692**	807,573,883	746,973,332
Interest expense and financing charges on borrowings Notes 7, 16, 17 and 20)	**747,379,587**	703,948,205	690,940,939
Unrealized mark-to-market loss on derivatives - net (Note 26)	**17,245,636**	—	—
Other expenses (Note 10)	**92,932,531**	54,254,726	13,976,899
	19,060,455,110	12,643,477,132	9,779,709,198
CONSTRUCTION REVENUE (EXPENSE) (Note 20)			
Construction revenue	**5,164,229,016**	2,116,310,428	566,801,541
Construction expense	**(5,164,229,016)**	(2,116,310,428)	(566,801,541)
	—	—	—
INCOME BEFORE INCOME TAX	**4,493,527,461**	4,530,651,437	2,926,282,784
PROVISION FOR INCOME TAX (Note 21)			
Current	**1,758,898,332**	1,006,319,455	707,769,204
Deferred	**18,576,990**	334,287,917	202,038,814
	1,777,475,322	1,340,607,372	909,808,018
NET INCOME	**₱2,716,052,139**	₱3,190,044,065	₱2,016,474,766
ATTRIBUTABLE TO			
Equity holders of the parent (Note 28)	**₱2,858,855,928**	₱3,289,678,213	₱2,003,442,200
Minority interests	**(142,803,789)**	(99,634,148)	13,032,566
	₱2,716,052,139	₱3,190,044,065	₱2,016,474,766
Earnings Per Share (Note 28)			
Basic	**₱1.504**	₱1.788	₱1.290
Diluted	**₱1.443**	₱1.710	₱1.231

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Stockholders' Equity

	Preferred Stock	Common Stock	Additional Paid-in Capital	Excess of Acquisition Cost over the Carrying Value of Minority Interests
Balance at December 31, 2007, as previously stated	**₱3,800,000**	**₱1,969,814,612**	**₱12,147,034,031**	**(₱403,503,582)**
Adjustments on final valuation of business combinations (Note 4.2)	—	—	—	—
Adjustments on adoption of IFRIC 12	—	—	—	—
Balance at December 31, 2007, as restated	**3,800,000**	**1,969,814,612**	**12,147,034,031**	**(403,503,582)**
Profit (loss) for the year	—	—	—	
Unrealized net mark-to-market loss on derivatives (Note 26)	—	—	—	—
Unrealized net mark-to-market loss on available-for-sale investments (Note 10)	—	—	—	—
Currency translation differences	—	—	—	
Total income (expense) for the year	—	—	—	—
Collection of subscription receivable	—	**21,850,154**	**64,147,669**	—
Share-based payments (Note 19)	—	—	**131,697,686**	—
Acquisition of minority interest (Note 15)	—	—	—	**(157,535,707)**
Additional shares held by subsidiaries (Note 15)	—	—	—	—
Issuance of Treasury shares (Notes 15 and 19)	—	—	**(65,721,993)**	—
Cash dividends (Note 15)	—	—	—	—
Balance at December 31, 2008	**₱3,800,000**	**₱1,991,664,766**	**₱12,277,157,393**	**(₱561,039,289)**
Balance at December 31, 2006, as previously stated	₱3,800,000	₱2,302,144,948	₱7,281,434,684	(₱381,462,846)
Adjustments on final valuation of business combinations (Note 4.2)	—	—	—	—
Adjustments on adoption of IFRIC 12	—	—	—	—
Balance at December 31, 2006, as restated	3,800,000	2,302,144,948	7,281,434,684	(381,462,846)
Profit (loss) for the year	—	—	—	—
Unrealized net mark-to-market gain on derivatives (Note 26)	—	—	—	—
Unrealized net mark-to-market loss on available-for-sale investments (Note 10)	—	—	—	—
Currency translation differences (Note 15)	—	—	—	—
Total income (expense) for the year	—	—	—	—
Collection of subscriptions receivable (Note 15)	—	272,283	270,266	—
Merger and retirement of treasury shares (Note 15)	—	(332,602,619)	(1,280,523,154)	—
Sale of shares held by subsidiaries (Note 15)	—	—	6,014,934,235	—
Acquisition of shares held by subsidiaries (Note 15)	—	—	—	—
Share-based payments (Note 19)	—	—	130,918,000	—
Acquisition of additional minority interest	—	—	—	(22,040,736)
Additional shares held by subsidiaries	—	—	—	—
Cash dividends (Note 15)	—	—	—	—
Increase in share of minority interests (Note 4)	—	—	—	—
Balance at December 31, 2007, as restated	₱3,800,000	₱1,969,814,612	₱12,147,034,031	(₱403,503,582)
Balance at December 31, 2005, as previously presented	₱3,800,000	₱2,300,520,419	₱6,416,922,825	₱—
Adjustments on adoption of IFRIC 12	—	—	—	—
Balance at December 31, 2005, as restated	3,800,000	2,300,520,419	6,416,922,825	—
Profit for the year	—	—	—	—
Unrealized net mark-to-market loss on available-for-sale investments (Note 10)	—	—	—	—
Currency translation differences	—	—	—	—
Total income (expense) for the year	—	—	—	—
Collection of subscriptions receivable (Note 15)	—	1,624,529	18,351,673	—
Sale of shares held by subsidiaries (Note 15)	—	—	846,160,186	—
Additional shares held by subsidiaries	—	—	—	—
Transfer of shares held by subsidiaries in exchange for minority interest (Note 15)	—	—	—	(381,462,846)
Cash dividends (Note 15)	—	—	—	—
Increase in share of minority interests	—	—	—	—
Balance at December 31, 2006, as restated	₱3,800,000	₱2,302,144,948	₱7,281,434,684	(₱381,462,846)

See accompanying Notes to Consolidated Financial Statements.

Attributable to Equity Holders of the Parent							Minority Interest (As restated - Notes 3 and 4)	Total Equity
Preferred Shares Held by a Subsidiary	Common Shares Held by Subsidiaries	Treasury Shares	Retained Earnings (As restated - Notes 3 and 4)	Cumulative Translation Adjustments (As restated - Notes 3 and 4)	Unrealized Mark-to-Market Gain (Loss) on Available-for-Sale Investments	Total		
(₱3,800,000,000)	**(₱19,438,900)**	**(₱336,096,176)**	**₱10,799,964,155**	**(₱1,941,405,287)**	**₱8,094,920**	**₱18,428,263,773**	**₱2,281,260,449**	**₱20,709,524,222**
—	**—**	**—**	**(18,227,111)**	**(1,386,894)**	**—**	**(19,614,005)**	**405,601,486**	**385,987,481**
—	**—**	**—**	**(1,884,026,007)**	**10,054,393**	**—**	**(1,873,971,614)**	**2,996,295**	**(1,870,975,319)**
(3,800,000,000)	**(19,438,900)**	**(336,096,176)**	**8,897,711,037**	**(1,932,737,788)**	**8,094,920**	**16,534,678,154**	**2,689,858,230**	**19,224,536,384**
—	**—**	**—**	**2,858,885,928**	**—**	**—**	**2,858,855,928**	**(142,803,789)**	**2,716,052,139**
—	**—**	**—**	**—**	**146,925,883**	**—**	**146,925,883**	**—**	**146,925,883**
—	**—**	**—**	**—**	**—**	**(3,892,294)**	**(3,892,924)**	**—**	**(3,892,924)**
—	**—**	**—**	**—**	**522,826,031**	**—**	**522,826,031**	**(182,888,813)**	**339,937,218**
—	**—**	**—**	**2,858,855,928**	**669,751,914**	**(3,892,294)**	**3,524,714,918**	**(325,692,602)**	**3,199,022,316**
—	**—**	**—**	**—**	**—**	**—**	**85,997,823**	**—**	**85,997,823**
—	**—**	**—**	**—**	**—**	**—**	**131,697,686**	**—**	**131,697,686**
—	**—**	**—**	**—**	**—**	**—**	**(157,535,707)**	**—**	**(157,535,707)**
—	**(517,216,735)**	**—**	**—**	**—**	**—**	**(517,216,735)**	**—**	**(517,216,735)**
—	**—**	**65,721,973**	**—**	**—**	**—**	**(20)**	**—**	**(20)**
—	**—**	**—**	**(671,670,076)**	**—**	**—**	**(671,670,076)**	**—**	**(671,670,076)**
(₱3,800,000,000)	**(₱536,655,635)**	**(₱270,374,203)**	**₱11,084,896,889**	**(₱1,262,985,874)**	**₱4,201,996**	**₱18,930,666,043**	**₱2,364,165,628**	**₱21,294,831,671**
(₱3,800,000,000)	(₱3,433,988,077)	₱—	₱8,580,056,133	(₱634,502,171)	₱13,183,752	₱9,930,666,423	₱660,225,631	₱10,590,892,054
—	—	—	—	—	—	—	—	—
—	—	—	(2,397,711,924)	(1,471,239)	—	(2,399,183,163)	1,237,473	(2,397,945,690)
(3,800,000,000)	(3,433,988,077)	—	6,182,344,209	(635,973,410)	13,183,752	7,531,483,260	661,463,104	8,192,946,364
—	—	—	3,289,678,213	—	—	3,289,678,213	(99,634,148)	3,190,044,065
—	—	—	—	86,199,249	—	86,199,249	—	86,199,249
—	—	—	—	—	(2,701,042)	(2,701,042)	—	(2,701,042)
—	—	—	—	(1,382,963,627)	(2,387,790)	(1,385,351,417)	—	(1,385,351,417)
—	—	—	3,289,678,213	(1,296,764,378)	(5,088,832)	1,987,825,003	(99,634,148)	1,888,190,855
—	—	—	—	—	—	542,549	—	542,549
—	1,799,509,455	(186,383,682)	—	—	—	—	—	—
—	1,494,117,538	—	—	—	—	7,509,051,773	—	7,509,051,773
—	149,712,494	(149,712,494)	—	—	—	—	—	—
—	—	—	—	—	—	130,918,000	—	130,918,000
—	—	—	—	—	—	(22,040,736)	—	(22,040,736)
—	(28,790,310)	—	—	—	—	(28,790,310)	—	(28,790,310)
—	—	—	(574,311,385)	—	—	(574,311,385)	—	(574,311,385)
—	—	—	—	—	—	—	2,128,029,274	2,128,029,274
(₱3,800,000,000)	(₱19,438,900)	(₱336,096,176)	₱8,897,711,037	(₱1,932,737,788)	₱8,094,920	₱16,534,678,154	₱2,689,858,230	₱19,224,536,384
(₱3,800,000,000)	(₱2,965,607,221)	₱—	₱7,124,533,072	(₱216,969,507)	₱37,122,452	₱8,900,322,040	₱678,196,901	₱9,578,518,941
—	—	—	(2,563,914,173)	(1,471,239)	—	(2,565,385,412)	—	(2,565,385,412)
(3,800,000,000)	(2,965,607,221)	—	4,560,618,899	(218,440,746)	37,122,452	6,334,936,628	678,196,901	7,013,133,529
—	—	—	2,003,442,200	—	—	2,003,442,200	13,032,566	2,016,474,766
—	—	—	—	—	(23,938,700)	(23,938,700)	—	(23,938,700)
—	—	—	—	(417,532,664)	—	(417,532,664)	—	(417,532,664)
—	—	—	2,003,442,200	(417,532,664)	(23,938,700)	1,561,970,836	13,032,566	1,575,003,402
—	—	—	—	—	—	19,976,202	—	19,976,202
—	250,669,288	—	—	—	—	1,096,829,474	—	1,096,829,474
—	(1,169,429,203)	—	—	—	—	(1,169,429,203)	—	(1,169,429,203)
—	450,379,059	—	—	—	—	68,916,213	(50,027,399)	18,888,814
—	—	—	(381,716,890)	—	—	(381,716,890)	—	(381,716,890)
—	—	—	—	—	—	—	20,261,036	20,261,036
(₱3,800,000,000)	(₱3,433,988,077)	₱—	₱6,182,344,209	(₱635,973,410)	₱13,183,752	₱7,531,483,260	₱661,463,104	₱8,192,946,364

 International Container Terminal Services, Inc. Annual Report 2008

Consolidated Statements of Cash Flows

	Years Ended December 31		
		2007	2006
	2008	(As restated - Note 3)	(As restated - Note 3)
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	**₱4,493,527,461**	₱4,530,651,437	₱2,926,282,784
Adjustments for:			
Depreciation and amortization (Notes 6 and 7)	**2,253,475,647**	1,647,477,498	1,091,480,573
Interest expense on:			
Concession rights payable (Note 7)	**1,037,823,692**	807,573,883	746,973,332
Borrowings (Notes 16 and 17)	**747,379,587**	658,660,326	640,697,012
Unrealized foreign exchange loss (gain)	**401,495,153**	(877,408,354)	(381,643,452)
Reversal of impairment loss on investment properties (Note 7)	**(242,678,982)**	—	—
Interest income	**(179,180,891)**	(195,854,786)	(174,150,342)
Gain on sale of (Note 20):			
Property and equipment	**(18,267,824)**	(48,614,155)	(3,389,512)
Available-for-sale investments	**—**	—	(110,622,778)
Unrealized mark-to-market loss (gain) on derivatives (Notes 15 and 26)	**17,245,636**	(406,626,489)	—
Equity in net earnings of an associate (Notes 9 and 20)	**(5,199,786)**	(7,284,422)	(5,745,015)
Dividend income (Note 20)	**(2,116,810)**	(10,462,170)	(12,807,192)
Share-based payments (Note 19)	**131,697,667**	130,918,000	—
Impairment loss on:			
Goodwill (Note 7)	**—**	13,166,818	—
Available-for-sale investments (Note 10)	**—**	—	13,976,899
Operating income before changes in working capital	**8,635,200,550**	6,242,197,586	4,731,052,309
Decrease (increase) in:			
Receivables	**63,626,347**	(362,613,278)	(80,322,001)
Spare parts and supplies	**(116,790,157)**	(65,695,503)	(67,959,215)
Prepaid expenses and other current assets	**(403,365,508)**	(235,380,682)	(162,304,850)
Increase (decrease) in:			
Accounts payable and other current liabilities	**111,372,316**	808,519,259	(99,247,962)
Pension liability	**—**	(5,737,051)	29,861,143
Cash generated from operations	**8,290,043,548**	6,381,290,331	4,351,079,424
Income taxes paid	**(1,489,055,942)**	(937,112,768)	(817,608,853)
Net cash provided by operating activities	**6,800,987,606**	5,444,177,563	3,533,470,571

(Forward)

	Years Ended December 31		
	2008	2007 (As restated - Note 3)	2006 (As restated - Note 3)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Intangible assets (Notes 6 and 24)	**(₱6,154,773,385)**	(₱3,896,899,322)	(₱165,450,706)
Subsidiaries, net of cash acquired (Note 4)	**(2,155,757,989)**	(4,118,297,611)	(407,342,640)
Property and equipment (Note 7)	**(1,914,350,190)**	(2,798,216,901)	(1,749,325,798)
Decrease (increase) in other noncurrent assets (Note 10)	**(1,206,623,049)**	135,604,830	24,712,867
Excess acquisition cost over the carrying value of minority interests acquired	**(157,535,707)**	(22,040,736)	(381,426,846)
Interest received	**173,875,936**	195,854,786	176,078,384
Proceeds from sale of:			
Property and equipment	**39,248,932**	69,088,085	24,042,731
Available-for-sale investments	**—**	—	273,041,486
Dividends received	**2,116,810**	10,462,170	16,139,757
Net cash used in investing activities	**(11,373,798,642)**	(10,424,444,699)	(2,189,566,765)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Long-term borrowings (Note 16)	**13,221,077,863**	4,322,581,706	5,881,921,699
Short-term borrowings (Note 17)	**5,170,084,654**	2,786,320,000	1,189,357,206
Subscriptions and issuance of capital stock	**71,581,971**	542,549	19,976,202
Sale of common shares held by a subsidiary (Note 15)	**—**	7,509,051,773	—
Payments of:			
Long-term borrowings (Note 16)	**(193,504,002)**	(3,788,182,976)	(5,587,484,748)
Short-term borrowings (Note 17)	**(3,883,327,000)**	(3,906,288,508)	(500,000,000)
Interest on borrowings and concession rights payable	**(1,931,934,241)**	(1,448,872,010)	(1,419,583,757)
Dividends (Note 15)	**(666,466,948)**	(574,311,385)	(414,001,154)
Acquisition of common shares held by a subsidiary (Note 15)	**(517,216,732)**	—	(53,710,916)
Net cash provided by (used in) financing activities	**11,270,295,565**	4,900,841,149	(883,525,468)
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	**326,313,275**	(11,889,466)	(13,219,161)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**7,023,797,804**	(91,315,453)	447,159,177
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	**3,564,863,096**	3,656,178,549	3,209,019,372
CASH AND CASH EQUIVALENTS AT END OF YEAR	**₱10,588,660,900**	₱3,564,863,096	₱3,656,178,549

See accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

1. Corporate Information

1.1 General

International Container Terminal Services, Inc. (ICTSI or the Parent Company) was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on December 24, 1987. The registered office address of the Company is ICTSI Administration Building, MICT South Access Road, Manila. ICTSI's shares are publicly traded in the Philippine Stock Exchange (PSE).

The accompanying consolidated financial statements were authorized for issue in accordance with a resolution of the Board of Directors (BOD) on March 3, 2009.

1.2 Port Operations

ICTSI and subsidiaries (collectively referred to as "the Group"), entered into various concessions of port operations which include development, management, and operation of container terminals and related facilities around the world. Currently, the Group's operations are situated in thirteen (13) countries: in the Philippines, Brazil, Poland, Madagascar, Japan, Indonesia, Syria, China, Ecuador, Colombia, Georgia, Brunei and Argentina. In 2008, ICTSI signed a Memorandum of Understanding (MOU) with the Brunei Economic Development Board (BEDB) for the construction and development of a container terminal in Brunei Darussalam. Also in 2008, ICTSI obtained the rights to operate the port of La Plata in Argentina. Operations in Brunei and development in Argentina have not yet started as of March 3, 2009. ICTSI's concession for the Manila International Container Terminal (MICT) was extended up to 2038 subject to the completion of agreed additional investments in port equipment and infrastructure prior to 2013.

Concessions for port operations entered into by ICTSI and subsidiaries for the last three years are summarized below:

Foreign Operations

Pulau Muara Besar Container Terminal, Brunei. In October 2008, ICTSI signed a Memorandum of Understanding with BEDB for the design, construction and development of the new Pulau Muara Besar (PMB) Container Terminal in Brunei Darussalam. BEDB will award a Concession Agreement to ICTSI or its subsidiary to operate the PMB Container Terminal once it is completed and ready for commercial operations (see Note 24.18).

Port of La Plata, Argentina. In November 2008, ICTSI, through ICTSI Ltd., acquired the concession to develop and manage the container terminal in the Port of La Plata, Argentina, through the acquisition of Edanfer S.A., a major stockholder of Tecplata, S.A. (Tecplata). Tecplata was granted the concession to build and operate an all-purpose port terminal at the port of La Plata by the Consorcio de Gestion del Puerto La Plata (see Note 24.17).

Port of Batumi, Georgia. In September 2007, ICTSI, through ICTSI Georgia Corp. (IGC), a wholly owned subsidiary, acquired the concession to develop and operate a container terminal and dry bulk handling facility in the Port of Batumi. ICTSI established Batumi International Container Terminal LLC (BICTL), a wholly owned subsidiary of IGC, to operate the container terminal in the Port of Batumi (see Note 24.10).

Port of Buenaventura, Colombia. In July 2007, ICTSI concluded the agreement to commence the construction and development of a new multi-user container terminal at the Port of Buenaventura in Colombia, through the acquisition of shares in three existing companies to gain effective control of Sociedad Puerto Industrial de Aguadulce, S.A. (SPIA). SPIA owns 225 hectares of land in Aguadulce Peninsula in the City of Buenaventura and was granted a 30-year concession to develop and operate a new container terminal in the Aguadulce Peninsula. Construction commenced in November 2008, with expected completion within 18-24 months thereafter (see Note 24.9).

Port of Guayaquil, Ecuador. In March 2007, ICTSI and Contecon Guayaquil, S.A. (CGSA), a wholly owned subsidiary, signed a contract with the Autoridad Portuario de Guayaquil (APG) for a 20-year concession over the Container and Multipurpose Terminal at the Port of Guayaquil in Ecuador. CGSA took over the terminal operations on August 1, 2007 (see Note 24.3).

Yantai Port, Shandong Province, China. In January 2007, ICTSI, through ICTSI (Hong Kong) Limited, a wholly owned subsidiary, acquired a 60% stake in Yantai Gangtong Container Terminal Co. Ltd. (YCT), which manages the Yantai Gangtong Terminal. Subsequently, ICTSI renamed YCT into Yantai Rising Dragon International Container Terminal Ltd. (YRDICTL). ICTSI took over the operations of YRDICTL on March 1, 2007 (see Note 24.16).

Tartous Container Terminal, Syria. In November 2006, ICTSI entered into a ten-year concession agreement with the Tartous Port General Co. (TPGC) to develop and operate the Tartous Container Terminal in Syria. The actual operations commenced on October 28, 2007 (see Note 24.5).

Makassar Port Container Terminal, Makassar, South Sulawesi, Indonesia. On May 19, 2006, ICTSI, through its Singapore special purpose holding company, ICTSI Far East Pte. Ltd. (IFEPL), a wholly owned subsidiary, acquired 95% of the total outstanding shares of PT Makassar Terminal Services, Inc. (MTS). MTS has a cooperation agreement with PT Pelabuhan Indonesia IV (Pelindo IV) for the procurement, installation and operation of container loading and unloading equipment under a revenue sharing scheme at the Makassar Port (see Note 24.15).

Domestic Operations

Mindanao Container Terminal, Phividec Industrial Estate, Misamis Oriental. On April 25, 2008, ICTSI was awarded by the Phividec Industrial Authority the concession to operate and manage the Mindanao Container Terminal (MCT) for a period of 25 years until 2033. On May 14, 2008, ICTSI established Mindanao International Container Terminal Services, Inc. (MICTSI) to manage and operate MCT. MICTSI took over the terminal operations on June 26, 2008 (see Note 24.12).

Makar Wharf, Port of General Santos City. In July 2008, ICTSI acquired additional shares of South Cotabato Integrated Port Services, Inc. (SCIPSI) to increase its ownership to 50.08% from 35.70% and obtain control. SCIPSI has a ten-year contract with Philippine Ports Authority (PPA) up to 2016 for the exclusive management and operation of arrastre, stevedoring, bagging and crated cargo handling services at Makar Wharf, Port of General Santos in General Santos City (see Note 24.13).

Cubi Point, Subic Bay, Olongapo. On September 30, 2007, Subic Bay International Terminal Corporation (SBITC) was awarded by the Subic Bay Metropolitan Authority (SBMA) the contract to operate the New Container Terminal-1 (NCT-1) at the Cubi Point, Subic Bay, Olongapo, for a period of 25 years. NCT-1 was constructed by SBMA. The contract became effective on April 2, 2008 upon turnover of NCT-1 to SBITC (see Note 24.4).

Sasa International Port, Davao City. On December 29, 2006, ICTSI, through its wholly owned subsidiary, Abbotsford Holdings, Inc. (Abbotsford), acquired 90.7% of the total outstanding capital stock of Davao Integrated Port and Stevedoring Services Corporation (DIPSSCOR) from Aboitiz Transport System Corporation. DIPSSCOR has a ten-year contract with PPA up to 2016 to provide cargo handling services (see Note 24.8).

1.1 Subsidiaries and Associates

				Percentage of Ownership					
	Place of	Nature of	Functional	**2008**		2007		2006	
	Incorporation	Business	Currency	**Direct**	**Indirect**	Direct	Indirect	Direct	Indirect
Foreign:									
MICTSL	Madagascar	Port Management	Malagasy Ariary	**100.00**	**—**	100.00	—	100.00	—
ICTSI Capital BV [a]	Netherlands	Holding Company	US Dollar	**100.00**	**—**	100.00	—	100.00	—
Tartous International Container Terminal (TICT) [b]	Syria	Port Management	Syrian Pound	**100.00**	**—**	100.00	—	—	—
International Container Terminal Holdings, Inc. (ICTHI) and Subsidiaries	Cayman Islands	Holding Company	US Dollar	**100.00**	**—**	100.00	—	100.00	—
Container Terminal Systems Solutions, Inc. (CTSSI)	Mauritius	Software Developer	US Dollar	**—**	**100.00**	—	100.00	—	100.00
ICTSI Ltd. and Subsidiaries	Bermuda	Holding Company	US Dollar	**—**	**100.00**	—	100.00	—	100.00
Baltic Container Terminal Ltd. (BCT)	Poland	Port Management	US Dollar	**—**	**100.00**	—	100.00	—	100.00
Tecon Suape, S.A. (TSSA)	Brazil	Port Management	Brazilian Reais	**—**	**100.00**	—	100.00	—	100.00
IGC [c]	Cayman Islands	Holding Company	US Dollar	**—**	**100.00**	—	100.00	—	—
BICTL [d]	Georgia	Port Management	US Dollar	**—**	**100.00**	—	100.00	—	—
IFEPL [a]	Singapore	Holding Company	US Dollar	**—**	**100.00**	—	100.00	—	100.00
MTS [e]	Indonesia	Port Management	Indonesian Rupiah	**—**	**95.00**	—	95.00	—	95.00
C. Ultramar S.A. (CUSA) [d]	Panama	Holding Company	US Dollar	**—**	**100.00**	—	100.00	—	—
Future Water S.A. (FWSA) [d]	Panama	Holding Company	US Dollar	**—**	**100.00**	—	100.00	—	—
Kinston Enterprise Corporation (KEC) [d]	Panama	Holding Company	US Dollar	**—**	**100.00**	—	100.00	—	—
SPIA [d, i]	Colombia	Port Management	Colombian Peso	**—**	**91.17**	—	79.11	—	—
International Ports of South America and Logistics SA (IPSAL) [g, i]	Uruguay	Holding Company	US Dollar	**—**	**100.00**	—	—	—	—
Tecplata [g, i]	Argentina	Port Management		**—**	**75.00**	—	—	—	—
ICTSI (Hongkong) Limited [a]	Hongkong	Holding Company	US Dollar	**—**	**100.00**	—	100.00	—	100.00

(Forward)

	Place of Incorporation	Nature of Business	Functional Currency	Percentage of Ownership					
				2008		2007		2006	
				Direct	**Indirect**	Direct	Indirect	Direct	Indirect
YRDICTL [d]	China	Port Management	Renminbi	**—**	**60.00**	—	60.00	—	—
PT Container Terminal Systems Solutions Indonesia (PT CTSSI)	Indonesia	Software Developer	US Dollar	**—**	**100.00**	—	100.00	—	100.00
Australian International Container Terminals Limited (AICTL) [a]	Australia	Port Management	Australian Dollar	**—**	**70.00**	—	70.00	—	70.00
Pentland International Holdings, Ltd. (PIHL) [l]	British Virgin Islands	Holding Company	US Dollar	**—**	**100.00**	—	99.90	—	99.90
Contecon Guayaquil S.A. (CGSA) [d]	Ecuador	Port Management	US Dollar	**99.90**	**0.01**	51.00	49.90	—	—
ICTSI Brazil	Cayman Islands	Holding Company	US Dollar	**—**	**100.00**	—	100.00	—	100.00
ICTSI Poland	Cayman Islands	Holding Company	US Dollar	**—**	**100.00**	—	100.00	—	100.00
Container Terminal de Venezuela Conterven CA (CTVCC)	Venezuela	Holding Company	US Dollar	**—**	**95.00**	—	95.00	—	95.00
NICTI [h]	Japan	Port Management	Japanese Yen	**60.00**	**—**	60.00	—	60.00	—
Domestic:									
MICTSI [f]	Philippines	Port Management	Philippine Peso	**100.00**	**—**	—	—	—	—
Abbotsford [a]	Philippines	Holding Company	Philippine Peso	**100.00**	**—**	100.00	—	100.00	—
DIPSSCOR [d]	Philippines	Port Management	Philippine Peso	**—**	**96.95**	—	96.95	—	90.70
ICTSI Warehousing, Inc. (IWI) and Subsidiaries	Philippines	Warehousing	Philippine Peso	**100.00**	**—**	100.00	—	100.00	—
IW Cargo Handlers, Inc. (IW Cargo)	Philippines	Port Equipment Rental	Philippine Peso	**—**	**100.00**	—	100.00	—	100.00
Container Terminal Systems Solutions Philippines, Inc. (CTSSI Phils.)	Philippines	Software Developer	US Dollar	**—**	**100.00**	—	100.00	—	100.00
Bauan International Ports, Inc. (BIPI)	Philippines	Port Management	Philippine Peso	**—**	**60.00**	—	60.00	—	60.00
Prime Staffing and Selection Bureau, Inc. [i]	Philippines	Manpower Recruitment	Philippine Peso	**100.00**	**—**	100.00	—	100.00	—
Subic Bay International Terminal Holdings, Inc. (SBITHI)	Philippines	Holding Company	Philippine Peso	**83.33**	**—**	83.33	—	83.33	—
Subic Bay International Terminal Corporation (SBITC)	Philippines	Port Management	Philippine Peso	**—**	**70.83**	—	70.83	—	70.83
Cebu International Container Terminal, Inc. (CICTI) [a]	Philippines	Port Management	Philippine Peso	**51.00**	**—**	51.00	—	51.00	—
Cordilla Properties Holdings Inc. (Cordilla) [g]	Philippines	Holding Company	Philippine Peso	**100.00**	**—**	—	—	—	—
SCIPSI [j]	Philippines	Holding Company	Philippine Peso	**35.70**	**14.38**	35.70	—	35.70	—
ICTSI Manila Holdings, Inc. (IMH) [k]	Philippines	Holding Company	Philippine Peso	**—**	**—**	—	—	99.98	—

[a] *Established in 2006.*
[b] *Started commercial operations in 2007.*
[c] *Formerly, ICTSI Leasing Corp.*
[d] *Acquired in 2007.*
[e] *Acquired in 2006.*
[f] *Established in 2008.*
[g] *Acquired in 2008.*
[h] *Started commercial operations in 2006.*
[i] *Not yet started commercial operations.*
[j] *Formerly an associate.*
[k] *Merged with ICTSI in July 2007.*
[l] *Formerly, Edanfer S.A.*

In 2008, ICTSI through CUSA, FWSA and KEC, wholly owned subsidiaries, acquired additional shares of SPIA to increase its ownership from 79.11% to 91.17% (see Note 15.5).

In July 2008, ICTSI acquired additional shares of SCIPSI, a former associate, to increase ownership from 35.7% to 50.08% and obtain control. Accordingly, SCIPSI was accounted for as a subsidiary beginning July 2008 (see Note 4.1).

On July 11, 2007, the SEC approved the merger of IMH with ICTSI, with ICTSI as the surviving company. The merger required the transfer of all assets and liabilities of IMH to ICTSI. No new shares were issued because IMH is 99.98% owned by ICTSI, and the minority shareholders waived their right to receive any share as a result of the merger (see Notes 4.4 and 15.1).

The Group also has a 49% investment in Asiaview Realty and Development Corporation (ARDC), an associate. ARDC had stopped commercial operations.

2. Basis of Preparation and Statement of Compliance

2.1 Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis, except for available-for-sale (AFS) investments and derivative financial instruments which have been measured at fair value. The consolidated financial statements are presented in Philippine peso and all values are rounded to the nearest peso except when otherwise indicated.

While the Parent Company has reassessed its functional currency for 2008 as the Philippine peso, there are mixed indications of the functional currency because of increasing foreign investments that were financed by borrowings in United States Dollars (US dollar, USD or US$) towards the end of the year. In addition, the Parent Company's US$-denominated revenues comprised of 44% of the total revenues for the year ended December 31, 2008. With the increasing US dollar transactions, management has determined that the functional currency of the Parent Company is the US dollar effective January 1, 2009 (see Notes 3.1 and 3.3).

2.2 Statement of Compliance

The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS includes Philippine Accounting Standards (PAS) and interpretations issued by the Financial Reporting Standards Council (FRSC).

3. Summary of Significant Accounting Policies

3.1 Basis of Consolidation

Subsidiaries. Subsidiaries are entities controlled by the Parent Company. The consolidated financial statements include the accounts of ICTSI and its subsidiaries where the Parent Company has effective control. In assessing effective control, the existence and effect of potential voting rights that are currently exercisable or convertible are considered. Subsidiaries are consolidated from the date of acquisition or incorporation, being the date on which the Group obtains control, and continue to be consolidated until the date such control ceases.

Minority Interests. Minority interests represent the portion of profit or loss and net assets in MTS, AICTL, SBITC, SBITHI, BIPI, NICTI, CICTI, DIPSSCOR, YRDICTL, SPIA, SCIPSI and Tecplata, not held by the Group and are presented separately in the consolidated statement of income and within the equity section in the consolidated balance sheet, separate from parent shareholders' equity.

Acquisition, transfer and sale of minority interest are accounted for using the Entity Concept Method. Under the Entity Concept Method, the Group considers the acquisition of a minority interest as an equity transaction. No gain or loss is recognized in an acquisition of a minority interest. The difference between the fair value of the consideration and book value of the share in the net assets acquired is presented under “Excess of acquisition cost over the carrying value of minority interests” account within the equity section of the consolidated balance sheet.

Transactions Eliminated on Consolidation. All intragroup balances, transactions, income and expenses, and unrealized gains and losses resulting from intragroup transactions are eliminated in full.

Accounting Policies of Subsidiaries. The financial statements of subsidiaries are prepared for the same reporting year as the Parent Company, using uniform accounting policies for like transactions and other events in similar circumstances.

Functional and Presentation Currency. The consolidated financial statements are presented in Philippine peso, which is ICTSI's functional and presentation currency. Each entity in the Group determines its own functional currency, which is the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity, and items included in the financial statements of each entity are measured using that functional currency.

At the reporting date, the assets and liabilities of subsidiaries whose functional currency is not the Philippine peso (see Note 1.3) are translated into the presentation currency of ICTSI using the Philippine Dealing System (PDS) closing rate, Bangko Sentral ng Pilipinas (BSP) rate or Bloomberg closing rate at balance sheet date and, their statement of income are translated at the PDS, BSP or Bloomberg weighted average daily exchange rates for the year. The exchange differences arising on the translation are taken directly to a separate component of equity, under “Cumulative translation adjustments” account. On disposal of a foreign entity, the deferred cumulative amount recognized in equity relating to that particular foreign operation is recognized in the consolidated statement of income.

3.2 Changes in Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year except that the Group has adopted the following International Financial Reporting Interpretations Committee (IFRIC) interpretations mandatory for financial years beginning on or after January 1, 2008, except IFRIC 11, PFRS 2 - *Group and Treasury Share Transactions*, which the Group early adopted as of January 1, 2007.

- IFRIC 12, *Service Concession Arrangements*, gives guidance on the accounting by operators for public-to-private service concession arrangements and sets out general principles on recognizing and measuring the obligations and related rights in service concession arrangements.

  A service concession arrangement is within the scope of IFRIC 12 if: (a) The grantor regulates the services, customers and the pricing of the services to be provided; and (b) The grantor controls any significant residual interest in the infrastructure at the end of the term of the arrangement.

  Management determined that the concession contracts of the Parent Company, SBITC, CGSA, MICTSL and TICT are within the scope of IFRIC 12. Under these contracts, tariffs are regulated by the port authorities and port facilities and equipment revert to the port authorities at the end of the concession period.

  The effects of the adoption of IFRIC 12 and other adjustments on the consolidated financial statements are set forth in the following tables and notes:

Reconciliation of Consolidated Balance Sheets as at December 31 (Amounts in Millions of Pesos):

	2007				2006			
	As Previously Reported	Effects of Adoption of IFRIC 12	Other Adjustments	As Restated	As Previously Reported	Effects of Adoption of IFRIC 12	Other Adjustments	As Restated
ASSETS								
Noncurrent Assets								
Intangibles - net	₱7,878	₱9,280	₱1,008	₱18,166	₱2,085	₱4,615	₱—	₱6,700
Property and equipment - net	15,151	(4,284)	40	10,907	9,682	(3,261)	—	6,421
Invesment properties	1,176	—	—	1,176	1,176	—	—	1,176
Deferred tax assets - net	361	1,312	—	1,673	252	1,302	—	1,554
Investment in an associate	33	—	—	33	26	—	—	26
Other noncurrent assets	1,006	—	—	1,006	860	—	—	860
Total Noncurrent Assets	25,605	6,308	1,048	32,961	14,081	2,656	—	16,737
Current Assets								
Cash and cash equivalents	3,565	—	—	3,565	3,656	—	—	3,656
Receivables - net	1,225	—	—	1,225	674	—	—	674
Spareparts and supplies - net	353	—	—	353	279	—	—	279
Prepaid expenses and other current assets	483	—	—	483	452	—	—	452
Derivative assets	545	—	—	545	—	—	—	—
	6,171	—	—	6,171	5,061	—	—	5,061
	₱31,776	₱6,308	₱1,048	₱39,132	₱19,142	₱2,656	₱—	₱21,798
EQUITY AND LIABILITIES								
Equity								
Capital stock:								
Preferred stock	₱4	₱—	₱—	₱4	₱4	₱—	₱—	₱4
Common stock	1,970	—	—	1,970	2,302			2,302
Additional paid-in capital	12,147	—	—	12,147	7,282	—	—	7,282
Excess acquisition cost over the carrying value of minority interests	(404)	—	—	(404)	(381)	—	—	(381)
Cost of shares held by subsidiaries	(3,819)	—	—	(3,819)	(7,234)	—	—	(7,234)
Treasury shares	(336)	—	—	(336)	—	—	—	—
Retained earnings	10,800	(1,884)	(18)	8,898	8,580	(2,398)	—	6,182
Cumulative translation adjustments	(1,941)	10	(2)	(1,933)	(635)	(1)	—	(636)
Unrealized mark-to-market gain on available-for-sale financial assets	8	—	—	8	13	—	—	13
Total equity attrituable to equity holders ofthe parent	18,428	(1,874)	(20)	16,534	9,931	(2,399)	—	7,532
Equity Attributable to Minority Interests	2,281	3	406	2,690	660	1	—	661
Total Stockholders' Equity	20,709	(1,871)	386	19,224	10,591	(2,398)	—	8,193

(Forward)

	2007				2006			
	As Previously Reported	Effects of Adoption of IFRIC 12	Other Adjustments	As Restated	As Previously Reported	Effects of Adoption of IFRIC 12	Other Adjustments	As Restated
Noncurrent Liabilities								
Long-term debt - net of current portion	₱5,866	₱—	₱—	₱5,866	₱5,403	₱—	₱—	₱5,403
Deferred tax liabilities	611	509	667	1,787	412	269	—	681
Pension liabilities	39	—	—	39	45	—	—	45
Concession rights payable - net of current portion	1,126	7,229	—	8,355	—	4,453	—	4,453
	7,642	7,738	667	16,047	5,860	4,722	—	10,582
Current Liabilities								
Loans payable	—	—	—	—	600	—	—	600
Accounts payable and other current liabilities	2,270	—	(5)	2,265	1,803	—	—	1,803
Current portion of long-term debt	168	—	—	168	189	—	—	189
Current portion of concession rights payable	729	441	—	1,170	—	332	—	332
Income tax payable	252	—	—	252	99	—	—	99
Derivative liabilities	6	—	—	6	—	—	—	—
	3,425	441	(5)	3,861	2,691	332	—	3,023
	₱31,776	₱6,308	₱1,048	₱39,132	₱19,142	₱2,656	₱—	₱21,798

* *Include adjustments on finalization of purchase price allocation of SPIA and YRDICTL acquired in 2007 (see Note 4.2) and certain reclassification under IFRIC 4 (see Note 4.3).*

Reconciliation of the Consolidated Statements of Income for the year ended December 31 (Amounts in Millions of Pesos, Except Earnings per Share Information):

	2007				2006			
	As Previously Reported	Effects of Adoption of IFRIC 12	Other Adjustments	As Restated	As Previously Reported	Effects of Adoption of IFRIC 12	Other Adjustments	As Restated
INCOME								
Gross revenues from port operations	₱15,001	₱—	₱—	₱15,001	₱11,850	₱—	₱—	₱11,850
Foreign exchange gain	763	701	—	1,464	45	430	—	475
Unrealized mark-to-market gain on derivatives - net	407	—	—	407	—	—	—	—
Interest income	196	—	—	196	174	—	—	174
Other income	107	—	—	107	207	—	—	207
	16,474	701	—	17,175	12,276	430	—	12,706
EXPENSES								
Port Authorities' share in gross revenues	3,613	(1,081)	(437)	2,095	3,097	(932)	(492)	1,673
Manpower cost	2,419	—	—	2,419	1,788	—	—	1,788
Equipment and facilities-related expenses	1,852	—	437	2,289	1,107	—	492	1,599
Depreciation and amortization	1,531	86	30	1,647	1,067	25	—	1,092
Admistrative and other operating expenses	2,212	—	—	2,212	1,944	—	—	1,944
Interest expense on concession rights payable	—	808	—	808	—	747	—	747
Interest expense and financing charges on borrowings	704	—	—	704	691	—	—	691
Foreign exchange loss	269	147	—	416	74	158	—	232
Other expenses	54	—	—	54	14	—	—	14
	12,654	(40)	30	12,644	9,782	(2)	—	9,780
CONSTRUCTION REVENUE (EXPENSE)								
Construction revenue	—	2,116	—	2,116	—	567	—	567
Construction expense	—	(2,116)	—	(2,116)	—	(567)	—	(567)
	—	—	—	—	—	—	—	—
INCOME BEFORE INCOME TAX	3,820	741	(30)	4,531	2,494	432	—	2,926

(Forward)

	2007				2006			
	As Previously Reported	Effects of Adoption of IFRIC 12	Other Adjustments	As Restated	As Previously Reported	Effects of Adoption of IFRIC 12	Other Adjustments	As Restated
PROVISION FOR (BENEFIT FROM) INCOME TAX								
Current	₱1,006	₱—	₱—	₱1,006	₱708	₱—	₱—	₱708
Deferred	119	226	(10)	335	(63)	265	—	202
	1,125	226	(10)	1,341	645	265	—	910
NET INCOME	₱2,695	₱515	(₱20)	₱3,190	₱1,849	₱167	₱—	₱2,016
ATTRIBUTABLE TO								
Equity holders of the parent	₱2,794	₱513	(₱20)	₱3,287	₱1,837	₱166	₱—	₱2,003
Minority interests	(99)	2	—	(97)	12	1	—	13
	₱2,695	₱515	(₱20)	₱3,190	₱1,849	₱167	₱—	₱2,016
Earnings per Share								
Basic	₱1.519	₱0.279	₱0.010	₱1.788	₱1.183	₱0.107	₱—	₱1.290
Diluted	1.453	0.267	(0.009)	1.710	1.129	0.102	—	1.231

* *Include adjustments on finalization of purchase price allocation of SPIA and YRDICTL acquired in 2007 (see Note 4.2) and certain reclassification under IFRIC 4 (see Note 4.3).*

The adoption of IFRIC 12 resulted in:

a. reclassification of property and equipment related to concession arrangements amounting to ₱4,284.3 million as of December 31, 2007 and ₱3,261.1 million as of December 31, 2006 to intangible assets and amortized over the period of the concession;

b. recognition of the fixed portion of port fees as intangible assets at fair value with the corresponding liability for the unpaid portion taken up at discounted value amounting to ₱1,081.2 million and ₱932.1 million as of December 31, 2007 and 2006, respectively. Interest expense on concession rights payable amounting to ₱807.6 million and ₱747.0 million were recognized in 2007 and 2006, respectively. Amortization of concession rights, representing fixed portion of port fees, amounted to ₱85.5 million in 2007 and ₱24.7 million in 2006. Previously, fixed portion of port fees was recognized as part of Port Authorities' share in gross revenues.

c. recognition of deferred tax assets and liabilities amounting to ₱1,312.4 million and ₱509.3 million as of December 31, 2008, respectively and ₱1,302.1 million and ₱268.8 million as of December 31, 2007, respectively, representing the difference between book basis and tax basis of concession rights, property and equipment and concession rights payable;

d. decrease in retained earnings by ₱1,884.0 million and ₱2,397.7 million as at December 31, 2007 and 2006, respectively and ₱2,563.9 million as at January 1, 2005;

e. recognition of net foreign exchange gains arising from the restatement of foreign currency-denominated concession rights payable amounting to ₱553.3 million in 2007 and ₱272.4 million in 2006; and

f. recognition of construction revenue and expense amounting to ₱2,116.3 million in 2007 and ₱566.8 million in 2006.

- IFRIC 13, Customer Loyalty Programmes, requires customer loyalty award credits to be accounted for as a separate component of the sales transaction in which they are granted and therefore part of the fair value of the consideration received is allocated to the award credits and deferred over the period that the award credits are fulfilled.
- IFRIC 14, IAS 19, The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction, provides guidance on how to assess the limit on the amount of surplus in a defined benefit scheme that can be recognized as an asset under PAS 19, Employee Benefits.

Adoption of IFRIC 13 and IFRIC 14 did not have any effect on the consolidated financial statements of the Group.

3.1 Significant Accounting Judgments, Estimates and Assumptions

Judgments

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

Functional Currency. Management uses judgment in assessing the functional currency of the Parent Company and its subsidiaries. Each entity in the Group determines its own functional currency, which is the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity. The functional currency of each entity is shown in Note 1.3.

As discussed in Note 2.1, while the Parent Company has reassessed its functional currency for 2008 as the Philippine peso, its functional currency effective January 1, 2009 is the US dollar because of increasing foreign investments financed by US dollar borrowings. The proforma condensed consolidated financial statements of the Group as of and for the year ended December 31, translated in US dollar presentation currency would be as follows:

Consolidated Balance Sheets (Amounts in Thousands of US$):

	2008	2007
Assets		
Noncurrent assets	**US$951,732**	US$798,475
Current assets	**290,445**	149,505
	US$1,242,177	US$947,980
Equity and Liabilities		
Total equity attributable to equity holders of the parent	**US$398,373**	US$400,549
Equity attributable to minority interests	**49,751**	65,161
Noncurrent liabilities	**659,896**	388,749
Current liabilities	**134,157**	93,521
	US$1,242,177	US$947,980

Consolidated Statements of Income (Amounts in Thousands of US$, Except per Share Information)

	2008	2007
Income	**US$592,612**	US$372,008
Expenses	**428,575**	273,870
Income before income tax	**101,037**	98,138
Provision for income tax	**39,967**	29,039
Net income	**US$61,070**	US$69,099
Attributable to		
Equity holders of the parent	**US$64,281**	US$71,257
Minority interests	**(3,211)**	(2,158)
	US$61,070	$69,099

	2008	2007
Earnings per Share		
Basic	**US$0.034**	US$0.039
Diluted	**0.033**	0.037

In 2008, SBITHI and SBITC reassessed their functional currency because the latter was awarded a contract to operate NCT-1 (see Notes 1.2 and 24.4). Under the contract, SBITC is required to pay significant fixed fees in US$ and is allowed to bill in US$ concession fees. The reassessment showed a mixed indication of SBITC's functional currency. SBITHI, being the holding company of SBITC, only earns revenues when SBITC declares dividends. Management believes that the functional currency of both SBITC and SBITHI is the US$ upon effectivity of the contract to operate NCT-1 on April 2, 2008.

Service Concession Arrangements. In applying IFRIC 12, the Group determined that the concession contracts of the Parent Company, SBITC, CGSA, MICTSL and TICT are concession contracts within the scope of IFRIC 12 accounted for under the intangible asset model. The intangible assets pertaining to concession rights as of December 31, 2008 and 2007 amounted to ₱23,938.6 million and ₱17,219.7 million, respectively (see Note 6).

Operating Lease. The evaluation of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date. An arrangement is, or contains a lease when the fulfillment of the arrangement depends on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Concession contracts that the Group determined to be outside the scope of IFRIC 12 are accounted for as operating leases if the arrangement in substance, contains a lease.

The Group has also entered into operating lease agreements on property, office spaces and/or equipment as a lessor and as a lessee. The Group, as a lessee, has determined that the lessor retains all significant risks and rewards of ownership of these properties which are on operating lease agreements. As a lessor, the Company retains substantially all the risks and benefits of ownership of the assets.

Deferred Tax Assets. Management uses judgment in reviewing the carrying amount of deferred tax assets. Deferred tax assets are reviewed at each balance sheet 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 such deferred tax assets to be utilized.

Deferred tax assets recognized as of December 31, 2008 and 2007 amounted to ₱1,616.5 million and ₱1,673.6 million, respectively. Unrecognized deferred tax assets in certain subsidiaries amounted to ₱4.9 million and ₱6.1 million as of December 31, 2008 and 2007, respectively (see Note 21).

Contingencies. The Group is currently a defendant in a number of cases involving claims and disputes related to cargo and labor and tax contingencies. The Group's estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsel handling defense in these matters and is based upon an analysis of potential results. Management and its legal counsels believe that the Group has substantial legal and factual bases for its position and is of the opinion that losses arising from these legal actions, if any, will not have a material adverse impact on the Group's consolidated financial position and results of operations. It is possible, however, that future results of operations could be materially affected by changes in the estimates or in the effectiveness of strategies relating to these proceedings. Provision for losses amounted to ₱48.7 and ₱48.6 million as of December 31, 2008 and 2007, respectively.

Estimates and Assumptions

The key estimates and assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Concession Rights. The determination of the cost of concession rights on service concession arrangements requires management to make estimates and assumptions to determine the extent to which the Group receives a right or license to charge users of the public service. Management is also required to make estimates and assumptions in determining the fair value of concession rights acquired through business combinations. In making those estimates, management is required to determine a suitable discount rate to calculate the present value of these cash flows. While the Group believes that the assumptions used are reasonable and appropriate, these estimates and assumptions can materially affect the consolidated financial statements. The carrying amount of concession rights amounted to ₱23,938.6 million and ₱17,219.7 million as of December 31, 2008 and 2007, respectively (see Note 6).

Impairment of Nonfinancial Assets. PFRS requires that an impairment review be performed when certain impairment indicators are present.

Intangible assets, property and equipment, investment properties and investment in an associate are subject to annual impairment test or whenever there is a strong indication that the asset is impaired.

Management is required to make estimates and assumptions to determine the future cash flows to be generated from the continued use and ultimate disposition of these assets in order to determine the value of these assets. While the Group

believes that the assumptions used are reasonable and appropriate, these estimates and assumptions can materially affect the consolidated financial statements. Future adverse events may cause management to conclude that the affected assets are impaired and may have a material impact on the financial condition and results of operation of the Group. Impairment losses on certain investment properties amounting to ₱242.7 million was reversed in 2008. The carrying amount of intangible assets, property and equipment and investment properties are disclosed in Notes 6, 7, and 8, respectively.

Impairment of Goodwill. Purchase accounting requires extensive use of accounting estimates to allocate the purchase price to the fair market values of the acquiree's identifiable assets and liabilities at the acquisition date. It also requires the acquirer to recognize goodwill. The Group's business acquisitions have resulted in goodwill which is subject to a periodic impairment test. The Company determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate to calculate the present value of those cash flows.

The carrying amount of goodwill amounted to ₱3,212.9 million and ₱798.0 million as of December 31, 2008 and 2007, respectively (see Note 6). The carrying amount of goodwill in 2008 includes goodwill under provisional accounting of ₱2,161.5 million recognized as a result of various business combinations (see Note 4.1 and 6).

Estimated Useful Lives. Management determines the estimated useful lives and the related depreciation and amortization charges for its property and equipment and concession rights based on the period over which these assets are expected to provide economic benefits. Management's estimation of the useful lives of property and equipment and concession rights is based on collective assessment of industry practice, internal technical evaluation, and experience with similar assets. These estimations are reviewed periodically and could change significantly due to physical wear and tear, technical or commercial obsolescence and legal or other limits on the use of these assets. Management will increase the depreciation and amortization charges where useful lives are less than what have previously been estimated.

A reduction in the estimated useful lives of property and equipment and concession rights will increase recorded expenses and decrease noncurrent assets. The carrying value of property and equipment amounted to ₱12,405.8 million and ₱10,906.6 million as of December 31, 2008 and 2007, respectively (see Note 7). The carrying value of concession rights amounted to ₱23,938.6 million and ₱17,219.7 million as of December 31, 2008 and 2007, respectively (see Note 6).

Fair Value of Financial Instruments. PFRS requires that financial assets and financial liabilities (including derivative financial instruments) be carried or disclosed at fair value, which requires the use of accounting estimates and judgment. While significant components of fair value measurement are determined using verifiable objective evidence (i.e., foreign exchange rates, interest rates, and volatility rates), the timing and amount of changes in fair value would differ using a different valuation methodology. When a valuation technique is used to determine the fair value of financial instruments, inputs and assumptions are based on market observable data and conditions, and reflect appropriate risk adjustments that market participants would make for credit and liquidity risks existing as at each of the periods indicated. Any change in the fair values of financial assets and financial liabilities (including derivative instruments) directly affects the consolidated statement of income and equity and required disclosure.

The fair values of financial assets and liabilities by category are set out in Note 26.

Estimating Allowance for Doubtful Accounts. Allowance for doubtful accounts is calculated using two methods, each of these methods are combined to determine the total amount of reserve. The first method is specific evaluation of information available that certain customers are unable to meet their financial obligations. In these cases, management uses judgment, based on the best available facts and circumstances, including but not limited to, the length of relationship with customer and the customer's current credit status based on third party credit reports and known market factors, to record specific reserves for customers against amounts due to reduce receivable amounts to expected collection. These specific reserves are re-evaluated and adjusted as additional information received affects the amounts estimated. Second, a provision is established as a certain percentage of receivables not provided with specific reserves. This percentage is based on a collective assessment of historical collection, write-off experience, current economic trends, changes in customer payment terms and other factors that may affect the Group's ability to collect payments. Full allowance is provided for receivables with contested status.

The amounts and timing of recorded provision for doubtful accounts for any period would differ if the Group made different assumptions or utilized different estimates. An increase in the Group's allowance for doubtful accounts would increase the recorded operating expenses and decrease its current assets. The carrying value of receivables amounted to ₱1,201.3 million and ₱1,225.3 million as of December 31, 2008 and 2007, respectively (see Note 13).

Estimating Allowance for Obsolescence. The allowance for obsolescence relating to spare parts and supplies is recognized based on review of usage and movement of spare parts and supplies. Non-moving and obsolete spare parts and supplies are provided with an allowance for obsolescence.

The carrying value of spare parts and supplies amounted to ₱476.0 million and ₱352.5 million as of December 31, 2008 and 2007, respectively. Provision for inventory obsolescence amounted to ₱5.1 million and ₱12.6 million in 2008 and 2007, respectively.

Pension Cost. The determination of the obligation and cost for pension benefits is dependent on the selection of certain assumptions used by the Group's actuaries in calculating such amounts. Those assumptions were described in Note 23 and included among others, discount rate, future salary increases and expected return on plan assets. In accordance with PAS 19, actual results that differ from the Group's assumptions are accumulated and amortized over future periods and therefore, generally affect the recognized expense and recorded obligation in such future periods. While it is believed that the Group's assumptions are reasonable and appropriate, significant differences in actual experience or significant changes in assumptions may materially affect the Group's pension and other pension obligations.

Unrecognized actuarial (loss) gain in 2008, 2007 and 2006 amounted to ₱182.2 million, ₱23.4 million and (₱144.0 million), respectively (see Note 23).

Share-based Payments. The Group measures the cost of equity-settled transactions awarded to officers and directors by reference to the fair value of the equity instruments at the date the share options are granted. Estimating fair value requires determining the most appropriate valuation model for a grant of equity instruments, which is dependent on the terms and conditions of the grant. This also requires determining the most appropriate inputs to the valuation model including the expected life of the option, volatility and dividend yield. The assumptions and models used are disclosed in Note 19.

3.1 Summary of Significant Accounting Policies

Intangibles

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is recognized at fair value at acquisition date. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and any accumulated impairment losses. Internally generated intangible assets are not capitalized and expenditure is reflected in the consolidated statement of income in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed to be either finite or indefinite.Intangible assets with finite lives are amortized over its useful economic life and assessed for impairment whenever there is an indication that the intangible assets may be impaired. The amortization period and method for an intangible asset with a finite useful life is reviewed at least annually. Changes in expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortization period or method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of income in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives such as goodwill are tested for impairment annually either individually or at the cash-generating unit level. Such intangibles are not amortized. The useful life of an intangible asset with an indefinite life is reviewed annually to determine whether indefinite life assessment continues to be supportable. If not, the change in the useful life assessment from indefinite to finite is made on a prospective basis.

The following intangibles are recognized and determined by the Group to have finite useful lives:

Concession Rights. Concession rights are either purchased or acquired through business combinations or recognized on service concession arrangements.

Concession rights purchased or acquired through business combinations are recognized at fair value at the date of acquisition and are categorized as upfront fees.

Concession rights on service concession arrangements are recognized to the extent that the Group receives a license or right to charge users for the public service it provides. Concession rights consist of:

a. Upfront fees payments on the concession contracts;

b. The cost of port infrastructure constructed and port equipment purchased, these are not recognized as property and equipment of the Group but as an intangible asset; and

c. Future fixed fee considerations in exchange for the license or right. Fixed fees are recognized at present value using the discount rate at the inception date with a corresponding liability recognized. Interest on the unwinding of discount of the liability and foreign exchange differences arising from translations are recognized in the consolidated statement of income.

Subsequent costs and expenditures related to port infrastructure and equipment arising from the Group's commitments to the concession contracts or that increase future revenue are recognized as additions to the intangible asset and are stated at cost. Capital expenditures necessary to support the Group's operation as a whole are recognized as property and equipment and accounted for in accordance with the policy stated under property and equipment. When the Group has contractual obligations that it must fulfill as a condition of its license to: a) maintain the infrastructure to a specified level of serviceability or, b) to restore the infrastructure to a specified condition before it is handed over to the grantor at the end of the service concession arrangement, it recognizes and measures these contractual obligations in accordance with policy stated under provisions. Repairs and maintenance and other expenses that are routinary in nature are expensed and recognized in the consolidated statement of income as incurred.

Concession rights are amortized using the straight-line method over the term of the concession arrangements ranging from 10 to 48 years.

Computer Software Cost. Computer software cost includes costs incurred in the development and acquisitions of computer software used in operations. These are amortized using the straight-line method over five years.

Gains and losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of income when the asset is derecognized.

Business Combinations and Goodwill

Business combinations are accounted for using the purchase method. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in business combinations are measured initially at fair values at the date of acquisition, irrespective of the extent of any minority interest.

Goodwill acquired in a business combination is initially measured at cost being the excess of the cost of business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. If the initial accounting for business combination can be determined only provisionally by the end of the period by which the combination is effected because either the fair values to be assigned to the acquiree's identifiable assets, liabilities or contingent liabilities or the cost of the combination can be determined only provisionally, the Group accounts the combination using provisional values. Adjustments to these provisional values as a result of completing the initial accounting shall be made within 12 months from the acquisition date. The carrying amount of an identifiable asset, liability or contingent liability that is recognized as a result of completing the initial accounting shall be calculated as if its fair value at the acquisition date had been recognized from that date and goodwill or any gain recognized shall be adjusted from the acquisition date by an amount equal to the adjustment to the fair value at the acquisition date of the identifiable asset, liability or contingent liability being recognized or adjusted. If the cost of acquisition is less than the fair value of the net assets of the acquiree, the difference is recognized directly in the consolidated statement of income.

As part of allocating the cost of the combination, the acquiree's identifiable assets, liabilities and contingent liabilities are measured by the acquirer at their fair values at the acquisition date. Therefore, any minority interest in the acquiree is stated at the minority's proportion of the net fair values of those items.

Each exchange transaction on a business combination occurring in stages by successive share purchases shall be treated separately, using the cost of the transaction and fair value information at the date of each exchange transaction, to determine the amount of any goodwill associated with that transaction.

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. For purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or group of units. Each unit or group of units to which the goodwill is allocated:

- represents the lowest level within the Group at which the goodwill is monitored for internal management purposes; and
- is not larger than a segment based on the Group's format determined in accordance with PAS 14, *Segment Reporting.*

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit 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.

When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation differences and unamortized goodwill is recognized in the consolidated statement of income.

Goodwill is shown as part of “Intangibles” account in the consolidated balance sheet.

Property and Equipment

Property and equipment, except land, are stated at cost less accumulated depreciation, amortization and any impairment in value. Land is stated at cost less any impairment in value.

The initial cost of property and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditures incurred after the property and equipment have been put into operations, such as repairs and maintenance and overhaul costs, are normally charged to income in the period the costs are incurred. In situations where it can be clearly demonstrated that the expenditures have resulted in an increase in the future economic benefits expected to be obtained from the use of an item of property and equipment beyond its originally assessed standard of performance, the expenditures are capitalized as additional costs of property and equipment. Cost also includes any asset retirement obligation and interest on borrowed funds used. When assets are sold or retired, their costs and accumulated depreciation, amortization and impairment losses, if any, are eliminated from the accounts and any gain or loss resulting from their disposal is included in the consolidated statement of income of such period.

Depreciation and amortization are computed using the straight-line method over the estimated useful lives of the assets or the terms of the operating contract with port authorities or concessions, whichever is shorter.

The estimated useful lives of property and equipment are as follows:

Leasehold rights and improvements	5 - 30 years or terms of the operating contract with port authorities or concessions, whichever is shorter
Port facilities and equipment	5 - 25 years or terms of the operating contract with port authorities or concessions, whichever is shorter
Transportation equipment	3 - 5 years
Office equipment, furniture and fixtures	3 - 5 years
Miscellaneous equipment	5 years

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

Fully depreciated assets are retained in the accounts until they are no longer in use and no further depreciation is charged to current operations.

An item of property and equipment is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the property and equipment) is included in the consolidated statement of income in the year the asset is derecognized.

Construction in progress represents structures under construction and is stated at cost. This includes cost of construction and other direct costs. Construction in progress is not depreciated until such time the relevant assets are completed and ready for operational use.

Quay crane spare parts represent major replacement parts for quay cranes classified under port facilities and equipment. Quay crane spare parts are not depreciated but tested for impairment until put in use.

Borrowing Costs

Borrowing costs are generally expensed as incurred. 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. For income tax purposes, borrowing costs are treated as deductible expenses during the period such were incurred.

Investment Properties

Investment properties consisting mainly of land are measured at cost less any impairment in value.

Investment properties are derecognized when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognized in the consolidated statement of income in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer of investment property to owner occupied property, the cost and the carrying amount of the property transferred do not change. If owner occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property and equipment up to the date of change in use.

Investment in an Associate

Investment in an associate in which the Group exercises significant influence and which is neither a subsidiary nor a joint venture of the Group is accounted for under the equity method of accounting. Under the equity method, the cost of investment in an associate is carried in the consolidated balance sheet at cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill relating to an associate is included in the carrying amount of the investment and is not amortized or separately tested for impairment. The consolidated statement of income reflects the share of the results of operations of the associate. Where there has been a change recognized directly in the equity of the associate, the Group recognizes its share of any changes and discloses this, when applicable, in the consolidated statement of changes in equity. Unrealized profits or losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The reporting dates of the associate and the Parent Company are identical and the associate's accounting policies conform to those used by the Group for like transactions and events in similar circumstances.

Impairment of Nonfinancial Assets

Intangibles, property and equipment, investment properties, and investment in an associate are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in the consolidated statement of income. The recoverable amount is the higher of an asset's net selling price or value in use. The net selling price is the amount obtainable from the sale of an asset in an arm's-length transaction while value in use is the present value of estimated future cash flows expected to arise from the continuing use of an asset or from its disposal at the end of its useful life. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs. Reversal of impairment losses recognized in prior years is recorded when there is an indication that the impairment losses recognized for the asset no longer exist or have decreased. The reversal is recorded as income. However, the increased carrying amount of an asset due to a reversal of an impairment loss is recognized to the extent that it does not exceed the carrying amount that would have been determined had the impairment loss not been recognized for that asset in prior years.

Goodwill. Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units), to which the goodwill relates. Where the recoverable amount of the cash-generating unit (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

The Group performs its annual impairment test of goodwill at December 31.

Investment in an Associate. After application of the equity method, the Group determines whether it is necessary to recognize additional impairment loss of the Group's investment in its associate. The Group determines at each balance sheet date whether there is any objective evidence that the investment in an associate is impaired. If this is the case, the Group calculates the amount of impairment as being the difference between the fair value of the associate and the acquisition cost, and recognizes the amount in the consolidated statement of income.

Financial Instruments

Financial Assets and Financial Liabilities. Financial assets and financial liabilities are recognized initially at fair value. Transaction costs are included in the initial measurement of all financial assets and liabilities, except for financial instruments measured at fair value through profit or loss (FVPL).

The Group recognizes a financial asset or a financial liability in the consolidated balance sheet 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 and derecognition, as applicable, is done using trade date accounting.

Financial instruments are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to a financial instrument or a component that is a financial liability, are reported as expense or income. Distributions to holders of financial instruments classified as equity are charged directly to stockholders' equity net of any related income tax benefits. Financial instruments are offset when there is a legally enforceable right to offset and intention to settle either on a net basis or to realize the asset and settle the liability simultaneously.

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

There were no reclassifications within the categories of the financial assets and liabilities in 2008 and 2007.

Financial Assets and Financial Liabilities at FVPL. This includes financial assets and liabilities held for trading and financial assets and liabilities designated upon initial recognition as at FVPL. Financial assets and financial liabilities are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments or a financial guarantee contract.

Financial assets or financial liabilities may be designated by management at initial recognition as at FVPL if any of the following criteria are met: (i) the designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognizing gains or losses on them on a different basis; or (ii) the assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management strategy; or (iii) the financial instrument contains an embedded derivative, unless the embedded derivative does not significantly modify the cash flows or it is clear, with little or no analysis, that it would not be separately recorded.

Financial assets and financial liabilities at FVPL are recorded in the consolidated balance sheet at fair value with gains or losses recognized in the consolidated statement of income.

This category includes derivative assets and liabilities (see Note 26).

Derivative Financial Instruments and Hedging
Derivative financial instruments are initially recognized at fair value on the date in which a derivative transaction is entered into or bifurcated, and are subsequently re-measured and accounted for in the consolidated balance sheet at fair value. The method of recognizing the resulting gain or loss depends on whether the derivative is designated as a hedge of an identified risk and qualifies for hedge accounting treatment or accounted for as derivative not designated for hedges.

The objective of hedge accounting is to match the impact of the hedged item and the hedging instrument in the consolidated statement of income. To qualify for hedge accounting, the hedging relationship must comply with strict requirements such as the designation of the derivative as a hedge of an identified risk exposure, hedge documentation, probability of occurrence of the forecasted transaction in a cash flow hedge, assessment and measurement of hedge effectiveness, and reliability of the measurement bases of the derivative instruments.

At the inception of a hedge relationship, the Group formally designates and documents the hedge relationship to which it wishes to apply hedge accounting and the risk management objective and strategy for undertaking the hedge. The documentation includes identification of the hedging instrument, the hedged item or transaction, the nature of the risk being hedged and how the entity will assess the hedging instrument's effectiveness in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risk. Such hedges are expected to be highly effective in achieving offsetting changes in fair value or cash flows and are assessed on an on-going basis to determine that they actually have been highly effective throughout the financial reporting periods for which they were designated.

The Group's derivative financial instruments are accounted for as either cash flow hedges or transactions not designated as hedges.

Cash Flow Hedges. Cash flow hedges are hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction and could affect the consolidated statement of income. Changes in the fair value of a hedging instrument that qualifies as a highly effective cash flow hedge are recognized in stockholders' equity under “Cumulative translation adjustments” account. The ineffective portion is immediately recognized in the consolidated statement of income presented as net unrealized mark-to-market gain or loss on derivatives.

Amounts taken to equity are transferred to the consolidated statement of income when the hedged transaction affects profit or loss, such as when the hedged financial income or financial expense is recognized or when a forecast sale or purchase occurs. Where the hedged item is the cost of a non-financial asset or liability, the amounts taken to equity are transferred to the initial carrying amount of the non-financial asset or liability.

Hedge accounting is discontinued prospectively when the hedge ceases to be highly effective. When hedge accounting is discontinued, the cumulative gains or losses on the hedging instrument that has been reported in “Cumulative translation adjustment” is retained in the consolidated statements of changes in stockholders' equity until the hedged transaction impacts the consolidated statement of income. When the forecasted transaction is no longer expected to occur, any net cumulative gains or losses previously reported in “Cumulative translation adjustment” is recognized immediately in the consolidated statement of income.

Other Derivative Instruments not Accounted for as Hedges. Certain freestanding derivative instruments that provide economic hedges under the Group's policies either do not qualify for hedge accounting or are not designated as accounting hedges. Changes in the fair values of derivative instruments not designated as hedges are recognized immediately in the consolidated statement of income. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. For bifurcated embedded derivatives in financial and non-financial contracts that are not designated or do not qualify as hedges, changes in the fair value of such transactions are recognized in the consolidated statement of income.

Embedded Derivatives
An embedded derivative is separated from the host contract and accounted for as a derivative if all of the following conditions are met: a) the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract; b) a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and c) the hybrid or combined instrument is not recognized at fair value through profit or loss.

Subsequent reassessment is prohibited unless there is a change in the terms of the contract that significantly modifies the cash flows that otherwise would be required under the contract, in which case reassessment is required. The Company determines whether a modification to cash flows is significant by considering the extent to which the expected future cash flows associated with the embedded derivative, the host contract or both have changed and whether the change is significant relative to the previously expected cash flow on the contract.

Loans and Receivables. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, loans and receivables are subsequently carried at amortized cost using the effective interest rate method less any allowance for impairment. Amortized cost is calculated taking into account any discount or premium on acquisition and includes fees that are an integral part of the effective interest rate and transaction costs. Gains and losses are recognized in the consolidated statement of income when the loans and receivables are derecognized or impaired, as well as through the amortization process. Loans and receivables are included in current assets if maturity is within 12 months from the balance sheet date otherwise; these are classified as noncurrent assets.

This category includes cash and cash equivalents and receivables (see Notes 12 and 13).

HTM Investments. HTM investments are non-derivative financial assets which carry fixed or determinable payments and fixed maturities and which the Group has the positive intention and ability to hold to maturity. After initial measurement, held-to-maturity investments are measured at amortized cost. This cost is computed as the amount initially recognized minus principal repayments, plus or minus the cumulative amortization using the effective interest rate method of any difference between the initially recognized amount and the maturity amount, less allowance for impairment. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. Gains and losses are recognized in the consolidated statement of income when the investments are derecognized or impaired, as well as through the amortization process. Assets under this category are classified as current assets if maturity is within 12 months from the balance sheet date otherwise these are classified as noncurrent assets.

The Group has no HTM investments.

AFS Investments. AFS investments are those non-derivative financial assets that are designated as AFS or are not classified in any of the three preceding categories. After initial measurement, AFS investments are measured at fair value with unrealized gains or losses being recognized directly in equity. When the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recorded in equity is recognized in the consolidated statement of income. Interest earned or paid on the investments is reported as interest income or expense using the effective interest rate. Dividends earned on investments are recognized in the consolidated statement of income when the right of payment has been established. AFS investments are classified as noncurrent assets unless the intention is to dispose such assets within 12 months from balance sheet date.

The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business on balance sheet date. When current prices are not available, the price of the most recent transaction provides evidence of the current fair value as long as there has not been a significant change in economic circumstances since the time of the transaction.

For investments where there is no active market, except investments in unquoted equity securities, fair value is determined using valuation techniques. Such techniques include using recent arm's-length market transactions; reference to the current market value of another instrument which is substantially the same; net present value techniques and other relevant valuation models. Investments in unquoted equity securities are carried at cost, net of impairment.

AFS investments consist of the Group's investments in quoted and unquoted equity shares (see Note 10).

Other Financial Liabilities (including Interest-bearing Loans and Borrowings)

Other financial liabilities are initially recognized at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, other financial liabilities are subsequently measured at amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any issue costs, and any discount or premium on settlement.

Gains and losses are recognized in the consolidated statement of income when the liabilities are derecognized as well as through the amortization process. The Group's loans payable, accounts payable and other current liabilities, concession rights payable and long-term debt are included under this classification.

Impairment of Financial Assets

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

Assets Carried at Amortized Cost. If there is an objective evidence that an impairment loss on loans and receivables carried at amortized cost 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 (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). The carrying amount of the asset shall be reduced either directly or through use of an allowance account. The amount of the loss shall be recognized in the consolidated statement of income. Receivables, together with the associated allowance accounts, are written off when there is no realistic prospect of future recovery.

The Group first assesses whether an objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, the asset is included in the group of financial assets with similar credit risk characteristics and the group of financial assets is collectively assessed 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 assessment of impairment. The Group considers factors such as the age of the receivable, payment status and collection experience in determining individually impaired financial assets. For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of such credit risk characteristics as customer type, location and past due status.

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 the consolidated statement of income, to the extent that the carrying value of the asset does not exceed its amortized cost at the reversal date.

AFS Investments - Carried at Fair Value. If an AFS investment is impaired, an amount comprising the difference between its cost (net of any principal payment and amortization) and its current fair value, less any impairment loss previously recognized in the consolidated statement of income, is transferred from equity to the consolidated statement of income.

An AFS investment is considered impaired if there is prolonged or significant decline in market value against cost.

AFS Investment - Carried at Cost. If there is an 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 on 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 the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

Reversals of impairment losses in respect of equity instruments classified as AFS are not recognized in the consolidated statement of income. Reversals of impairment losses on debt instruments are reversed through the consolidated statement of income, if the increase in fair value of the instrument can be objectively related to an event occurring after the impairment loss was recognized in the consolidated statement 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 similar financial assets) is derecognized where:

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

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

Financial Liabilities. A financial liability is derecognized when the obligation under the liability is discharged or cancelled or has 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, and the difference in the respective carrying amounts is recognized in the consolidated statement of income.

Day 1 Profit or Loss
Where the transaction price in a non-active market is different from the fair value from other observable current market transactions in the same instrument or based on a valuation technique whose variables include only data from observable market, the Group recognizes the difference between the transaction price and fair value (a 'Day 1' profit or loss) in the consolidated statement of income unless it qualifies for recognition as some other type of asset. In cases where use is made of data which is not observable, the difference between the transaction price and model value is recognized in the consolidated statement of income only when the inputs become observable or when the instrument is derecognized. For each transaction, the Group determines the appropriate method of recognizing the 'Day 1' profit or loss amount.

Offsetting Financial Instruments
Financial assets and financial liabilities are offset and the net amount reported in the consolidated balance sheet 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 balance sheet.

Cash and Cash Equivalents
Cash includes cash on hand and in banks. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash with original maturities of three months or less and that are subject to an insignificant risk of change in value.

Spare Parts and Supplies
Spare parts and supplies inventories are valued at the lower of cost or net realizable value. Net realizable value is the current replacement cost.

Cost is determined by the moving average method. If the cost of inventories exceeds its net realizable value, provisions are made currently for the differences between the cost and the net realizable value.

Cost of Shares Held by Subsidiaries
Own equity instruments which are held by subsidiaries are treated as treasury shares and recognized and deducted from equity at cost. No gain or loss is recognized in the consolidated statement of income on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration is recognized as additional paid-in capital.

Treasury Shares
Own equity instruments which are reacquired are recognized at cost and deducted from equity. No gain or loss is recognized in the consolidated statement of income on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount and the consideration is recognized as additional paid-in capital.

Foreign Currency Transactions
Transactions in foreign currencies are initially recorded at the functional currency rate of exchange effective at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange effective at the balance sheet date. All differences are taken to the consolidated statement of income.

Nonmonetary items that are measured in foreign currency at historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Nonmonetary items measured in a foreign currency at fair value are translated using the exchange rates at the date when the fair value was determined.

Any goodwill arising from the acquisition of a foreign operation and any fair value adjustments made to the carrying amounts of assets and liabilities arising from the acquisition are treated as assets and liabilities of the foreign operations and translated at closing rate.

Exchange differences arising from long-term receivables or loans to a foreign operation denominated in either the functional currency of the parent or the foreign operations are taken up to the consolidated statements of income except those that form part of the net investment in a foreign operation. Related exchange difference arising from net investment in foreign operations are taken directly to equity in the consolidated financial statements until the disposal of the net investment, at which time they are recognized in the consolidated statement of income.

Year-End Exchange Rates

The following rates of exchange have been adopted by the Group in translating foreign currency income statement and balance sheet items as of and for the years ended December 31:

	2008		2007		2006	
	Closing	**Average**	Closing	Average	Closing	Average
Philippine Peso to 1 unit of foreign currency:						
US$	**47.520**	**44.474**	41.280	46.166	49.030	51.329
Australian Dollar (AUD)	**33.388**	**37.896**	36.128	38.729	38.705	38.485
Brazilian Reais (BRL or R$)	**20.531**	**24.218**	23.204	23.724	22.925	23.591
Japanese Yen (JPY)	**0.524**	**0.430**	0.369	0.392	0.413	0.442
Malagasy Ariary (MGA)	**0.025**	**0.026**	0.023	0.025	0.024	0.023
Indonesian Rupiah (IDR)	**0.004**	**0.005**	0.004	0.005	0.005	0.006
Chinese Renminbi (RMB)	**6.960**	**6.399**	5.657	6.0688	—	—
Syrian Pound (SYP)	**1.008**	**0.887**	0.808	0.9618	—	—
Colombian Peso (COP)	**0.021**	**0.023**	0.020	0.020	—	—
Georgian Lari (GEL)	**28.520**	**29.436**	25.911	27.666	—	—

Leases

The determination of whether an arrangement is, or contains a lease at inception date is based on the substance of the arrangement of whether the fulfillment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset.

A reassessment is made after 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 specified asset; or

d. There is substantial change in the asset.

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

Group as Lessee. Finance leases, which transfer to the Group substantially all the risks and benefits incidental to ownership of the leased item, are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are reflected in the consolidated statement of income.

Capitalized leased assets are depreciated over the shorter of the estimated useful life of the assets and the lease term, if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Operating lease payments are recognized as an expense in the consolidated statement of income on a straight-line basis over the lease term.

Group as Lessor. Leases where the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same bases as rental income. Contingent rents are recognized as revenue in the period in which they are earned.

Pension Benefits

Defined Benefit Plans. The Group, except for YRDICTL, has noncontributory defined benefit plans, administered by trustees, covering substantially all of its regular employees. Except for BCT and BIPI, the plans are funded. The cost of providing benefits under the defined benefit plans is determined separately for each plan using the projected unit credit actuarial valuation method. Projected unit credit method reflects services rendered by employees to the date of valuation and incorporates assumptions concerning employees' projected salaries. Pension costs include current service cost plus amortization of past service cost, experience adjustments and changes in actuarial assumptions. Actuarial gains and losses are recognized as income or expense when the net cumulative unrecognized actuarial gains and losses for each individual plan at the end of the previous reporting period exceeded 10% of the higher of the defined benefit obligation and the fair value of plan assets at that date. These gains and losses are recognized over the expected average remaining working lives of the employees participating in the plans.

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.

Defined Contribution Plan. YRDICTL has a defined contribution plan under a state pension scheme. Contributions under the plan are recorded as expense in the consolidated statement of income. There are no further obligations beyond the contribution.

Share-based Payment Transactions
Certain qualified directors, officers and employees of the Parent Company and subsidiaries receive remuneration in the form of share-based payment transactions, whereby the directors, officers and employees render services in exchange for shares or rights over shares ('equity-settled transactions').

The cost of equity-settled transactions with employees is measured by reference to the fair value of the stock options at the date on which these are granted. The fair value is determined using an option-pricing model (see Note 19).

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('the vesting date').

Revenue
Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, and other sales taxes or duty. The following specific recognition criteria must also be met before revenue is recognized:

Revenue from Port Operations. Revenue is recognized when services are rendered.

Construction Revenue and Cost. When the Group provides construction or upgrade services on concession arrangements accounted for with in the scope of IFRIC 12, the consideration is measured at the fair value of the construction services provided. The Group recognizes revenue and costs relating to construction or upgrade services by reference to the stage of completion of the contract in accordance with PAS 11, Construction Contracts.

Interest Income. Revenue is recognized as the interest accrues taking into account the effective yield of the asset. Interest income is presented

Dividend Income. Revenue is recognized when the shareholders' right to receive the payment is established.

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Rental Income. Rental income arising from rental-earning investment properties is accounted for on a straight-line basis over the lease terms.

Taxes

Current Income Tax. Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the balance sheet date.

Current income tax relating to items recognized directly to equity is recognized in the equity and not in the consolidated statement of income.

Deferred Income Tax. Deferred income tax is provided using the balance sheet liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences and carryforward benefits of unused minimum corporate income tax (MCIT) and net operating loss carryover (NOLCO), to the extent that it is probable that taxable income will be available against which the deductible temporary differences, and the carryforward benefits of unused MCIT and NOLCO can be utilized except:

- where the deferred income tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting income nor taxable income or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognized only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable income will be available against which the temporary differences can be utilized.

The carrying amount of deferred income tax assets is reviewed at each balance sheet 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 income tax asset to be utilized. Unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable income will allow the deferred tax asset to be recovered.

Deferred income 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 and tax laws that have been enacted or substantively enacted at the balance sheet date.

Deferred income tax relating to items recognized directly to equity is recognized in the stockholders' equity and not in the consolidated statement of income.

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

Project Development Costs
Project development costs are expensed as incurred.

Preoperating Expenses
Preoperating expenses are expensed as incurred.

Earnings Per Share
Basic earnings per common share is computed by dividing the net income attributable to common shareholders by the weighted average number of common shares outstanding during each year after giving retroactive effect to stock dividends declared during the year.

Diluted earnings per common share is computed in the same manner, adjusted for the effect of the shares issuable to qualified directors, officers and employees under the Parent Company's stock option/incentive plan which are assumed to be exercised at the date of grant.

Where the effect of the exercise of stock options is anti-dilutive, basic and diluted earnings per share are stated at the same amount.

Geographical Segments
The Group operates principally in one industry segment which is cargo handling and related services. The Group's operating business is organized and managed separately according to location, namely domestic and foreign. Financial information on geographical segments is presented in Note 5.

Provisions
Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of income net of any reimbursement. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognized as a borrowing cost.

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

Events after the Balance Sheet Date
Post year-end events that provide additional information about the Group's position at the balance sheet 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 consolidated financial statements when material.

3.1 Future Changes in Accounting Policies

The Group did not early adopt the following new or amended standards and interpretations relevant to the Group that have been approved but are not yet effective:

- Amendment to PAS 1, *Amendment on Statement of Comprehensive Income* (effective for annual periods beginning on or after January 1, 2009), requires that the statement of changes in equity shall include only transactions with owners, while all non-owner changes will be presented in equity as a single line with details included in a separate statement. Owners are defined as holders of instruments classified as equity. In addition, the amendment to PAS 1 provides for the introduction of new statement of comprehensive income that combines all items of income and expense recognized in the statement of income together with other "comprehensive income." The revisions specify what is included in other comprehensive income, such as gains and losses on available-for-sale assets, actuarial gains and losses on defined benefit pension plans and changes in the asset revaluation reserve. Entities can choose to present all items in one statement, or to present two linked statements, a separate statement of income and a statement of comprehensive income.
- PAS 23, *Amendment - Borrowing Costs*, which was issued in March 2007, and becomes effective for financial years beginning on or after January 1, 2009. The standard has been revised to require capitalization of borrowing costs when such costs relate to a qualifying asset. A qualifying asset is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale.

- PAS 27, *Consolidated and Separate Financial Statements*, which was issued in January 2008, and becomes effective for financial years beginning on or after January 1, 2009. The standard has been amended to enhance the relevance, reliability and comparability of the information that a parent entity provides in its separate financial statements and in its consolidated financial statements for a group of entities under its control.
- PFRS 3, *Business Combinations*, which becomes effective for annual periods beginning July 1, 2009, has been revised to improve the relevance, reliability and comparability of the information that a reporting entity provides in its financial statements about a business combination and its effects.
- PFRS 8, *Operating Segments*, which was issued in November 2006 and becomes effective for financial years beginning on or after January 1, 2009. The standard requires an entity to report financial and descriptive information about its reportable segments.

Except for disclosure and presentation changes, the Group does not expect significant impact on the initial application of the foregoing standards on the Group's consolidated financial statements.

4. Business Combinations and Merger

4.1 Acquisitions Recognized at Provisional Values

Edanfer and Tecplata

In August 2008, ICTSI, through ICTSI Ltd., acquired Edanfer S.A., a major stockholder of Tecplata. Tecplata was awarded the concession to build and operate an all-purpose port terminal at the port of La Plata by the Consorcio de Gestion del Puerto La Plata on November 10, 2008 (see Note 24.17). The cost of acquisition is comprised of cash consideration amounting to ₱2,138.4 million (US$45.0 million) and directly attributable costs amounting to ₱8.5 million (US$0.2 million). The entire consideration amounting to ₱2,146.9 million (US$45.2 million) was treated as goodwill as the Group had sought independent valuation for the identifiable assets and liabilities and contingent liabilities of Tecplata at the date of acquisition.

As of December 31, 2008, Tecplata has not yet started development of the container terminal and commercial operations.

SCIPSI

In July 2008, ICTSI acquired additional interest in SCIPSI, a former associate, through the acquisition of 100% ownership in Cordilla, which owns 14.38% interest in SCIPSI. Thereafter, ICTSI obtained control over SCIPSI. The acquisitions of shares in stages are accounted for separately using the cost of the transaction and fair value information at the date of each exchange transaction.

The provisional values of identifiable assets and liabilities at each acquisition date for the successive purchases of shares of SCIPSI follows:

	October 1999	July 2008	Total
Property and equipment	₱4,146,498	₱24,206,637	₱28,353,135
Other noncurrent assets	—	1,344,603	1,344,603
Current assets	7,254,743	86,041,557	93,296,300
	11,401,241	111,592,797	122,994,038
Accounts payable and other current liabilities	5,476,113	19,059,447	24,535,560
Income tax payable	1,652,295	4,635,450	6,287,745
	7,128,408	23,694,897	30,823,305
Net assets	4,272,833	87,897,900	92,170,733
Acquired ownership interest	35.70%	14.38%	50.08%
Net assets acquired	1,525,401	12,639,718	14,165,119
Goodwill arising from the acquisition (see Note 6)	9,014,599	5,643,639	14,658,238
Total Consideration	₱10,540,000	₱18,283,357	₱28,823,357

The total consideration paid for by ICTSI amounted to ₱18.3 million.

Net cash outflow on the acquisition in 2008 amounting to ₱8.9 million resulted as follows:

	Amount
Net cash acquired with the subsidiary	₱9,400,465
Cash paid	(18,283,357)
Net cash outflow	(₱8,882,892)

From the date ICTSI obtained control of SCIPSI up to December 31, 2008, SCIPSI has contributed ₱83.9 million to the consolidated revenue from port operations and ₱13.3 million in the consolidated net income.

The fair values of identifiable assets and liabilities of SCIPSI on acquisition were provisional as the Group had sought independent valuations for the fair value of certain property and equipment and intangible assets, including concession rights. The Group is also in the process of determining the fair values of other assets and liabilities including contingent liabilities on this acquisition. While waiting for the completion of the business combination, the Group recognized the entire excess of total consideration over the provisional fair values of SCIPSI's identifiable assets and liabilities as goodwill aggregating to ₱14.7 million in the 2008 consolidated balance sheet.

Fair value adjustments will be made as soon as the Group completes the valuation of certain property and equipment and intangible assets and the accounting for other assets and liabilities and contingent liabilities of Tecplata and SCIPSI at the dates of acquisition.

4.2 Acquisitions Adjusted at Finalized Fair Values

Acquisitions in 2007 initially recognized at provisional values were adjusted to take up the results of the accounting for the fair values of identifiable assets and liabilities, which were finalized in 2008. These are summarized below:

SPIA

In July 2007, ICTSI concluded the agreement to commence the construction and development of a new multi-user container terminal at the Port of Buenaventura in Colombia, through the acquisition of stakes in two existing companies to gain effective control of SPIA. SPIA owns 225 hectares of land where the port will be constructed and the concession to develop and operate the new container terminal. The construction commenced in November 2008, with expected completion within 18-24 months thereafter (see Note 24.9).

The fair value of the identifiable assets and liabilities of SPIA at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were:

	Fair Value Recognized on Acquisition (As Restated)	Carrying Value
Concession rights	₱2,373,303,475	₱536,214,000
Property and equipment - net	222,789,580	184,543,365
Deferred tax assets	96,749,317	96,749,317
Other noncurrent assets	276,849	276,849
Cash and cash equivalents	3,632,287	3,632,287
Receivables	26,655,784	26,655,784
Prepaid expenses and other current assets	53,396	53,396
	2,723,460,688	848,124,998
Trade and other payables	29,081,417	29,080,417
Concession right payable	536,664,690	536,214,000
Deferred tax liabilities	637,460,900	—
Net assets	1,203,206,007	565,294,417
	1,520,254,681	282,830,581
Acquired ownership interest	70%	
Net assets acquired	1,064,178,277	
Goodwill arising from the acquisition (see Note 6)	601,003,943	
Consideration paid by cash	₱1,665,182,220	

Net cash outflow on the acquisition amounting to ₱1,662.6 million resulted as follows:

	Amount
Net cash acquired with the subsidiary	₱2,542,601
Cash paid	(1,665,182,220)
Net cash outflow	(₱1,662,639,619)

YRDICTL

In January 2007, the Group, through ICTSI (Hong Kong) Limited, acquired 60% joint venture stake in YRDICTL, which manages the Yantai Gangtong Terminal in Shandong Province, China. The Group acquired a 60% equity interest in YRDICTL by purchasing a 54% interest from Yantai Port Group and a 6% interest from SDIC. Yantai Port Group and SDIC retained a 20% interest each in YRDICTL.

The fair value of the identifiable assets and liabilities of YRDICTL at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were:

	Fair Value Recognized on Acquisition (As Restated)	Carrying Value
Property and equipment	₱3,484,358,063	₱3,091,914,979
Concession rights	1,331,157,311	1,289,581,938
Cash and cash equivalents	2,777,613	2,777,613
Trade receivables	65,627,885	65,627,885
Spare parts and supplies	7,842,533	7,842,533
Prepaid expenses and other current assets	4,630,126	4,630,126
	4,896,393,531	4,462,375,074
Loans payable	519,968,509	519,968,509
Trade and other payable	298,539,004	298,539,004
Deferred tax liability	65,980,548	—
	884,488,061	818,507,513
Net assets	4,011,905,470	₱3,643,867,561
Acquired ownership interest	60%	
Net assets acquired	2,407,143,282	
Goodwill arising from the acquisition (see Note 6)	50,181,278	
Consideration paid by cash	₱2,457,324,560	

Net cash outflow on the acquisition amounting to ₱2,455.7 million resulted as follows:

	Amount
Net cash acquired with the subsidiary	₱1,666,568
Cash paid	(2,457,324,560)
Net cash outflow	(₱2,455,657,992)

4.3 Adjustments on the 2007 Consolidated Financial Statements

The adjustments of the provisional values of SPIA and YRDICTL at acquisition date resulted in the restatement of the 2007 consolidated balance sheet and consolidated statement of income as follows: (a) increased concession rights, property and equipment, deferred tax liabilities and foreign currency translation difference amounting to ₱1,959.9 million, ₱40.3 million, ₱667.5 million, and ₱1.4 million, respectively; and (b) decreased goodwill and net income amounting to ₱952.2 million and ₱18.2 million. These adjustments are summarized and presented in Note 3.2.

4.4 Merger of IMH with ICTSI

On July 11, 2007, the SEC approved the merger of ICTSI and IMH, with ICTSI as the surviving company. The merger required the transfer of all assets and liabilities of IMH to ICTSI. No new shares were issued because IMH is 99.98% owned by ICTSI, and the minority shareholders waived their right to receive any share as a result of the merger (see Note 15.1).

The purpose of the merger is to terminate the separate legal existence of IMH, allow the transfer of 371,032,171 common shares of ICTSI currently held by IMH to ICTSI as treasury shares, and allow the cancellation of a portion of these shares through the reduction of the authorized capital stock of ICTSI.

Thus, on the same day, the SEC also approved the retirement of 332,602,619 common shares. The authorized common shares of ICTSI were reduced to 4,227,397,381 shares, divided into 4,227,397,381 common shares with a par value of 1 a share. The retirement of 332,602,619 common shares resulted in a decrease in common stock by ₱332.6 million and in additional paid-in capital by ₱1,280.5 million.

The remaining 38,429,552 ICTSI common shares acquired from IMH, carried at cost of ₱186.4 million, were recorded as part of treasury shares.

5. Segment Information

A segment is a distinguishable component of the Group that is engaged either in providing types of services (business segment) or in providing the services within a particular economic environment (geographic segment).

The Group operates principally in one industry segment which is cargo handling and related services. ICTSI has organized its business into two geographical segments:

- Foreign - all subsidiaries operating outside the Philippines, specifically BCT in Poland, TSSA in Brazil, MICTSL in Madagascar, NICTI in Japan, MTS in Indonesia, YRDICTL in China, TICT in Syria, CGSA in Ecuador, SPIA in Colombia and BICTL in Georgia (see Note 1.3).
- Domestic - cargo handling services provided through MICT and all Philippine-based subsidiaries (see Note 1.3).

The tables in the succeeding page present financial information on geographical segments as of and for the year ended December 31.

	2008		
	Domestic	**Foreign**	**Consolidated**
Gross revenues	**₱9,242,769,253**	**₱11,353,927,911**	**₱20,596,697,164**
Segment results - income attributable to equity holders of the Parent	**₱1,541,589,955**	**₱1,317,265,974**	**₱2,858,855,929**
Other information:			
Segment assets	**₱15,110,338,828**	**₱42,301,410,398**	**₱57,411,749,226**
Segment liabilities	**12,064,981,750**	**23,559,441,685**	**35,624,423,435**
Net cash flows provided by (used in):			
Operating activities	**(₱47,738,595)**	**₱6,848,726,201**	**₱6,800,987,606**
Investing activities	**(2,586,711,301)**	**(8,787,087,341)**	**(11,373,798,642)**
Financing activities	**5,032,331,288**	**6,237,964,277**	**11,270,295,565**
Other information:			
Capital expenditures	**2,281,676,067**	**5,787,447,508**	**8,069,123,575**
Depreciation and amortization of segment assets	**767,352,055**	**1,486,123,592**	**2,253,475,647**
Other noncash expenses - net	**33,430,064**	**142,631,743**	**176,061,807**
Equity in net earnings of an associate	**5,199,786**	**—**	**5,199,786**

	2007 (As restated - see Notes 3 and 4)		
	Domestic	**Foreign**	**Consolidated**
Gross revenues	₱7,617,710,643	₱7,383,161,684	₱15,000,872,327
Segment results - income attributable to equity holders of the Parent	₱1,938,064,420	₱1,351,613,793	₱3,289,678,213
Other information:			
Segment assets	₱10,725,559,426	₱26,733,495,521	₱37,459,054,947
Segment liabilities	4,486,471,512	13,633,731,532	18,120,203,044
Net cash flows provided by (used in):			
Operating activities	₱2,398,462,562	₱3,045,715,001	₱5,444,177,563
Investing activities	(447,068,220)	(9,977,376,479)	(10,424,444,699)
Financing activities	2,335,793,791	2,565,047,358	4,900,841,149
Other information:			
Capital expenditures	₱670,426,370	₱6,024,689,853	₱6,695,116,223
Depreciation and amortization of segment assets	621,140,180	1,026,337,318	1,647,477,498
Other noncash expenses - net	921,792,439	218,157,586	1,139,950,025
Equity in net earnings of an associate	7,284,422	—	7,284,422

	2006 (As restated - see Note 3)		
	Domestic	**Foreign**	**Consolidated**
Gross revenues	₱6,717,627,180	₱5,132,190,459	₱11,849,817,639
Segment results - income attributable to equity holders of the Parent	₱981,392,690	₱1,022,049,510	₱2,003,442,200
Other information:			
Segment assets	₱5,306,303,488	₱14,918,102,610	₱20,224,406,098
Segment liabilities	8,694,288,797	4,232,015,557	12,926,304,354
Net cash flows provided by (used in):			
Operating activities	₱3,622,307,183	₱ 88,836,612)	₱3,533,470,571
Investing activities	(2,303,461,930)	113,895,165	(2,189,566,765)
Financing activities	(1,952,012,930)	1,068,487,462	(883,525,468)
Other information:			
Capital expenditures	₱995,814,943	₱918,961,561	₱1,914,776,504
Depreciation and amortization of segment assets	584,098,549	507,382,024	1,091,480,573
Other noncash expenses - net	418,136,415	(36,492,964)	381,643,451
Equity in net earnings of an associate	5,745,015	—	5,745,015

6. Intangibles

This account consists of:

	2008						
	Concession Rights (see Notes 3 and 4.2)						
	Upfront Fees	**Fixed Fees**	**Port Infrastructure**	**Subtotal**	**Computer Software**	**Goddwill (see Notes 4.1 and 4.2)**	**Total**
Cost							
Balance at beginning of year, as previously reported	**₱6,221,658,648**	**₱—**	**₱—**	**₱6,221,658,648**	**₱310,757,282**	**₱1,763,404,645**	**₱8,295,820,575**
Effect of adopting IFRIC 12	**—**	**6,085,620,044**	**5,273,783,203**	**11,359,403,247**	**—**	**—**	**11,359,403,247**
Effect of finalizing business combinations	**1,959,906,217**	**—**	**—**	**1,959,906,217**	**—**	**(952,200,502)**	**1,007,705,715**
Balance at beginning of year, as restated	**8,181,564,865**	**6,085,620,044**	**5,273,783,203**	**19,540,968,112**	**310,757,282**	**811,204,143**	**20,662,929,537**
Acquisitions of additions	**7,693,862**	**830,694,912**	**5,360,713,445**	**6,199,102,219**	**41,075,156**	**—**	**6,240,177,375**
Effect of business combinations	**—**	**—**	**—**	**—**	**—**	**2,155,664,333**	**2,155,664,333**
Translation adjustments	**177,005,265**	**1,357,616,218**	**582,612,929**	**2,117,234,412**	**137,269,767**	**259,229,978**	**2,513,734,157**
Balance at end of year	**8,366,263,992**	**8,273,931,174**	**11,217,109,577**	**27,857,304,743**	**489,102,205**	**3,226,098,454**	**31,572,505,402**
Accumulated Amortization and Impairment Losses							
Balance at beginning of year, as previously reported	**242,034,504**	**—**	**—**	**242,034,504**	**162,787,620**	**13,166,818**	**417,988,942**
Effect of adopting IFRIC 12	**—**	**1,281,596,808**	**797,674,096**	**2,079,270,904**	**—**	**—**	**2,079,270,904**
Balance at beginning of the year as restated	**242,034,504**	**1,281,596,808**	**797,674,096**	**2,321,305,408**	**162,787,620**	**13,166,818**	**2,497,259,846**
Amortization for the year	**364,012,457**	**384,138,289**	**539,205,694**	**1,287,356,440**	**51,385,251**	**—**	**1,338,741,691**
Translation adjustments	**238,973,724**	**61,627,330**	**9,461,353**	**310,062,407**	**72,568,763**	**—**	**382,631,170**
Balance at end of year	**845,020,685**	**1,727,362,427**	**1,346,341,143**	**3,918,724,255**	**286,741,634**	**13,166,818**	**4,218,632,707**
Net book value	**₱7,521,243,307**	**₱6,546,568,747**	**₱9,870,768,434**	**₱23,938,580,488**	**₱202,360,573**	**₱3,212,931,636**	**₱27,353,872,695**

	2007 (As restated - see Notes 3 and 4.2)						
	Concession Rights						
	Upfront Fees	Fixed Fees	Port Infrastructure	Subtotal	Computer Software	Goddwill (see Notes 4.1 and 4.2)	Total
Cost							
Balance at beginning of year, as previously reported	₱1,910,100,104	₱—	₱—	₱1,910,100,104	₱227,915,765	₱361,199,962	₱2,499215,831
Effect of adopting IFRIC 12	—	2,372,511,998	3,724,592,083	6,097,104,081	—	—	6,097,104,081
Balance at beginning of year, as restated	1,910,100104	2,372,511,998	3,724,592,083	8,007,204,185	227,915,765	361,199,962	8,596,319,912
Acquisitions of additions	5,058,003,246	3,533,919,953	1,216,278,337	9,808,201,536	111,086,735	—	9,919,288,271
Disposal	—	—	—	—	(34,624,500)	—	(34,624,500)
Effect of business combinations	1,825,795,938	—	—	1,825,795,938	—	588,422,809	2,414,218,747
Translation adjustments	(612,334,424)	179,188,093	332,912,783	(100,233,548)	6,379,282	(138,418,628)	(232,272,894)
Balance at end of year	8,181,564,864	6,085,620,044	5,273,783,203	19,540,968,111	310,757,282	811,204,143	20,662,929,536
Accumulated Amortization and Impairment Losses							
Balance at beginning of year, as previously reported	288,718,219	—	—	288,718,219	125,781,905	—	414,500,124
Effect of adopting IFRIC 12	—	1,102,408,715	379,254,520	1,418,663,235	—	—	1,418,663,235
Balance at beginning of the year as restated	288,71/8,219	1,102,408,715	379,254,520	1,770,381,454	125,781,905	—	1,896,163,359
Amortization for the year	203,388,871	195,949,960	422,989,193	822,328,024	75,366,688	—	897,694,712
Disposal	—	—	—	—	(34,624,500)	—	(34,624,500)
Impairment loss	—	—	—	—	—	13,166,818	13,166,818
Translation adjustments	(250,072,586)	(16,761,867)	(4,569,616)	(271,404,069)	(3,736,473)	—	(275,140,542)
Balance at end of year	242,034,504	1,281,596,808	797,674,097	2,321,305,409	162,787,620	13,166,818	2,497,259,847
Net book value	₱7,939,530,360	₱4,804,023,236	₱4,476,109,106	₱17,219,662,702	₱147,969,662	₱798,037,325	₱18,165,669,689

Concession rights

Adjustments to the beginning balances pertain to the effects of adopting IFRIC 12 in 2008 and finalizing business combinations made in 2007. Adoption of IFRIC 12 includes reclassification of property and equipment related to the concession contracts of the Parent Company, SBITC, CGSA, MICTSL and TICT to intangible assets and the recognition of the fair value of fixed fee on the concession contracts.

Acquisition of concession rights pertains to concession of port operations in NCT-1 in Subic in 2008, and in the Port of Guayaquil in Ecuador, Port of Batumi in Georgia, and Port of Tartous in Syria in 2007.

Concession rights have estimated amortization periods ranging from 10 to 48 years.

Upon recognition of the fair value of fixed fee on concession contracts, the Group also recognized the corresponding concession rights payable.

Maturities of concession rights payable arising from the capitalization of fixed portion of port fees and upfront fees as of December 31, 2008 are shown in Note 27.

Borrowing costs capitalized amounted to ₱130.7 million in 2008 with capitalization rates ranging from 6.46% to 11.91%. There were no borrowing costs capitalized in 2007 and 2006.

Computer software

Computer software has remaining amortization periods ranging from three to five years.

Goodwill

Additions to goodwill pertain to the excess of acquisition cost over the provisional values of the net assets of SCIPSI and Tecplata in 2008 and excess of acquisition cost over the finalized fair values of the net assets of YRDICTL and SPIA in 2007.

Goodwill is not amortized but subject to annual impairment testing as at December 31.

7. Property and Equipment

This account consists of:

	2008								
	Land	**Leasehold Rights and Improvements**	**Port Facilities and Equipment**	**Transportation Equipment**	**Office Equipment, Furniture and Fixtures**	**Miscellaneous Equipment**	**Port Equipment Spare Parts**	**Construction in Progress**	**Total**
Cost									
Balance at beginning of year, as previously reported	**P1,164,378,084**	**P8,541,413,002**	**P11,295,910,759**	**P902,891,392**	**P924,411,852**	**P538,899,154**	**P44,617,614**	**P417,009,468**	**P23,829,531,325**
Effect of finalizing business combinations (see Note 4.2)	**40,334,224**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**40,334,224**
Reclassification to concession rights on adoption of IFRIC 12 (see Note 3)	**—**	**(4,825,112,532)**	**(5,664,364,900)**	**—**	**(128,219,935)**	**(1,371,436)**	**—**	**(149,081,065)**	**(10,768,149,868)**
Balance at beginning of year, as restated	**1,204,712,308**	**3,716,300,470**	**5,631,545,859**	**902,891,392**	**796,191,917**	**537,527,718**	**44,617,614**	**267,928,403**	**13,101,715,681**
Additions	**—**	**70,944,387**	**989,884,820**	**117,242,284**	**174,716,618**	**14,771,768**	**26,568,329**	**520,221,985**	**1,914,350,191**
Disposals	**—**	**(4,440,601)**	**(1,977,637)**	**(27,602,366)**	**(2,174,145)**	**(352,940)**	**(4,292,751)**	**(8,183,941)**	**(49,024,381)**
Translation adjustments	**(35,404,693)**	**545,544,648**	**(183,223,840)**	**2,145,466**	**(259,915,737)**	**(110,160,728)**	**(352,696)**	**769,738,179**	**728,070,599**
Effect of business combinations (see Note 4.1)	**—**	**12,460,370**	**63,273,514**	**2,716,458**	**6,380,748**	**—**	**—**	**—**	**88,455,225**
Transfers from (to) other accounts	**37,748,828**	**134,605,193**	**1,134,739,584**	**86,807,681**	**165,658,023**	**(233,709,746)**	**14,309,907**	**(1,340,159,470)**	**—**
Balance at end of year	**1,206,756,443**	**4,475,414,467**	**7,634,242,300**	**1,084,200,915**	**880,857,424**	**211,700,207**	**80,850,403**	**209,545,156**	**15,783,567,315**
Accumulated Depreciation, Amortization and Impairment Losses									
Balance at beginning of year, as previously reported	**—**	**3,306,018,320**	**4,308,076,913**	**317,220,729**	**518,098,855**	**227,526,095**	**2,044,288**	**—**	**8,678,985,200**
Effect of finalizing business combinations (see Note 4.2)		**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**
Reclassification to concession rights on adoption of IFRIC 12 (see Note 3)	**—**	**(2,946,009,983)**	**(3,525,171,410)**	**—**	**(12,661,860)**	**(55,465)**	**—**	**—**	**(6,483,898,718)**
Balance at beginning of year, as restated	**—**	**360,008,337**	**782,905,503**	**317,220,729**	**505,436,630**	**227,470,630**	**2,044,288**	**—**	**2,195,086,482**
Depreciation and amortization for the year	**—**	**182,449,788**	**473,871,944**	**118,612,030**	**100,102,926**	**19,147,008**	**3,988,710**	**—**	**898,172,406**
Disposals	**—**	**—**	**(1,632,115)**	**(25,527,992)**	**(321,992)**	**(342,174)**	**—**	**—**	**(27,824,273)**
Reversal of impairment	**—**	**(225,193,691)**	**—**	**—**	**(105,442)**	**(172,379,849)**	**—**	**—**	**(242,678,982)**
Translation adjustments	**—**	**(47,105,858)**	**(619,723,099)**	**9,742,387**	**(240,244,412)**	**1,386,570,716**	**1,552,482**	**—**	**490,792,216**
Effect on business combinations see (Note 4.1)	**—**	**1,163,413**	**54,138,458**	**2,476,806**	**4,362,384**	**2,107,526**	**—**	**—**	**64,248,587**
Transfers from (to) other accounts	**—**	**346,564,073**	**960,115,302**	**21,968,251**	**166,375,895**	**(1,495,032,521)**	**—**	**—**	**—**
Balance at end of year	**—**	**617,886,062**	**1,649,675,993**	**444,492,211**	**535,606,354**	**122,550,336**	**7,585,480**	**—**	**3,377,796,436**
Net Book Value	**P1,206,756,443**	**P3,857,528,405**	**P5,984,566,307**	**P639,708,704**	**P345,251,070**	**P89,149,871**	**P73,264,923**	**P209,545,156**	**P12,405,770,879**

	2007 (As restated - see Notes 3 and 4.2)								
	Land	Leasehold Rights and Improvements	Port Facilities and Equipment	Transportation Equipment	Office Equipment, Furniture and Fixtures	Miscellaneous Equipment	Port Equipment Spare Parts	Construction in Progress	Total
Cost									
Balance at beginning of year, as previously reported	P1,001,950,573	P5,233,821,234	P8,408,092,237	P784,706,188	P654,787,054	P290,160,835	P25,901,367	P871,261,370	P17,270,680,858
Reclassification to concession rights on adoption of IFRIC 12	—	(3,921,352,409)	(4,674,366,823)	—	(92,918,417)	—	—	(530,484,532)	(9,219,122,181)
Balance at beginning of year, as restated	1,001,950,573	1,312,468,825	3,733,725,414	784,706,188	561,868,637	290,160,835	25,901,367	340,776,838	8,051,558,677
Additions (net of trasfers to concession rights) (see Note 3)	93,049,692	(331,384,807)	1,084,935,683	130,523,169	121,188,551	274,321,931	11,906,929	1,413,675,752	2,798,216,900
Disposals	—	(10,528,641)	(8,774,624)	(21,482,657)	(19,433,694)	(217,836)	(2,500,585)	—	(62,938,037)
Translation adjustments	(12,055,568)	(476,767,559)	(739,044,562)	(37,950,832)	(24,770,470)	(39,320,19)	(1,961,036)	(22,153,142)	(1,354,023,288)
Effect of acquisition of subsidiaries	121,767,611	2,310,533,195	1,157,038,488	38,665,718	27,975,842	12,920,574	—	—	3,665,901,428
Transfers from (to) other accounts	—	911,979,457	403,665,460	8,429,806	129,363,051	(337,668)	11,270,939	(1,464,371,045)	—
Balance at end of year	1,204,712,308	3,716,300,470	5,631,545,859	902,891,392	796,191,917	537,527,717	44,617,614	267,928,403	13,101,715,680

(Forward)

	2007 (As restated - see Notes 3 and 4.2)								
	Land	Leasehold Rights and Improvements	Port Facilities and Equipment	Transportation Equipment	Office Equipment, Furniture and Fixtures	Miscellaneous Equipment	Port Equipment Spare Parts	Construction in Progress	Total
Accumulated Depreciation, Amortization and Impairment Losses									
Balance at beginning of year, as previously reported	₱—	₱2,841,829,728	₱3,826,378,205	₱245,104,014	₱465,815,680	₱209,574,789	₱—	₱—	₱7,588,702,416
Reclassification to concession rights on adoption of IFRIC 12	—	(2,652,346,205)	(3,304,139,161)	—	(1,548,640)	—	—	—	(5,958,034,006)
Balance at beginning of year, as restated	—	189,483,523	522,239,044	245,104,014	464,267,040	209,574,789	—	—	1,630,668,410
Depreciation and amortization for the year	—	187,254,398	396,894,187	104,387,039	37,141,401	21,510,482	2,595,279	—	749,782,786
Disposals	—	(714,879)	(29,161,532)	(11,712,941)	(246,969)	(150,277)	(477,509)	—	(42,464,107)
Reversal of impairment	—	—	(12,849,478)	—	—	—	—	—	(12,849,478)
Translation adjustments	—	(16,014,706)	(92,794,661)	(21,238,181)	4,283,727	(3,472,566)	(814,742)	—	(130,051,129)
Transfers from (to) other accounts	—	—	(1,422,057)	630,798	(8,203)	8,203	741,259	—	—
Balance at end of year	—	360,008,336	782,905,503	317,220,729	505,436,996	227,470,631	2,044,287	—	2,195,086,482
Net Book Value	₱1,204,712,308	₱3,356,292,134	₱4,848,640,356	₱585,670,663	₱290,754,921	₱310,057,086	₱42,573,327	₱267,928,403	₱10,906,629,198

Pursuant to the adoption of IFRIC 12, property and equipment related to the concession were reclassified to concession rights under the “Intangibles” account in the consolidated balance sheet.

In 2008, ICTSI reversed previously recognized impairment losses, which pertain to land improvements, building and other properties of the inland container depot amounting to ₱242.7 million because of higher fair value of the property based on valuations performed by a qualified independent appraiser. These were reclassified to investment properties in 2008 when the Company commenced a lease agreement over the properties in 2008(see Note 8).

Port equipment of BCT, TSSA and YRDICTL with a total carrying value of to ₱3.4 billion were pledged as collateral to secure BCT's loan agreement with a syndicate of a Polish and international banks, TSSA's loan agreement with International Finance Corporation and the Netherlands Development Finance Company, and YRDICTL's loan agreement with the Industrial and Commercial Bank of China (see Note 16).

8. Investment Properties

The details of investment properties are as follows:

		2008	
	Land and Improvements	**Building and Others**	**Total**
Cost			
Balance at beginning of year	**₱1,169,749,821**	**₱6,350,000**	**₱1,176,099,821**
Transfer from property and equipment (see Note 7)	**326,656,682**	**25,188,604**	**351,845,286**
Balance at end of year	**1,496,406,503**	**31,538,604**	**1,527,945,107**
Accumulated depreciation and amortization			
Balance and beginning of year	**—**	**502,709**	**502,709**
Amortization during the year	**15,012,913**	**1,548,637**	**16,561,550**
Transfer from property and equipment (see Note 7)	**101,462,991**	**6,916,066**	**108,379,057**
Balance at end of year	**116,475,904**	**8,967,412**	**125,443,316**
Net book value	**₱1,379,930,599**	**₱22,571,192**	**₱1,402,501,791**

		2007	
	Land and Improvements	Building and Others	Total
Cost	₱1,169,749,821	₱6,350,000	₱1,176,099,821
Amortization during the year	—	502,709	502,709
Net book value	₱1,169,749,821	₱5,847,291	₱1,175,597,112

Land and improvements include land held for capital appreciation and land improvements subject to an operating lease with fair values amounting to ₱3.6 billion as of December 31, 2008 and 2007. The fair values were determined based on valuations

performed by a qualified independent appraiser whose report was dated February 9, 2009. The valuation undertaken was based on an open market value, supported by market evidence in which assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's-length transaction at the date of valuation.

Rental income derived from rental-earning investment properties amounted to ₱6.0 million in 2008. There were no significant repairs and maintenance made to maintain the Group's investment properties in 2008, 2007 and 2006. The rent agreement covering rental-earning investment properties is renewable at the option of both parties yearly.

9. Investment in an Associate

The details and movements of investment in an associate follow:

	2008	2007
Acquisition cost	**₱365,211,769**	₱365,211,769
Less cost of investment in SCIPSI	**10,000,051**	—
	355,211,718	365,211,769
Accumulated equity in net earnings of an associate:		
Balance at beginning of year	**23,493,046**	16,208,624
Equity in net earnings for the period	**5,199,786**	7,284,422
Change in accounting treatment on investment in SCIPSI	**(28,692,832)**	—
Balance at end of year	**—**	23,493,046
	355,211,718	388,704,815
Allowance for probable losses	**355,211,718**	355,211,718
	₱—	₱33,493,097

As discussed in Note 1.2, ICTSI acquired additional shares of SCIPSI, an associate, and obtained control effective July 2008. Thereafter, SCIPSI is accounted for as a subsidiary.

The investment in ARDC was covered with a full allowance for probable losses amounting to ₱355.2 million.

Summarized financial information pertaining to SCIPSI as of and for the year ended December 31, 2007 follows:

	Amount
Current assets	₱67,968,816
Noncurrent assets	26,709,448
Current liabilities	14,970,401
Noncurrent liabilities	6,189,171
Revenues	146,874,995
Net income	20,404,545

10. Other Noncurrent Assets

This account consists of:

	2008	2007
Advances to suppliers	**₱1,762,824,017**	₱408,383,061
AFS investments:		
Unquoted equity shares - at cost	**248,027,759**	259,527,738
Quoted equity shares - at fair value	**38,987,060**	31,380,003
Restricted cash (see Notes 16 and 24)	**314,790,975**	182,586,787
Advance rent and deposits	**23,101,125**	43,324,945
Prepaid expense	**28,465,349**	36,970,821
Pension assets (see Note 23)	**8,862,613**	10,278,351
Others	**22,624,132**	33,624,398
	₱2,447,683,030	₱1,006,076,104

Advances to suppliers and contractors mainly pertain to advance payments for the acquisition of transportation equipment and construction of port facilities. These will be offset against the cost of the transportation equipment and port facilities.

The net movement of unrealized mark-to-market gain on quoted AFS investments is as follows:

	2008	2007
Balance at beginning of the year	**₱8,094,920**	₱13,183,752
Change in fair value of quoted AFS investments	**(3,892,924)**	(2,701,042)
Currency translation differences (see Note 15)	**—**	(2,387,790)
Balance at end of the year	**₱4,201,996**	₱8,094,920

Unrealized net mark-to-market gain on quoted AFS investments, recognized in equity and shown as part of equity attributable to equity holders of the parent in the consolidated balance sheets, amounted to ₱4.2 million, ₱8.1 million and ₱13.1 million as of December 31, 2008, 2007 and 2006, respectively.

In 2007, unquoted AFS investments carried at net realizable value of ₱155.0 million were sold. The sale resulted to loss of ₱24.2 million recognized in 2007 as a result of the sale and classified as part of "Other expenses" in the 2007 consolidated statement of income.

In 2006, the Group sold AFS investments and realized a mark-to-market gain of ₱31.9 million.

11. Impairment Testing of Goodwill and Investments

The Group tests goodwill for impairment annually or more frequently if there are indications that goodwill may be impaired. The Group has not identified any other intangibles with an indefinite life. The Group also tests investments with no quoted prices annually. The tests are performed at December 31.

ICTSI and its subsidiaries used a discounted cash flow analysis to determine the value in use. Value in use is based on reasonable and supportable assumptions that represent management's best estimate of the economic conditions that will exist over the remaining useful life of the asset. Key assumptions used to determine the value in use are discount rates including cost of debt and cost of capital, growth rates, Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA) margins, working capital and capital expenditure.

Discount Rates
Discount rates are based on the Weighted Average Cost of Capital (WACC) of each subsidiary. It is the cost of the investee's debt and equity capital proportionately weighted to each category of capital. The WACC rates used to discount the future cash flows are based on risk free interest rates in the relevant markets where the subsidiaries are domiciled and take into account the debt premium, market risk premium, gearing, corporate tax rate and asset betas of these subsidiaries. Management assumed discount rates of 9.15% to 22.62% in 2008, 6.94% to 13.90% in 2007 and 10.93% in 2006.

Growth Rates
Average growth rates in revenues are based on ICTSI's expectation of market developments and the changes in the environment in which it operates. ICTSI uses revenue growth rates based on past historical performance as well as expectations on the results of its strategies. On the other hand, the perpetual growth rate used to compute for the terminal value is based on the forecasted long-term growth of the economy in which the business operates. Management assumed a terminal growth rate of 4% in 2008, 2007 and 2006.

EBITDA Margin
The EBITDA margin represents the operating margin before depreciation and amortization and is estimated based on the margin achieved in the period immediately before the budget period and on estimated future development in the market. Committed operational efficiency programs are taken into consideration. Changes in the outcome of these initiatives may affect future estimated EBITDA margin.

Capital Expenditure (Capex)
These are expenditures creating future benefits. Management takes into consideration the capital expenditures necessary to meet the expected growth in volumes and revenues. To the best of management judgment, estimated capital expenditures include capital expenditures that enhance the current performance of the port terminals and the related cash flows have been treated consistently.

12. Cash and Cash Equivalents

This account consists of:

	2008	2007
Cash on hand and in banks	**₱3,463,103,241**	₱1,400,186,333
Cash equivalents	**7,125,557,659**	2,164,676,763
	₱10,588,660,900	₱3,564,863,096

Cash in banks earns interest at the prevailing bank deposit rates. Cash equivalents are short-term investments, which are made for varying periods of up to three months depending on the immediate cash requirements of the Group and earn interest at the prevailing short-term investment rates. The carrying value of cash and cash equivalents approximates their fair value as of the balance sheet date.

13. Receivables

This account consists of:

	2008	2007
Trade	**₱1,218,079,562**	₱1,167,031,411
Advances and nontrade (see Note 22.3)	**54,278,154**	125,779,979
	1,272,357,716	1,292,811,390
Less allowance for doubtful accounts	**71,080,891**	67,475,016
	₱1,201,276,825	₱1,225,336,374

Trade receivables are noninterest-bearing and are generally on 30-60 days' credit terms.

Movements in the allowance for doubtful accounts for receivables are summarized below:

		2008	
	Trade	**Advances and Nontrade**	**Total**
Balance at beginning of year	**₱56,308,568**	**₱11,166,448**	**₱67,475,016**
Provision	**6,162,003**	**1,893,970**	**8,055,973**
Reversal and others	**(4,450,098)**	**—**	**(4,450,098)**
Balance at end of year	**₱58,020,473**	**₱13,060,418**	**₱71,080,891**

		2007	
	Trade	Advances and Nontrade	Total
Balance at beginning of year	₱57,324,071	₱11,166,448	₱68,490,519
Provision	625,315	—	625,315
Reversal	(1,640,818)	—	(1,640,818)
Balance at end of year	₱56,308,568	₱11,166,448	₱67,475,016

Allowance for doubtful accounts resulted from specific and collective assessment by the Group.

14. Prepaid Expenses and Other Current Assets

This account consists of:

	2008	2007
Input tax	**₱884,814,290**	₱175,146,675
Prepaid insurance and bonds and other expenses	**297,685,785**	211,577,440
Creditable withholding taxes	**87,725,070**	35,225,307
Others	**86,840,927**	61,904,239
	₱1,357,066,072	₱483,853,661

15. Equity

15.1 Capital Stock and Treasury Shares

The Parent Company's common shares are listed and traded in the PSE.

The details and movements of ICTSI's capital stock and treasury shares as of December 31 are as follows:

	Number of Shares					
	Authorized			Issued and Subscribed		
	2008	2007	2006	**2008**	2007	2006
Preferred stock, nonvoting, non-cumulative, ₱1 par value	**1,000,000,000**	1,000,000,000	1,000,000,000	**3,800,000**	3,800,000	3,800,000

(Forward)

	Number of Shares					
	Authorized			Issued and Subscribed		
	2008	2007	2006	**2008**	2007	2006
Common stock - ₱1 par value						
Balance at beginning of year	**4,227,397,381**	4,560,000,000	4,560,000,000	**1,992,066,860**	2,324,669,479	2,324,669,479
Net change during the year (see Note 4.3)	**—**	(332,602,619)	—	**—**	(332,602,619)	—
Balance at end of year	**4,227,397,381**	4,227,397,381	4,560,000,000	**1,992,066,860**	1,992,066,860	2,324,669,479

				Amount		
				2008	2007	2006
Subscription receivable:						
Balance at beginning of year	**—**	—	—	**(₱22,252,248)**	(₱22,524,531)	(₱24,149,060)
Collections during the year	**—**	—	—	**21,850,154**	272,283	1,624,529
Balance at end of year	**—**	—	—	**(402,094)**	(22,252,248)	(22,524,531)

	Number of Shares		
	Issued and Subscribed		
	2008	2007	2006
Treasury shares			
Balance at beginning of year	**77,000,000**	—	—
Issuance of shares (see Note 19)	**(3,900,500)**	—	—
Merger with IMH (see Note 4.3)	**—**	38,429,552	—
Acquisition of own shares from subsidiaries	**—**	38,570,448	—
Balance at end of year	**73,099,500**	77,000,000	—

Preferred Shares

The preferred shares, which were subscribed by ICTHI, are nonvoting, entitled to dividends at rates to be fixed by the BOD, non-cumulative, convertible to common shares under such terms as may be provided by the BOD, redeemable at such price and terms determined by the BOD, and shall have preference over common shares in the distribution of the assets of the Parent Company. As of December 31, 2008, the BOD has not fixed the dividend and conversion rates of preferred shares.

Common Shares

On July 11, 2007, the SEC approved the merger of ICTSI and IMH, with ICTSI as the surviving company (see Note 4.3). The merger resulted in the transfer of 371,032,171 common shares of ICTSI held by IMH to ICTSI as treasury shares and subsequent retirement by ICTSI of 332,602,619 common shares.

The merger and retirement of shares resulted in a decrease in common shares held by subsidiaries by ₱1,799.5 million, representing the transfer of the ICTSI shares held by IMH to ICTSI; decrease in common shares by ₱332.6 million and additional paid-in capital by ₱1,280.5 million, representing the cost of the retired shares; and increase in treasury shares by ₱186.4 million, representing the cost of the 38,429,552 remaining shares transferred from IMH to ICTSI that were not retired.

On the same day, SEC approved the reduction of the authorized common shares to 4,227,397,381 shares, divided into 4,227,397,381 common shares with a par value of ₱1 a share.

Treasury Shares

In March 2007, ICTSI acquired 16,540,448 ICTSI shares held by IWI and 22,030,000 ICTSI shares held by IW Cargo. The acquisition of ICTSI shares resulted in a decrease in common shares held by subsidiaries and an increase in treasury shares by ₱149.7 million.

15.2 Additional Paid-in Capital

In 2007, the retirement of common shares of 332,602,619 resulted in a decrease in additional paid-in capital by ₱1,280.5 million, as discussed in Note 15.1, and the sale of common shares held by subsidiaries resulted in an increase in additional paid-in capital by ₱6,014.9 million, as discussed in Note 15.4.

In 2006, IWI sold ICTSI common shares, resulting to an increase in the additional paid-in capital by ₱846.2 million.

15.3 Retained Earnings

The details of ICTSI's declaration of cash dividends are as follows:

	2008	2007	2006
Date of BOD approval	**April 17, 2008**	April 19, 2007	August 4, 2006
Amount of cash dividends per share	**₱0.35**	₱0.30	₱0.25
Record date	**May 8, 2008**	May 7, 2007	August 18, 2006
Payment date	**May 19, 2008**	May 14, 2007	August 25, 2006
Portion of cash dividends declared pertaining to common shares held by subsidiaries which was reverted to retained earnings	**₱5.3 million**	₱111.5 million	₱199.4 million

Of the total retained earnings of ₱11.1 billion, ₱8.9 billion and ₱6.2 billion as of December 31, 2008, 2007 and 2006, respectively, undistributed earnings of subsidiaries and associates amounting to ₱8.5 billion, ₱7.4 billion and ₱6.5 billion as of December 31, 2008, 2007 and 2006, respectively, are currently not available for dividend distribution.

15.4 Cost of Shares Held by Subsidiaries

This account consists of cost of common and preferred shares held by subsidiaries as of December 31 of each year as follows:

	Number of shares held by subsidiaries		
	2008	2007	2006
Preferred shares	**3,800,000**	3,800,000	3,800,000
Common shares	**16,968,600**	696,000	709,602,619
	20,768,600	4,496,000	713,402,619

Details and movements of the common shares held by subsidiaries as of December 31 are as follows:

	2008		2007		2006	
	Number of Shares	**Amount**	Number of Shares	Amount	Number of Shares	Amount
Cost of shares held by subsidiaries:						
Balance at beginning of year	**696,600**	**₱19,438,900**	709,602,619	₱3,433,988,077	801,285,220	₱2,965,607,221
Acquisition of shares by subsidiaries	**16,272,000**	**517,216,735**	—	—	—	—
Merger with IMH	**—**	**—**	(371,032,171)	(1,799,509,455)	—	—
Sale of shares held by subsidiaries	**—**	**—**	(300,000,000)	(1,494,117,538)	(89,908,600)	(250,669,288)
Acquisition of own shares from subsidiaries	**—**	**—**	(38,900,848)	(149,712,494)	89,225,999	1,169,429,203
Transfer of shares held by subsidiaries in exchange for minority interest	**—**	**—**	—	—	(91,000,000)	(450,379,059)
Others			1,027,000	28,790,310	—	—
	16,272,000	**517,216,735**	(708,906,019)	(3,414,549,177)	(91,682,601)	468,380,856
Balance at end of year	**16,968,600**	**₱536,655,635**	696,600	₱19,438,900	709,602,619	₱3,433,988,077

Preferred Shares. On December 21, 2006, ICTSI, through IWI, transferred 91,000,000 shares of ICTSI with acquisition cost of ₱450.4 million to Achillion Holdings, Inc. (AHI), a corporation majority-owned by the management of ICTSI Ltd., in exchange for 1,800,000 preference shares of ICTSI Ltd. owned by the management of ICTSI Ltd. The preferred shares were initially transferred to PIHL for PIHL shares. ICTHI subsequently subscribed to PIHL shares, allowing ICTHI to own 99.90% of PIHL. The exchange was accounted for as an acquisition of a minority interest and an equity transaction and resulted in a charge against additional paid-in capital by ₱381.5 million (see Note 15.5). This excess has been reclassified and presented under "Excess of acquisition cost over the carrying value of minority interests" account in the consolidated statement of changes in equity.

Common Shares. In 2008, IWI acquired 16.3 million ICTSI shares for ₱517.2 million. In March 2007, ICTSI and IWI sold 300.0 million ICTSI shares held by IWI (the Offer Shares) through private placements to certain qualified institutional buyers. Total net proceeds from the sale amounted to ₱7.5 billion. The sale of shares resulted in a decrease in common shares held by subsidiaries by ₱1,494.1 million, representing the cost of the 300.0 million shares, and an increase in additional paid-in capital by ₱6,014.9 million.

The net proceeds of the sale of shares were used by ICTSI to fund its acquisition of new terminals and for general corporate purposes.

The Offer Shares were not registered under the United States Securities Act of 1933, as amended and therefore there was no public offering of the Offer Shares in the United States. The Offer Shares were offered and sold to certain qualified institutional buyers in the United States in compliance with the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. The Offer Shares were also offered and sold to persons outside the United States in reliance on Regulations under the Securities Act.

15.5 Excess of Acquisition Cost over the Carrying Value of Minority Interests

In 2008, ICTSI subscribed to additional shares of SPIA increasing its ownership from 79.11% to 91.17% (see Note 1.2) for ₱1,232.0 million (US$28.5 million). The carrying value of the interest increase in ownership amounted to ₱1,074.5 million as of the acquisition date. The increase in ownership was accounted for as an acquisition of minority interest, which resulted in the recognition of excess of acquisition cost over the carrying value of minority interest amounting to ₱157.5 million in the 2008 consolidated balance sheet.

In 2007, AHI also acquired additional 6.25% interest in DIPSSCOR from the latter's individual stockholders' for ₱24.0 million. The carrying value of the interest acquired amounted to ₱2.0 million as of the acquisition date. The excess of the cash paid over the carrying value of the interest acquired amounting to ₱2.0 million was recorded as excess of acquisition cost over the carrying value of minority interest amounting to ₱22.0 million in the 2007 consolidated balance sheet to conform to the presentation of the 2008 consolidated balance sheet.

Also, as discussed in Note 15.4 above, ICTSI reclassified the excess of acquisition cost over the carrying value of minority interest amounting to ₱381.5 million as of December 31, 2007 to conform to the presentation of the 2008 consolidated balance sheet.

16. Long-term Debt

16.1 Outstanding Balance

Outstanding balance of the long-term debt is presented below:

	2008	2007
ICTSI Capital BV - US dollar-denominated loan (net of unamortized debt issuance cost of ₱141.6 million in 2008 and ₱122.7 million in 2007)	**₱11,738,355,484**	₱2,766,895,200
ICTSI - Peso-denominated term loans with local banks (net of unamortized debt issuance cost of ₱121.1 million in 2008 and ₱2.2 million in 2007)	**5,542,510,501**	445,629,050
YRDICTL - RMB-denominated loan	**1,9143,968,101**	1,555,686,506
BCT - US dollar-denominated loan (net of unamortized debt issuance cost of ₱13.2 million in 2008 and ₱13.4 million in 2007)	**735,273,560**	745,152,217
TSSA - US dollar-denominated loan (net of unamortized debt issuance cost of ₱4.2 million in 2008 and ₱5.7 million in 2007)	**538,163,376**	520,814,426
	20,468,271,022	6,034,177,399
Less current portion	**457,602,836**	168,342,405
	₱20,010,668,186	₱5,865,834,994

Maturities of long-term debt (gross of unamortized debt issuance cost) as of December 31, 2008 are as follows:

	Amount
2009	₱564,665,372
2010	12,454,592,635
2011	1,633,064,363
2012	1,472,580,110
2013 onwards	4,623,490,011
	₱20,748,392,491

The movements of unamortized debt issuance cost, net of the recognized fair value of prepayment option on ICTSI, related to long-term debt are shown below:

	2008	2007
Balance at the beginning of the year	**₱143,712,787**	₱68,503,840
Debt issuance cost during the year	**139,380,238**	120,516,209
Translation adjustments	**30,907,097**	—
Amortization during the year	**(33,878,653)**	(45,307,262)
	₱280,121,469	₱143,712,787

16.2 Details and Description

ICTSI Capital B.V.
In December 2007, ICTSI Capital BV entered into a revolving and term loan facility agreement (Facility Agreement) with a consortium of 21 international banks for a maximum credit facility of US$250.0 million, which was arranged by Hongkong and Shanghai Bank Corporation (HSBC), Citibank and Calyon. The Facility Agreement was guaranteed by ICTSI and was intended to refinance various loans, fund new acquisitions and finance general working capital requirements of the Group. The loan bears an interest of 0.80% over the London Interbank Offered Rate (LIBOR), subject for increase depending on the Debt to EBITDA ratio for the relevant period.

Drawdowns from the facility have aggregated US$250.0 million (₱11.9 billion) as of December 31, 2008 and US$70.0 million (₱2.9 billion) as of December 31, 2007, gross of debt issuance cost and payable in December 2010.

ICTSI
Term Loan Facility Agreement (Term Loan Facility). In November 2008, ICTSI signed a five-year ₱6.0 billion Term Loan Facility with Development Bank of the Philippines and Land Bank of the Philippines for the financing of capital expenditures of the Group including the construction of Berth 6 of MICT and refinancing of existing obligations. Interest on the loan shall be the higher of (1) the sum of three months PDST-F Rate and 1.75% p.a. spread, or (2) the BSP Reverse Repo Rate. The Term Loan Facility is unsecured. Drawdowns from the facility have aggregated ₱4.0 billion as of December 31, 2008, gross of debt issuance cost.

Corporate Notes Facility Agreement (FXCN Note). On November 2008, ICTSI completed an FXCN Note for ₱885.0 million, which amount may be increased by an Accession Agreement, with several institutions arranged by HSBC. The net proceeds of the FXCN Note will be used for capital expenditures. The FXCN Note is unsecured and has maturities of five and a half, and seven years. Interest is at 9.5% p.a. for the five and a half-year FXCN Note and 10.25% for the seven-year FXCN Note. As of December 31, 2008, outstanding balance of the FXCN Note amounted to ₱1.2 billion.

Other Philippine-based Commercial Banks. The outstanding Peso-denominated term loans were obtained by ICTSI from Philippine-based commercial banks and are payable quarterly or annually with final installments due between 2010 and 2011. The average interest rates on the term loans were fixed rates of 14% to 15%.

Note Facility Agreement (Notes). On July 3, 2006, ICTSI completed a ₱4.5 billion Notes with a consortium of local banks arranged by Standard Chartered Bank. The Notes were unsecured and had maturities of five and seven years with a floating coupon rate. The proceeds were used to finance capital expenditure program and refinance existing debt obligations had average interest rates of 12%. Arranged by Standard Chartered Bank, the Notes have maturities of five and seven years and a floating coupon rate. As of December 31, 2007, ICTSI has fully paid the Notes.

YRDICTL
In July 2007, YRDICTL entered into a loan agreement with the Industrial and Commercial Bank of China for RMB275.0 million (equivalent to ₱1.9 billion as of December 31, 2008 and ₱1.6 billion as of December 31, 2007) to finance YRDICTL's acquisition of port equipment and the increase in its handling capacity. The loan bears a floating interest rate based on the rate published in The People's Bank of China, discounted by 10%, at July 1 of each year. The loan is payable beginning 2009 up to 2017. Port equipment, together with other assets of YRDICTL, with a total carrying value of up to ₱1,000.2 million (RMB143.7 million) were used to secure the loan (see Note 7). The facility is without recourse to ICTSI. The loan is guaranteed by Yantai Port Group, a minority shareholder, up to RMB55.0 million (equivalent to ₱382.8 million as of December 31, 2008 and ₱311.2 million as of December 31, 2007).

BCT
In November 2004, BCT entered into a loan agreement for US$36.0 million (₱1.5 billion) with a syndicate of a Polish and international banks to finance an increase in its handling capacity. The loan bears interest at 1.1% over the LIBOR or, on or after the currency conversion date, Euro Interbank Offered Rate and is payable in 16 equal semi-annual installments up to 2014. Port equipment, together with other assets of BCT, with a total carrying value of up to US$44.7 million (₱2.1 billion) were used to secure the loan (see Note 7). The facility is without recourse to the ICTSI. Outstanding balance of the loan amounted to US$15.5 million (₱735.3 million) as of December 31, 2008 and US$18.1 million (₱745.2 million) as of December 31, 2007.

TSSA
In December 2005, TSSA entered into a loan agreement for US$14.0 million with the International Finance Corporation and the Netherlands Development Finance Company to finance TSSA's increase in its handling capacity. The loan bears a fixed interest rate of 9.47% and is payable in 16 semi-annual installments up to 2014. Port equipment, together with other assets of TSSA, with a total carrying value of up to ₱902.9 million (US$19.0 million) were used to secure the loan (see Note 7). The facility is without recourse to ICTSI. Outstanding balance of the loan amounted to US$11.3 million (₱538.2 million) as of December 31, 2008 and US$12.6 million (₱520.8 million) as of December 31, 2007.

16.3 Loan Covenants

The loans from local and foreign banks impose certain restrictions with respect to corporate reorganization, disposition of all or a substantial portion of ICTSI's, BCT's, TSSA's and YRDICTL's assets, acquisitions of futures or stocks, and extending loans to others, except in the ordinary course of business. ICTSI, ICTSI Capital BV and BCT are also required to maintain specified financial ratios relating to their debt to equity and cash flow and earnings level relative to current debt service obligations. As of December 31, 2008 and 2007, ICTSI, ICTSI Capital BV, BCT and TSSA are in compliance with the loan covenants.

Interest expense, including amount capitalized to intangible assets in 2008, amounted to ₱745.5 million in 2008, ₱703.9 million in 2007 and ₱690.9 million in 2006 (see Note 6).

17. Loans Payable

In 2008, the loans payable represents unsecured peso and dollar loans obtained from local banks by ICTSI and BCT, respectively, with interest rates ranging from 3.5% to 8.5%. Interest expense amounted to ₱137.4 million, nil and ₱6.8 million in 2008, 2007 and 2006, respectively.

18. Accounts Payable and Other Current Liabilities

This account consists of:

	2008	2007
Trade	**₱1,350,319,480**	₱1,353,600,562
Accrued expenses		
Interest (see Notes 16.3 and 17)	**204,676,211**	90,656,983
Salaries and benefits	**279,418,881**	189,441,153
Output and other taxes	**307,044,644**	73,357,264
Others (see Note 22.3)	**263,228,136**	250,644,856
Customers' deposits	**78,686,369**	53,989,362
Provisions for losses	**48,697,061**	48,626,357
Others	**226,520,414**	204,271,337
	₱2,758,591,196	₱2,264,587,874

Trade payables are non interest-bearing and are generally settled on 30-60 days' terms.

Provisions for losses pertain to estimated probable losses on cargo and labor-related claims from third parties.

19. Share-based Payment Plan

On March 7, 2007, the stockholders approved the ICTSI Stock Incentive Plan (SIP) to amend the existing ICTSI Employee Stock Option Plan (ESOP). The SIP covers 83,823,299 shares representing the balance of shares authorized under the ESOP which have remained unissued. The SIP is effective for a period of ten years unless extended by the BOD. These shares will be held under treasury shares until they are awarded as determined by the Stock Incentive Committee.

The SIP is given in lieu of cash incentives and bonuses. The grant of shares under the SIP does not require an exercise price to be paid by the awardee. The awarded shares will vest over a two year period: 50% will vest one year from the grant date and the other 50% two years thereafter. Awardees who resign or are terminated will lose any right to unvested shares. A change in control in ICTSI will trigger the automatic vesting of unvested awarded shares. There are no cash settlement alternatives.

The SIP covers permanent and regular employees of ICTSI with at least one year tenure: officers and directors of ICTSI, subsidiaries, affiliates and other persons who have contributed to the success and profitability of ICTSI.

Stock awards granted by the Stock Incentive Committee to officers and directors of ICTSI and ICTSI Ltd. are shown below:

Grant Date	Number of Shares Granted	Fair value per Share at Grant Date
March 10, 2008	3,000,000	₱33
March 10, 2007	7,481,000	28

The awarded shares vest over a two-year period: 50% will vest one year from the grant date and the other 50% two years thereafter.

Movement of the stock awards in 2008 and 2007 are as follows:

	2008	2007
Balance at beginning of year	**7,481,000**	—
Stock awards granted	**3,000,000**	7,481,000
Stock awards vested and issued	**(3,990,500)**	—
Balance at end of the year	**6,490,500**	7,481,000

The fair value of the stock awards and share options were determined using the Black-Scholes-Merton option pricing model taking into accounts the terms and conditions upon which the options were granted. Below lists the inputs to the model used for the grant made in 2008 and 2007.

	2008	2007
Dividend yield	**Nil**	Nil
Expected volatility	**42.90%**	33.82%
Risk-free interest rate	**5.94%**	4.92%
Expected life of option	**1-2 years**	1-2 year
Share price	**₱33.00**	₱28.00
Exercise price (nominal amount)	**₱0.01**	₱0.01

The expected life of the options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. No other features of the options granted were incorporated into the measurement of fair value.

Total compensation expense recognized on the vesting of the fair value of stock awards amounted to ₱131.7 million in 2008 and ₱130.9 million in 2007 under the SIP. A corresponding increase in additional paid-in capital was also recognized for the same amount.

20. Income and Expenses

20.1 Other Income

This account consists of:

	2008	2007	2006
Rental income (see Note 6)	**₱22,763,060**	₱23,048,127	₱12,912,739
Gain on sale of property and equipment	**18,267,824**	48,614,155	3,389,512
Equity in net earnings of an associate (see Note 9)	**5,199,786**	7,284,422	5,745,015
Dividend income	**2,116,810**	10,462,170	12,807,192
Gain on sale of available-for-sale investments	**—**	—	110,622,778
Software license and services	**—**	—	766,999
Others (see Note 22.2)	**18,214,437**	18,057,734	60,825,172
	₱66,561,917	₱107,466,608	₱207,069,407

20.2 Port Authorities' Share in Gross Revenues

This account consists of Port Authorities' share in gross revenues of the Group as stipulated in agreements between the port authorities where the Group operates (see Note 24). Port Authorities' share in gross revenues includes variable fees aggregating ₱2.8 billion in 2008, ₱2.1 billion in 2007 and ₱1.7 billion in 2006. Prior to adoption of IFRIC 12, interest expense on concession rights payable, which pertains to fixed fees, formed part of Port Authorities' share in gross revenues (see Note 3).

21. Income Tax

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

	2008	2007 (As restated - see Notes 3 and 4.2)
Deferred tax assets - net:		
Unrealized foreign exchange losses	**₱788,345,380**	₱878,193,734
Concession rights payable related to fixed fees	**475,319,198**	442,066,029
Pre-operating expense of a subsidiary	**168,768,384**	116,398,083
Unrealized mark-to-market loss on derivatives	**64,913,968**	—
NOLCO	**44,759,842**	33,378,782
Allowance for doubtful accounts and other provisions	**22,057,541**	22,523,683
Accrued retirement cost and other expenses	**19,449,539**	30,011,672
Share-based payments	**12,990,656**	29,308,125
Allowance for obsolescence	**4,287,900**	4,406,112
Impairment loss	**3,636,115**	86,784,145
Unamortized past service cost	**2,148,576**	3,283,240
Others	**9,810,035**	27,227,283
	₱1,616,487,134	₱1,673,580,888
Deferred tax liabilities:		
Excess of fair value over book value of net assets of BCT, MTS, YRDICTL, DIPPSCOR and SPIA	**₱857,864,865**	₱980,054,345
Unrealized foreign exchange gain	**394,337,954**	490,202,238
Accelerated depreciation and translation difference between functional and local currency of a subsidiary	**152,302,555**	63,070,683
Difference in depreciation and amortization periods of port infrastructure classified as concession rights	**114,631,738**	55,194,063
Capitalized borrowing costs	**45,019,031**	—
Unrealized mark-to-market gain on derivatives	**—**	188,734,251
Others	**9,832,340**	10,640,827
	₱1,573,988,483	₱1,787,896,407

Deferred tax assets on NOLCO of certain subsidiaries amounting to ₱4.9 million and ₱6.1 million as of December 31, 2008 and 2007, respectively, were not recognized, as management believes that these subsidiaries may not have taxable profit against which the deferred tax assets can be utilized.

As of December 31, 2008 and 2007, deferred income tax liability has not been recognized on undistributed earnings of subsidiaries amounting to ₱7,391.0 million and ₱8,451.2 million, respectively, because the Parent Company can control the reversal of the temporary difference. The undistributed earnings are earmarked for reinvestment in foreign port projects.

A reconciliation of income tax expense on income before income tax at the statutory tax rates to income tax expense for the years ended December 31 is as follows:

	2008	2007 (As restated - see Notes 3 and 4.2)	2006 (As restated - see Note 3)
Income tax expense computed at statutory tax rates	**₱1,683,090,533**	₱1,456,475,490	₱1,211,161,257
Add (deduct):			
Tax losses (nontaxable income) of subsidiaries - net	**104,867,711**	(76,710,876)	(249,084,126)
Interest income already subjected to final tax	**(14,368,467)**	(38,869,914)	(21,002,030)
Change in statutory tax rate	**9,883,583**	—	—
Unallowable interest expense	**5,614,396**	13,240,853	9,944,663
Equity in net earnings of an associate	**1,819,925**	(2,549,548)	(2,010,755)
Others - net	**(13,432,359)**	(10,978,633)	(39,200,991)
	₱1,777,475,322	₱1,340,607,372	₱909,808,018

The tax rates applicable to each subsidiary are as follows:

Name of Company	Tax rate
TSSA[(a)] and SPIA	34%
NICTI, MTS, PT CTSSI and MICTSL[(b)]	30%
CGSA	25%
TICT[(c)]	22%
BICTL	20%
BCT	19%
YRDICTL[(d)]	15%
SBITC[(e)]	5% on gross revenues less allowable deductions

[(a)] *TSSA's nominal tax rate of 34% was granted a tax rate reduction reducing the effective tax rate to 24.25%. The tax incentive is applicable for the years 2005-2013 on profits from port operating services in Suape, Pernambuco.*

[(b)] *Incorporated in Madagascar in 2005 and under local fiscal laws, MICTSL has a tax holiday for the first two financial periods and 50% on the third year. The tax holiday was abolished by a local finance regulation issued in 2008.*

[(c)] *TICT was granted a five year tax exemption period in accordance with Syrian investment law.*

[(d)] *Registered as a Sino-foreign joint venture in China, YRDICTL is entitled to tax holiday of "two years exempt and subsequent three years with 50% reduction."*

[(e)] *Registered as a Subic Bay Free Port Zone Enterprise.*

On May 14, 2008, the Board of Investments approved the registration of ICTSI's construction of Berth 6 of the MICT as "New Operator of Port Infrastructure (Berth 6)" on a Pioneer status under the Omnibus Investments Code of 1987. Berth 6 is expected to start commercial operations in December 2010. From December 2010 or actual start of commercial operations, whichever is earlier, Berth 6 is entitled, among others, to an income tax holiday for a period of six years. Berth 6 is currently under construction.

Effective January 1, 2009, the corporate income tax rate of the Philippine entities will be reduced from 35% to 30% in accordance with Republic Act No. 9337.

22. Related Party Transactions

22.1 Transactions with Subsidiaries

In 2008, IWI acquired 16.3 million ICTSI shares. The acquisition of ICTSI shares increased common shares held by subsidiary by ₱517.2 million in 2008.

In July 2007, the SEC approved the merger of ICTSI and IMH, with ICTSI as the surviving company (see Note 15.1).

In March 2007, ICTSI and IWI sold 300.0 million ICTSI shares held by IWI through private placements. Net proceeds from the sale amounted to ₱7.5 billion. The sale of shares resulted in a decrease in common shares held by subsidiaries by ₱1,494.1 million and an increase in additional paid-in capital by ₱6,014.9 million (see Note 15.4).

In March 2007, ICTSI also acquired 16.5 million ICTSI shares held by IWI and 22.0 million ICTSI shares held by IW Cargo. The acquisition of ICTSI shares resulted in a decrease in common shares held by subsidiaries and an increase in treasury shares by ₱149.7 million (see Note 15.1).

22.2 Compensation of Key Management Personnel

Compensation of key management personnel consists of:

	2008	2007	2006
Short-term employee benefits	**₱131,621,883**	₱133,562,174	₱82,472,473
Post-employment pension	**2,260,564**	758,838	749,320
Share-based payments	**84,336,250**	83,737,500	—
Total compensation to key management personnel	**₱218,218,697**	₱218,058,512	₱83,221,793

22.3 Transactions with Other Related Parties

The Parent Company retains the law firm of Cruz Durian Alday & Cruz-Matters Law Office (Cruz Durian) for legal services, from which ICTSI's Corporate Secretary, Mr. Rafael T. Durian, is a partner. In 2008, 2007 and 2006, ICTSI paid Cruz Durian legal fees amounting to ₱0.3 million, ₱0.4 million and ₱0.4 million, respectively, which the Parent Company believes to be reasonable for the services rendered.

The Parent Company likewise transacts with Anscor Casto Travel Corporation, an affiliate of Anscor Consolidated Corporation, a stockholder, for travel services. Total payments for airfare cost and other travel services amounted to ₱31.0 million in 2008 and 2007 and ₱10.6 million in 2006. Related payable, presented under "Accounts payable and other current liabilities" account, amounted to ₱1.1 million and ₱0.7 million as of December 31, 2008 and 2007, respectively.

The Parent Company renders cargo handling services to Asia Star Freight Services (Asia Star), a member of the Razon Group of Companies. The Parent Company ceased to provide cargo handling services to Asia Star in 2008. Total revenues received by the Parent Company from Asia Star in 2007 and 2006 amounted to ₱0.01 million and ₱0.5 million, respectively. Related receivable, presented under "Receivables" account, amounted to ₱7,771 as of December 31, 2008.

23. Pension Plans

Defined Benefit Pension Plans

The Parent Company, BCT, BIPI, DIPSSCOR and SBITC have separate, noncontributory, defined benefit retirement plans covering substantially all of its regular employees. The benefits are based on employees' salaries and length of service. Net pension expense charged to operations amounted to ₱26.9 million in 2008, ₱23.9 million in 2007 and ₱28.3 million in 2006.

Pension Liabilities. The following tables summarize the components of ICTSI's, BCT's and BIPI's net pension expense recognized in the consolidated statements of income and the funded status and amounts recognized in the consolidated balance sheets.

	2008	2007	2006
Net pension expense:			
Current service cost	**₱26,705,612**	₱27,701,158	₱28,462,158
Interest cost	**25,853,861**	26,965,711	28,052,785
Expected return on plan assets	**(26,745,852)**	(31,191,600)	(26,653,800)
Net actuarial loss recognized	**31,851**	15,368	—
	₱25,845,472	₱23,490,637	₱29,861,143

	2008	2007	2006
Pension liabilities:			
Present value of defined benefit obligation	**₱238,004,248**	₱351,032,821	₱501,233,137
Fair value of plan assets	**372,361,806**	334,914,500	311,916,200
Unfunded status	**(134,357,558)**	16,118,321	189,316,937
Unrecognized actuarial gain (loss)	**182,191,191**	23,427,329	(144,033,236)
	₱47,833,633	₱39,545,650	₱45,283,701
Changes in the present value of the defined benefit obligation:			
Balance at beginning of year	**₱351,032,821**	₱501,232,137	₱286,276,624
Current service cost	**26,705,612**	27,701,158	28,462,158
Interest cost	**25,853,861**	26,965,711	28,052,785
Actuarial loss (gain) on obligations - net	**(155,310,500)**	(184,346,085)	172,337,270
Benefits paid	**(10,277,546)**	(20,520,100)	(13,896,700)
Balance at end of year	**₱238,004,248**	₱351,032,821	₱501,232,137
Changes in fair value of plan assets:			
Balance at beginning of year	**₱334,914,500**	₱311,916,200	₱264,818,900
Expected return	**26,745,852**	31,191,600	26,653,800
Actual contributions	**25,594,600**	21,805,300	17,496,700
Actuarial gain (loss) on plan assets	**(4,615,600)**	(9,478,500)	16,843,500
Benefits paid	**(10,277,546)**	(20,520,100)	(13,896,700)
Balance at end of year	**₱372,361,806**	₱334,914,500	₱311,916,200

Pension Assets. The following tables summarize the components of SBITC's and DIPSSCOR's net pension expense recognized in the consolidated statements of income and the funded status and amounts recognized in the consolidated balance sheets.

	2008	2007	2006
Net pension expense:			
Current service cost	**₱1,072,522**	₱672,348	₱365,349
Interest cost	**244,658**	154,325	306,793
Expected return on plan assets	**(558,737)**	(694,774)	(653,836)
Actuarial gain recognized for the year	**350,977**	298,952	(1,559,631)
Effect of asset limit	**(24,272)**	(14,274)	8,409
Balance at end of year	**₱1,085,148**	₱416,577	(₱1,532,916)
Pension asset (shown under "Other noncurrent assets" account):			
Present value of defined benefit obligation	**₱2,741,988**	₱1,890,466	₱1,897,158
Fair value of plan assets	**4,125,171**	3,913,095	4,736,853
Funded status	**1,383,183**	2,022,629	2,839,695
Unrecognized actuarial gain	**7,479,430**	8,255,722	10,162,355
Net plan assets	**₱8,862,613**	₱10,278,351	₱13,002,050
Changes in defined benefit obligation:			
Balance at beginning of the year	**1,890,466**	₱1,897,158	₱489,934
Current service cost	**1,072,522**	672,348	365,349
Interest cost	**244,658**	154,325	306,793
Actuarial loss (gain) on obligations	**(882,812)**	—	3,443,101
Benefits paid	**417,154**	(833,365)	(2,708,019)
Balance at end of year	**2,741,988**	₱1,890,466	₱1,897,158
Changes in fair value of plan assets:			
Balance at beginning of year	**₱3,913,095**	₱4,736,853	₱6,248,922
Expected return on plan assets	**558,737**	694,774	653,836
Actual contributions	**—**	—	2,714,066
Benefits paid	**(74,586)**	(833,365)	(2,833,380)
Actuarial loss on plan assets	**(272,075)**	(685,167)	(2,046,591)
Balance at end of year	**₱4,125,171**	₱3,913,095	₱4,736,853

The Group expects to contribute ₱76.1 million to its retirement plans in 2009.

The principal assumptions used in determining retirement benefits obligation of BIPI, ICTSI, SBITC and DIPSSCOR are shown below:

	2008	2007	2006
Discount rate	**9% - 17%**	8%	4% - 8%
Future salary increases	**6% - 8%**	5% - 8%	3% - 8%
Expected return on plan assets	**4% - 7%**	7% - 10%	6% - 10%

The principal assumptions used in determining pension benefits obligation of BCT as of December 31, 2007 are discount rate of 3.8% to 5.5% and salary increase of 3.0% to 3.5%.

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

The amount of experience adjustments on pension obligations amounted to ₱15.5 million in 2008 and ₱0.4 million in 2007.

The major categories of ICTSI's and SBITC's total plan assets as a percentage of the fair value of the total plan assets are as follows:

	2008	2007	2006
Investment in debt securities	**83%**	94%	99%
Investment in equity securities	**4%**	2%	—
Others	**13%**	4%	1%

Defined Contribution Pension Plans

The employees of YRDICTL are members of a state-managed retirement benefit scheme operated by the local government. YRDICTL is required to contribute a specified percentage of its payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of YRDICTL with respect to the retirement benefit scheme is to make the specified contributions.

Contributions made to the scheme and recognized as expense amounted to ₱6.7 million in 2008 and ₱4.8 million in 2007.

24. Contracts and Agreements

The Group has entered into a number of contracts and agreements mainly related to the operation and development of ports and container terminals. Pursuant to the adoption by the Group of IFRIC 12 in 2008, all concession agreements were reviewed by the Group and determined those that are within the scope of the interpretation.

Agreements within the scope of IFRIC 12 follow:

24.1 Contract for the Management, Operation and Development of the MICT

The Parent Company has a contract with the PPA for the exclusive management, operation, and development of the MICT for a period of 25 years starting May 18, 1988.

Under the provisions of the contract, "Gross Revenues" shall include all income generated by the Parent Company from the MICT from every source and on every account except interest income, whether collected or not, to include but not limited to harbor dues, berthing fees, wharfage, cargo handling revenues, cranage fees, stripping/stuffing charges, and all other revenues from ancillary services. Harbor dues, berthing fees, and wharfage included in gross revenues amounted to ₱494.5 million in 2008, ₱427.0 million in 2007 and ₱400.1 million in 2006.

In addition, the Parent Company agreed to pay the PPA a fixed fee of US$313.8 million payable in advance in quarterly installments converted to Philippine peso using the closing PDS rate of the day before payment is made (net of harbor dues, berthing fees and wharfage allowed by PPA as deduction) and a variable fee based on percentages of the Parent Company's gross revenues ranging from 12% to 20% during the term of the contract. The total variable fees paid to PPA are shown as part of "Port Authorities' share in gross revenues" account in the consolidated statements of income and amounted to ₱1,712.9 million in 2008, ₱1,420.7 million in 2007 and ₱1,302.6 million in 2006. Fixed fees formed part of the capitalized concession rights which are being amortized over the period of the concession. Related concession rights payable under IFRIC 12 amounted to ₱3,026.2 million (US$60.1 million and ₱168.2 million) and ₱2,980.1 million (US$67.7 million and ₱187.5 million) as of December 31, 2008 and 2007, respectively.

The contract contains commitments and restrictions which include, among others, prohibition on the change of Parent Company's controlling ownership without prior consent of the PPA and adherence to a container terminal equipment acquisition program and deployment schedule. Moreover, upon expiration of the term of the contract or in the event of pretermination, all equipment of the Parent Company being used at the MICT shall become the property of the PPA. The PPA has no obligation to reimburse the Parent Company for the equipment, except for those acquired during the last five years prior to the termination of the contract for which the PPA shall have the option to purchase at book value or to pay rentals. The contract was extended for another 25 years until 2038 subject to completion of agreed additional investments in port equipment and infrastructure prior to 2013.

In 1997, the Parent Company signed a new contract for leasehold rights over the storage facilities at the MICT. Under the new contract, the Parent Company is committed to pay the PPA ₱55.0 million a year from January 16, 1997 up to January 15, 2007 and a variable fee of 30% of revenues in excess of ₱273.0 million generated from the operation of the storage facilities.

In 1998, the Parent Company also acquired a contract to handle noncontainerized cargoes and the anchorage operations for a period of ten years starting January 1998. Under this contract, the Parent Company is required to pay a variable fee of 14% of its gross revenues from anchorage operations and 20% of its gross revenues from berthside operations for the first three years of the contract. Thereafter, the consideration to be paid by the Parent Company shall be a fixed fee plus a variable fee of 7.5% of its gross revenues from berthside operations or 20% of its gross revenues, whichever is higher. The fixed fee shall be determined based on the highest annual government share by the Parent Company for the handling of noncontainerized cargoes at berthside for the first three years, plus 10% thereof.

24.2 Agreement for Public Concession with SPAT

On June 16, 2005, the Parent Company and the SPAT signed a 20-year concession agreement for the management, operation and development of the Port of Toamasina, Madagascar. Under the agreement, the Parent Company, through MICTSL (a wholly owned subsidiary), will undertake container handling and related services in the Port of Toamasina. The Parent Company agreed to pay the SPAT an entry fee of Euro5 million and fixed and variable fees converted to MGA using the Euro/MGA weighted exchange rate published by the Central Bank of Madagascar on the day payment is made. In addition, the Parent Company agreed to pay SPAT Euro5 million for two quay cranes payable in three annual installments from the date of the agreement. Fixed and variable fees will be updated annually based on inflation rate of the Euro zone of the previous year. Annual fixed fee is payable in advance in semiannual installments. The variable fee of Euro36.80 per twenty foot equivalents (TFE) is payable every 15th day of the following month. However, variable fee will be reduced by 20% after 12 consecutive months of operations with container traffic of more than 200,000 TFEs. The total variable fees paid to SPAT shown as part of "Port Authorities' share in gross revenues" account in the consolidated statements of income, amounted to ₱340.6 million (MGA13.1 billion) in 2008, 260.0 million (MGA11.3 billion) in 2007 and ₱219.5 million (MGA8.8 billion) in 2006. Fixed fees formed part of the capitalized concession rights which are being amortized over the period of the concession. Related concession rights payable under IFRIC 12 amounted to ₱1,072.8 million (Euro16.2 million) and ₱952.5 million (Euro12.8 million) as of December 31, 2008 and 2007, respectively.

24.3 Concession Agreement with Autoridad Portuario de Guayaquil (APG)

In March 2007, ICTSI was declared the winner of the 20-year Public Service Concession for the Container and Multipurpose Terminal at the Port of Guayaquil in Ecuador. CGSA signed the contract with APG, for the 20-year concession.

CGSA took over terminal operations on August 1, 2007. The terminals handle containerized bulk cargo. The Port of Guayaquil is located on the west coast of South America and is Ecuador's main port.

The whole port area is of 60 hectares, out of which only 42 are currently developed as operational. The concession refers to the whole 60 hectares. The ICTSI technical plan is to convert the port into a modern multipurpose terminal, comprehensive of two main facilities: one dedicated container terminal of about one million Twenty-foot Equivalent Units (TEU)'s capacity and one break bulk terminal of about three million tons (banana and other fruits are the main cargo component in this field). ICTSI development plan and its timetable points a period of 5 to 7 years for the terminals to reach the said capacities.

The concession right is payable over five years and is subject to interest based on three-month LIBOR rate. As of December 31, 2008 and 2007, CGSA's unpaid obligation on the acquisition of the concession rights amounted to ₱855.4 million (US$18.0 million) and ₱990.7 million (US$24.0 million), respectively. The current portion amounting to ₱285.1 million (US$6.0 million) and ₱247.7 million (US$6.0 million) were presented as "Current portion of concession right payable" and the noncurrent portion amounting to ₱570.2 million (US$12.0 million) and ₱743.0 million (US$18.0 million) were presented as "Concession rights payable - net of current portion" presented in the 2008 and 2007 consolidated balance sheets, respectively.

The total variable port fees paid by CGSA to APG shown as part of "Port Authorities' share in gross revenues" account in the consolidated statements of income, amounted to ₱318.9 million (US$7.2 million) in 2008 and ₱134.7 million (US$2.9 million) in 2007. Fixed fees formed part of the capitalized concession rights which are being amortized over the period of the concession. Related concession rights payable under IFRIC 12 amounted to ₱3,355.0 million (US$71.1 million) and ₱2,966.5 million (US$71.9 million) as of December 31, 2008 and 2007, respectively.

24.4 Contract with Subic Bay Metropolitan Authority (SBMA) and Royal Port Services, Inc. (RPSI)

On February 1, 2000, SBMA, the Parent Company, and RPSI signed a concession agreement for the management, operation and development of the Naval Supply Depot (NSD) Waterfront Area at the Subic Bay Freeport Zone (Zone), for a period of 25 years starting from the date of agreement. Under the agreement, the parties, through SBITC, undertake marine cargo handling and marine container handling services within the NSD Area. The Parent Company and RPSI formed SBITHI to control 85% of SBITC while the remaining 15% is owned by SBMA. SBITC shall pay SBMA a percentage share of its gross revenues derived from business operations within the Zone. Variable fees of 10% to 13% of gross revenues from international containerized cargoes shall be applied depending on the incremental volumes achieved by SBITC plus 10% of gross revenues from international bulk and break bulk cargoes.

On September 30, 2007, SBITC was awarded by the SBMA the contract to operate the NCT-1 at Cubi Point in Subic for a period of 25 years. The NCT-1 was constructed by SBMA in accordance with the SBMA Port Master Plan and the Subic Bay Port Development Project. In consideration for the concession, SBITC shall pay: a) base rent of US$0.70 per square meter per month with 6% escalation on the 5th year and every three years thereafter; b) fixed fee of US$500,000 every year except for the first two years of the contract; and, c) variable fee of 12% to 16% of SBITC's gross revenue based on the volume containers handled at the terminal. On January 25, 2008, SBMA approved the extension of the effectivity of the contract. The contract will be effective 60 days after the actual date of turnover of NCT-1 to SBITC.

Total variable fees paid to SBMA, shown as part of "Port Authorities' share in gross revenues" account in the consolidated statements of income, amounted to ₱11.2 million in 2008, ₱11.4 million in 2007 and ₱11.3 million in 2006. Fixed fees pertaining to the contract to operate NCT-1 formed part of the capitalized concession rights which are being amortized over the period of the concession. Related concession rights payable under IFRIC 12 amounted to ₱956.5 million (US$20.1 million) as of December 31, 2008.

24.5 Concession Agreement with Tartous Port General Co.

In November 2006, ICTSI entered into a ten-year concession agreement with the TPGC to operate the Tartous Container Terminal in Syria with an option to extend it for five additional years. Under the concession agreement, ICTSI is committed to make all necessary investment under a development plan to be approved by the port authority. Under the plan, ICTSI is expected to invest approximately US$39.5 million for facilities improvement and equipment acquisition over the concession period, including the rehabilitation and development of existing facilities and the construction of an administration building, workshop, reefer racks and terminal gates.

An investment agreement with TPGC was signed on March 24, 2007 by TICT, a wholly owned subsidiary. Pursuant to the agreement, TICT was granted the rights to manage, operate, maintain, finance, rehabilitate, develop and optimize Tartous port for ten years from October 28, 2007 and can be extended for another five years. Under the agreement, TICT should pay annual fees of US$3,008,000 payable on a quarterly basis at the end of each quarter and variable fees of US$11.48 per full TEU and US$5.74 per empty TEU, these fees will be re-evaluated each year on the basis of the official European Union inflation rate. The total variable fees paid by TICT to TPGC shown as part of "Port Authorities' share in gross revenues" account in the consolidated statements of income, amounted to ₱14.9 million (SYP16.8 million) in 2008 and ₱2.3 million (SYP2.3 million) in 2007. Fixed fees formed part of the capitalized concession rights which are being amortized over the period of the concession. Related concession rights payable under IFRIC 12 amounted to ₱831.1 million (US$17.5 million) and ₱770.8 million (US$10.6 million) as of December 31, 2008 and 2007, respectively.

Agreements outside the scope of IFRIC 12 and accounted by the Group in accordance with IFRIC 4 follow:

24.6 Contracts with Gdynia Port Authority (the "Harbour")

On May 30, 2003, the Parent Company and the Harbour signed three Agreements, namely Agreement on Commercial Cooperation, Lease Contract and Contract for Sale of Shares, which marked the completion of the privatization of BCT. BCT owns the terminal handling assets and an exclusive lease contract to operate the Gdynia container terminal for 20 years until 2023, extendable for another specified or unspecified period, depending on the agreement.

Under the Agreement on Commercial Cooperation, US$78 million is the estimated investment for terminal improvements over the life of the concession, of which US$16 million is necessary within the first eight-year period. In addition, BCT is required to maintain an aggregate level of container and car handling at a minimum of 220,000 TEU/cars per year until the end of 2007; 270,000 TEU/cars per year from 2008 until the end of 2013; and 320,000 TEU/cars per year from 2014 until the end of the concession. In case of failure to maintain the limit level of container and car handling, BCT is required to pay the Harbour a contractual indemnity in the amount which constitutes the equivalent of 20 Euro in Polish zloty for each TEU/car which has not been handled.

In the original Lease Contract signed between the Harbour and the original owners of BCT, the Harbour shall lease to BCT its land, buildings and facilities for a period of 20 years for a consideration of Polish zloty equivalent of US$0.62 million per month to be paid in advance. Subsequently, two amendments in the contract were made reducing the monthly rental to US$0.61 million and US$0.59 million in June 2002 and July 2002, respectively. Under the new Agreement with the Parent Company, the Harbour further reduced the rental fee by Polish zloty 2.80 million annually effective January 1, 2005. This amount shall be translated into US$ using the average exchange rate of US$ effective in the National Bank of Poland as at December 31, 2004, and deducted from the existing rental rate in US$. Total fees paid to the Harbour pertaining to the Lease Contract, shown as part of "Equipment and facilities-related expenses" account in the consolidated statements of income, amounted to ₱309.4 million (US$7.0 million) in 2008, ₱312.2 million (US$6.8 million) in 2007 and ₱358.6 million (US$7.0 million) in 2006.

24.7 Contract with Naha Port Authority (NPA)

On January 25, 2005, NPA and NICTI signed the basic agreement to operate Terminals 9 and 10 at the Naha port. Another agreement, a 10-year Lease Agreement, was signed on May 12, 2005 after the authorization for the project was obtained from the office of the Japanese Prime Minister pursuant to the law on Special Zones for Structural Reform. Actual port operations commenced January 1, 2006. NICTI has committed to achieve annual handling volume of containers over 850,000 TEUs which shall include empty containers. In addition, NICTI has agreed to design, construct, operate and maintain the port facilities and terminal site including NPA's facilities and has set up a performance bond with a local bank for a sum of ¥100 million as required by NPA. NICTI deposited ¥50 million to guarantee the performance bond and is presented under "Other Noncurrent Assets" account in the consolidated balance sheets as "Restricted Cash". NICTI is also committed to pay fixed fees amounting to ¥87.5 million annually, starting 2009, plus a variable fee based on volume achieved payable semi-annually. Variable fees paid to NPA, shown as part of "Port Authorities' share in gross revenues" account in the consolidated statements of income, amounted to ₱12.7 million (¥29.7 million) in 2008 and ₱10.2 million (¥26.1 million) in 2007.

24.8 Concession Agreement with Colombian National Institute of Concessions

In July 2007, ICTSI has concluded agreements to commence the construction and development of a new multi-user container terminal at the Port of Buenaventura in Colombia, including the agreement to acquire stakes in two existing companies and gain effective control over Colombian company SPIA.

SPIA owns 225 hectares of land in Aguadulce Peninsula in the City of Buenaventura in Colombia and has the right to develop, construct and operate a new container terminal in the Aguadulce Peninsula under a concession granted by the Colombian National Institute of Concessions. Construction will commence in July 2008, with expected completion within 18-24 months thereafter.

As of December 31, 2007, SPIA's unpaid obligation on the acquisition of the concession right amounted to ₱437.1 million (US$10.6 million), discounted to present value. The current portion amounting to ₱54.5 million (US$1.3 million) is presented as "Current portion of concession rights payable" and the noncurrent portion amounting to ₱382.7 million (US$9.3 million) is presented as "Concession rights payable - net of current portion" in the consolidated balance sheets. The concession right is payable on equal annual payments of ₱54.5 million (US$1.3 million) over 30 years.

24.9 Concession Agreement with Batumi Port Holdings Limited (BPHL)

In September 2007, IGC obtained the concession from BPHL to develop and operate a container terminal and a ferry and dry bulk handling facility in the Port of Batumi, in Georgia. BPHL has the exclusive management right over the State-owned shares in Batumi Sea Port Limited. IGC established BICTL to operate the concession.

In relation to the concession, BICTL entered into a lease and operating agreement with Batumi Sea Port Limited for a 48-year lease over a total area of 13.6 hectare land in Batumi Port, consisting of Berths 4 and 5 for a container terminal, and Berth 6 as ferry terminal and for dry bulk general cargo.

As of December 31, 2007, IGC's unpaid obligation on the concession right amounted to ₱426.6 million (US$10.3 million). The amount is payable in one year and is presented under "Current portion of concession rights payable" in the consolidated balance sheets.

The total variable fees paid by BICTL shown as part of "Port Authorities' share in gross revenues" account in the consolidated statements of income, amounted to nil and ₱0.8 million (US$.03 million) in 2008 and 2007, respectively. Total fixed fees are shown as part of "Equipment and facilities-related expenses" account in the consolidated statements of income amounted to ₱38.4 million (US$1.3 million) in 2008.

24.10 Lease Agreement for the Installation and Exploitation of a Container Terminal for Mixed Private Use of the Port of Suape-Complexo Industrial Portuario (Suape)

On July 2, 2001, TSSA entered into a lease agreement with Suape for the exclusive operation and development of a container terminal in a port in Suape, Brazil for a period of 30 years starting from the date of agreement. In consideration for the lease, TSSA shall pay Suape a fee in Brazilian Reais (R$) consisting of three components: (1) R$8.2 million, payable within 30 days from the date of agreement; (2) R$3.1 million, payable in quarterly installments; and (3) an amount ranging from R$15 to R$50 (depending on the type of container and traffic, i.e., import/export, transshipment or removal) handled for each container, payable quarterly. For the third component of the fee (which rates per container increase by 100% every ten years), if the total amount paid for containers handled in the four quarters of the year is less than the assured minimum amount for such component indicated in the agreement, TSSA will pay the difference to Suape. The lease fee is subject to readjustment annually unless there is a change in legislation, which allows a reduction in the frequency of readjustment, based on a certain formula contained in the agreement. Total variable fees paid to Suape, shown as part of "Port Authorities' share in gross revenues" account in the consolidated statements of income, amounted to ₱255.3 million (R$10.5 million) in 2008, ₱184.7 million (R$7.8 million) in 2007 and ₱140.0 million (R$5.9 million) in 2006. Total fixed fees paid to Suape, shown as part of "Equipment and facilities-related expenses" account in the consolidated statements of income amounted to ₱254.1 million (R$5.7 million) in 2008, ₱242.6 million (R$5.3 million) in 2007 and ₱263.4 million (R$5.1 million) in 2006.

Under the lease agreement, TSSA undertakes to make the investment in works, equipment, systems and others necessary to develop and operate the Suape port within the agreed time frame.

Upon the expiration of the term of the contract or in the event of pretermination, the building and other structures constructed in the port by TSSA shall become the property of Suape in addition to assets originally leased by Suape to TSSA. TSSA may remove movable goods from the container terminal, unless the parties agree otherwise.

24.11 Concession Contract for the Management and Operation of the MCT

On April 25, 2008, PIA awarded the management and operation of MCT, Misamis Oriental in the Philippines to ICTSI, being the highest bidder in a public bidding conducted by PIA. The concession contract is for a period of 25 years starting from the date of the agreement. ICTSI established MICTSI to operate the concession. Under the contract, MICTSI shall be responsible for planning, supervising and providing full terminal operations for ships, container yards and cargo handling. MICTSI shall also be responsible for the maintenance of the port infrastructure, facilities and equipment set forth in the contract and shall procure any additional equipment that it may deem necessary for the improvement of MCT's operations. In consideration for the contract, MICTSI shall pay PIA fixed fee of ₱2,230 million payable in advance in quarterly installments and variable fees based on percentages of MICTSI's gross revenue ranging from 15%-18% during the term of the contract. The total variable fees paid to PIA shown as part of "Port Authorities' share in gross revenues" account in the consolidated statement of income, amounted to ₱16.7 million in 2008. Total fixed fees paid to PIA, shown as part of "Equipment and facilities-related expenses" account in the consolidated statements of income, amounted to ₱18.0 million in 2008.

Agreements outside the scope of IFRIC 12 and IFRIC 4:

24.12 Long-term Contract for the Operations of Cargo Handling Services at Sasa Wharf

On April 21, 2006, the PPA granted DIPSSCOR a ten-year contract for the exclusive management and operation of arrastre, stevedoring, bagging and crated cargo handling services at Sasa Wharf, Port of Davao in the Philippines and on all vessels berthed thereat, under the terms, conditions, stipulations and covenants in the contract. The contract provides, among others, for DIPSSCOR to maintain a required amount of working capital, to put up a performance bond to be secured from the Government Services Insurance System, to comply with the commitments and conditions in the business plan and to maintain a determined level of handling efficiency. DIPSSCOR agreed to pay PPA 10% of the gross income for handling domestic cargo and 20% of the gross income for handling foreign cargo whether billed/unbilled or collected/uncollected. The total fees paid by DIPSSCOR to PPA, shown as part of “Port Authorities' share in gross revenues” account in the consolidated statements of income, amounted to ₱69.4 million in 2008 and ₱53.2 million in 2007.

24.13 Long-term Contract for the Operations of Cargo Handling Services at Makar Wharf

On February 20, 2006, the PPA granted SCIPSI a ten-year contract for the exclusive management and operation of arrastre, stevedoring, bagging and crated cargo handling services at Makar Wharf, Port of General Santos, General Santos City in the Philippines and on all vessels berthed thereat, under the terms, conditions, stipulations and covenants in the contract. SCIPSI agreed to pay PPA 10% of the gross income for handling domestic cargo and 20% of the gross income for handling foreign cargo whether billed/unbilled or collected/uncollected. The total fees paid by SCIPSI to PPA shown as part of “Port Authorities' share in gross revenues” account in the consolidated statement of income, amounted to ₱12.1 million in 2008.

24.14 Shareholders' Agreement (Agreement) with Atlantic Gulf & Pacific Company of Manila, Inc. (AG&P)

On September 30, 1997, IWI entered into an Agreement with AG&P forming BIPI. BIPI developed the property acquired from AG&P at Bauan, Batangas into an international commercial port duly licensed as a private commercial port by the PPA.

Simultaneous with the execution of the Agreement, AG&P executed a Deed of Conditional Sale in favor of IWI conveying to the latter a parcel of land for a total purchase price of 632.0 million. The said land was transferred by IWI to BIPI under a tax-free exchange of asset for shares.

24.15 Cooperation Agreement of Procurement, Installation and Operation of Container Unload with Revenue Sharing System at the Container Terminal of the Makassar Port

MTS has an existing agreement with Pelindo IV, the Indonesian government agency which operates the Port of Makassar, to implement cooperation of procurement, installation and operation of Container Unload Equipment (CUE) at Makassar Container Terminal under a revenue sharing system for ten years until August 2013. The agreement provides for the procurement and installation of certain container handling equipment in Makassar Container Terminal by MTS for the purpose of providing container unload services, which include operational boat activity, field operational, lift-on lift-off and operation of the Container Piling Yard. For the services provided, MTS receives 60% of the tariffs received by Pelindo IV on the first one and one-half years and 70% of the tariffs for the rest of the term of the agreement, computed based on monthly production. However, in the extent that the production of the CUE does not reach 50,000 TEUs per year, MTS shall pay Pelindo IV for its share in revenues equivalent to 50,000 TEUs. MTS' share in gross revenues included under “Gross revenues” account in the consolidated statements of income amounted to ₱168.3 million (IDR33.7 billion) in 2008 and ₱171.0 million (IDR33.8 billion) in 2007.

24.16 Joint Venture Contract on YRDICTL

In January 2007, the Group (through ICTSI (Hong Kong) Limited) entered into a joint venture contract with Yantai Port Group and SDIC on YRDICTL to operate and manage the Yantai port in Shandong Province, China. The registered capital of YRDICTL is RMB600.0 million and the term of the joint venture is 30 years, and maybe extended upon agreement of all parties. The joint venture became effective on February 28, 2007.

Pursuant to a joint venture agreement, the BOD of YRDICTL shall be comprised of five members, three of which the Group has the right to elect. The land operated by YRDICTL was contributed as an in-kind capital contribution by Yantai Port Group for a period of 30 years.

The total port fees paid by YRDICTL shown as part of "Port Authorities' share in gross revenues" account in the consolidated statements of income, amounted to ₱31.9 million (RMB5.0 million) in 2008 and ₱16.5 million (RMB2.7 million) in 2007.

Other contracts and agreements

24.17 Shareholders' Agreement with Loginter, S.A. (Loginter)

In July 2008, ICTSI, through ICTSI Ltd, acquired 100% interest in Edanfer from Loginter, a company organized in Argentina. Edanfer is a major stockholder of Tecplata. Tecplata was granted the concession to build and manage a container terminal in the Port of La Plata, Province of Buenos Aires. Tecplata has not yet started development of the terminal as of December 31, 2008.

24.18 Memorandum of Understanding (MOU) with the Brunei Economic Development Board (BEDB)

In October 2008, ICTSI signed an MOU with the BEDB for the design, construction and development of the new PMB Container Terminal in Brunei Darussalam. BEDB will award a Concession Agreement to ICTSI or its subsidiary to operate the PMB Container Terminal once it is completed and ready for commercial operations. Under the terms of the MOU, ICTSI shall assist BEDB in the discussions or negotiations with the Brunei Darussalam with respect to the commercial operation of the PMB Container Terminal and in the procurement of the design, construction and development of PMB Container Terminal. Moreover, ICTSI shall prepare and when completed, deliver to the BEDB the PMB Container Terminal operating policy and standards of operation, marketing plan, maintenance and safety compliance plan, personnel and training plans.

24.19 Sub-licensing of Graphical Tracking System (GTS) and GCS Softwares

In November 2004, CTSSI granted a non-transferable, non-exclusive licensing agreement to CTSSI Phils. to use, support and sub-license the GTS and GCS (collectively referred to as "the Software") to third parties for a period of ten years starting from the date of the licensing agreement, extendable for another specified or unspecified period, upon the mutual agreement of both parties. License fees shall not be charged to CTSSI Phils. for a period of three years starting from the date of the licensing agreement. Thereafter, the parties shall mutually agree on the amount of license fee to be charged.

Under the terms of the licensing agreement, any improvements or modifications made on the Software shall require approval from CTSSI and shall remain its exclusive intellectual property. CTSSI has the right to terminate the licensing agreement in case the Software is used by CTSSI Phils. for any unauthorized purpose.

24.20 Contract with the Joint Venture of Hanjin Heavy Industries and Construction Co. Ltd. (Hanjin) and EEI Corporation (EEI)

On June 6, 2008, ICTSI entered into an agreement with the Joint Venture of Hanjin and EEI for the construction of Berth 6 and associated back-up area, dredging and filling works for ₱2,842 million. The construction is expected to be completed prior to 2012.

The existing contracts and agreements entered into by certain subsidiaries contain certain commitments and restrictions which include, among others, the prohibition of the change in subsidiaries' shareholders without the prior consent of the port authority, maintenance of minimum capitalization and certain financial ratios, investment in the works stipulated in the investment program, provisions for insurance, noncompete arrangements, and other related matters.

25. Contingencies

The Group is a defendant to a number of cases involving claims and disputes mainly related to cargo and labor and tax contingencies. Management and its legal counsels believe that the Group has substantial legal and factual bases for its position and is of the opinion that losses arising from these legal actions, if any, will not have a material adverse impact on the Group's consolidated financial position and results of operations.

26. Financial Instruments

Fair Values

Set out below is a comparison by category of carrying amounts and fair values of all of the Group's financial instruments as of December 31:

	2008		2007 (As restated - Notes 3 and 4.2)	
	Carrying Amount	**Fair Value**	Carrying Amount	Fair Value
Financial assets				
Loans and receivables:				
Cash and cash equivalents				
Cash on hand and in banks	**₱3,463,103,241**	**₱3,463,103,241**	₱1,400,186,333	₱1,400,186,333
Cash equivalents	**7,125,557,659**	**7,125,557,659**	2,164,676,763	2,173,561,236
Receivables				
Trade	**1,145,104,701**	**1,145,104,701**	1,110,722,843	1,110,722,843
Advances and nontrade	**56,172,124**	**56,172,124**	114,613,531	114,613,531
	11,789,937,725	**11,789,937,725**	4,790,199,470	4,790,199,470
AFS financial assets:				
Unquoted equity shares	**248,027,759**	**248,027,759**	259,527,738	259,527,738
Quoted equity shares	**38,987,060**	**38,987,060**	31,380,003	31,380,003
	287,014,819	**287,014,819**	290,907,741	290,907,741
Financial assets at FVPL -				
Derivative assets	**178,945,577**	**178,945,577**	545,025,718	545,025,718
	₱12,255,898,121	**₱12,255,898,121**	₱5,626,132,929	₱5,626,132,929
Financial liabilities				
Other financial liabilities:				
Long-term debt	**₱20,468,271,022**	**₱20,543,608,312**	₱6,034,177,399	₱6,177,028,795
Loans payable	**1,297,962,695**	**1,297,962,695**	—	—
Accounts payable and other current liabilities	**2,758,591,196**	**2,758,591,196**	2,264,587,874	2,264,587,874
Concession rights payable	**10,656,439,421**	**13,706,557,703**	9,524,330,939	10,400,082,636
	35,181,264,334	**38,306,719,906**	17,823,096,212	18,841,699,305
Financial liabilities at FVPL -				
Derivative liabilities	**395,325,468**	**395,325,468**	5,785,000	5,785,000
	₱35,576,589,802	**₱38,702,045,374**	₱17,828,881,212	₱18,847,484,305

Carrying values of cash and cash equivalents, receivables, accounts payable and other current liabilities and loans payable approximate their fair values due to the short-term nature of the transactions.

The fair value of quoted AFS equity shares is based on quoted prices. For unquoted equity securities, the fair values are not reasonably determinable. These are presented based on cost less allowance for impairment losses. The unquoted equity securities pertain mainly to investments in a company in the shipping industry.

The fair value of fixed interest-bearing loans and concession payable were estimated as the present value of all future cash flows discounted using the applicable rates for similar types of loans ranging from 7.7% to 9.08% in 2008 and 4.18% to 8.57% in 2007.

For variable interest-bearing loans repriced monthly or quarterly, the fair value approximates the carrying amount due to the regular repricing of interest rates.

Fair values of derivative assets and liabilities specifically forward contracts and interest rate swaps, are calculated using valuation techniques with inputs and assumptions that are based on market observable data and conditions, and reflect appropriate risk adjustments that market participants would make for credit and liquidity risks existing at the balance sheet date. For more complex derivatives such as range options and structured derivatives, fair values are determined using counterparty bank confirmation.

Derivative Financial Instruments

ICTSI enters into certain derivatives as economic hedges of certain underlying exposures. Such derivatives, which include currency forwards, structured forward contracts and interest rate swap, are accounted for either as cash flow hedges or transactions not designated as hedges.

Derivative Instruments Accounted for as Cash Flow Hedges

Currency Forwards. ICTSI entered into short-term forward sell US$ and buy Philippine Peso contracts to hedge its foreign currency risk arising from forecasted US$-denominated revenues. ICTSI designated these currency forwards as cash flow hedges of its anticipated US$-denominated revenues in 2008 and 2009.

As of December 31, 2008, the aggregate notional amount of the outstanding non-deliverable currency forwards is US$26.0 million with a weighted average forward rate of ₱42.19 per US$1. These forward contracts will mature on various dates in 2009. The fair value of these forwards amounted to ₱164.4 million loss, of which ₱113.7 million (net of ₱49.3 million deferred tax) is reported in the equity section of the consolidated balance sheet. The gains and losses deferred in equity are expected to be recognized in the consolidated statement of income upon occurrence of the US$ revenues hedged. The ineffective portion amounting to ₱2.0 million was recognized in the consolidated statement of income under unrealized mark-to-market loss on derivatives.

As of December 31, 2007, the aggregate notional amount of the outstanding non-deliverable currency forwards is US$78.3 million with a weighted average forward rate of ₱43.60 per US$1. These forward contracts will mature on various dates in 2008 and 2009. The fair value of these forwards amounted to 140.6 million gain. The effective fair value changes, net of tax, that were deferred in equity as of December 31, 2007 amounted to ₱86.3 million while total ineffectiveness recognized immediately in the consolidated statement of income under unrealized mark-to-market gain on derivatives amounted to ₱7.9 million. The gains and losses deferred in equity are expected to be recognized in the consolidated statement of income upon occurrence of the US$ revenues hedged.

The distinction of hedge accounting as “Effective” or “Ineffective” represents designations based on PAS 39 and is not necessarily reflective of the economic effectiveness of the instruments.

In 2008, ICTSI unwound forward sell US$ contracts with an aggregate notional amount of US$30.0 million. These contracts were entered into in 2007 and had original maturities until the first quarter of 2009. The settlement of the unwound contracts amounted to ₱66.4 million.

Interest Rate Swap. On October 20, 2008, ICTSI entered into a pay-fixed, receive-floating interest rate swap contract with ANZ Bank to hedge the variability of interest cash flows on US$50.0 million of US$250.0 million floating rate loan of ICTSI Capital B.V. (see Note 16.2). The interest rate swap effectively fixed the benchmark rate of the said loan at 3.64% over the duration of the agreement payable at quarterly intervals similar with that of the hedged loan (every January 20, April 20, July 20 and October 20 up to January 2010).

As of December 31, 2008, the fair value of the interest rate swap amounted to ₱47.5 million loss, of which ₱33.3 million loss is reported in the equity section of the consolidated balance sheet (net of ₱14.2 million deferred tax asset). The amount deferred in equity will be transferred to the consolidated statement of income as the hedged interest cash flows are incurred. The ineffective portion of the hedge is not material.

Other Derivative Instruments Not Designated as Hedges

Currency Forwards. As of December 31, 2008, the aggregate notional amount of outstanding non-deliverable currency forward contracts amounted to US$40.0 million (buy US$ position) and US$45.0 million (sell US$ position) with a weighted average forward rate of ₱52.20 per US$1 for the buy US$ position and ₱51.28 per US$1 for the sell US$ position. These forward contracts will mature on various dates in 2009. As of December 31, 2008, these currency forward contracts have fair values of ₱183.1 million loss (buy US$ position) and ₱165.0 million gain (sell US$ position).

As of December 31, 2007, the aggregate notional amount of the outstanding non-deliverable forward sell US$ and buy Philippine peso contracts amounted to US$224.7 million with a weighted average forward rate of ₱43.25 per US$1. These forward contracts will mature in various dates in 2008 and 2009. As of December 31, 2007, the fair value of these currency forwards amounted to ₱365.2 million gain.

As of December 31, 2007, the Company has outstanding structured forward contracts to sell US$ and buy Philippine Peso with an aggregate notional amount of US$37.9 million and sell US$ and buy Polish Zloty (PLN) with an aggregate notional amount of US$0.4 million. Under the contracts, the Company has agreed to sell US$ in exchange for Philippine peso or PLN, based on a specified rate subject to conditions that the spot rate should not breach the barrier set anytime from trade date to expiry date. If the barrier is breached, then the Company and its counterparty bank will have no further rights against the other. As of December 31, 2007, the fair value of these structured forwards amounted to ₱33.4 million gain.

Currency Options. In 2008, ICTSI entered into a range option contract giving the Company an option to buy US$ at an agreed strike price of 47.55 per US$1 and obligation to sell US$ at an agreed strike price of 47.60 per US$1. The currency option contract has a notional amount of US$5.0 million and will mature in January 2009. As of December 31, 2008, the currency option has a fair value of 0.4 million loss.

Embedded Prepayment Options. As of December 31, 2008, the outstanding notional amounts of the prepayment options embedded in the Company's two loan contracts with HSBC are ₱715.0 million and ₱490.0 million (See Note 16.2). Such loan contracts will mature on May 28, 2014 ("the 5.5-year loan") and November 28, 2015 ("the 7-year loan"), respectively. The prepayment options are exercisable on the third (for the 5-year loan) and fourth (for the 7-year loan) anniversary of issue or any interest payment date thereafter. The 5.5-year loan is prepayable at 102% of the outstanding principal if the remaining term at the time of prepayment is at least 18 months; and at 101% if the remaining term is less than 18 months. The 7-year loan is prepayable at 103% of the outstanding principal if the remaining term at the time of prepayment is at least 36 months; 102% if the remaining term is less than 36 but more than 12 months; or 101% if the remaining term is 12 months or less.

The fair value of the embedded derivatives at inception (aggregating to ₱10.8 million) was recorded as a derivative asset and a corresponding amount was booked as premium on the host loan contracts. The derivative asset is marked-to-market through profit or loss while the loan premium is amortized over the life of the respective loans. The total fair value of the embedded derivatives as of December 31, 2008 amounted to ₱13.9 million gain. The net change in fair value amounting to ₱3.2 million was recognized in the consolidated statement of income.

Fair Value Changes on Derivatives

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

	2008	2007
Balance at beginning of the year	**₱539,240,718**	₱—
Net changes in fair value of derivatives:		
Designated as accounting hedges (includes ineffective portion of ₱1,981,350 loss and ₱7,943,671 gain in 2008 and 2007, respectively)	**(192,358,197)**	140,557,900
Not designated as accounting hedges	**(527,476,562)**	475,741,459
	(180,594,041)	616,299,359
Less fair value of settled instruments	**46,543,713**	77,058,641
Balance at end of year	**(₱227,137,754)**	₱539,240,718

The net movement in fair value changes of embedded prepayment option in 2008 is as follows:

	Amount
Balance at inception	**₱10,757,863**
Net change in fair value	**3,187,714**
Balance at end of year	**₱13,945,577**

The net changes in fair value of derivatives are presented in the consolidated statement of income under the following accounts:

	2008	2007
Unrealized mark-to-market gain (loss) on derivatives - net	**(₱17,245,636)**	₱406,626,489
Foreign exchange gain (loss)		
Designated as accounting hedges	**152,117,500**	—
Not designated as accounting hedges	**(512,200,276)**	77,058,641
	(₱360,082,776)	₱77,058,641

Fair value changes on derivatives as of December 31, 2007 are presented as follows:

	2008	2007
Derivative assets		
Freestanding	**₱165,000,000**	₱545,025,718
Embedded	**13,945,577**	(5,785,000)
Subtotal	**₱178,945,577**	₱539,240,718
Derivative liabilities		
Freestanding	**(395,325,468)**	—
Total	**(₱216,379,891)**	₱539,240,718

The net movements in fair value changes of freestanding derivative instruments designated as cash flow hedges are presented under “Cumulative Translation Adjustments” account as follows:

	2008	2007
Balance at beginning of the year	**₱86,199,249**	₱—
Changes in fair value of cash flow hedges	**(192,358,197)**	132,614,229
Transferred to consolidated statements of income	**(152,117,500)**	—
Tax effects of items taken directly to transferred from equity	**111,350,566**	(46,414,980)
Balance at end of the year	**(₱146,925,882)**	₱86,199,249

27. Financial Risk Management Objectives and Policies

The principal financial instruments of the ICTSI Group comprise mainly of bank loans and cash and cash equivalents. The main purpose of these financial instruments is to raise working capital and major capital investment financing for the Group's port operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

ICTSI has port operations in 11 countries. Short-term treasury activities are carried out at the subsidiary level; however, overall policy decisions concerning the Group's financial risks are centralized at the Parent Company in Manila. The BOD reviews and approves the Group's policies for managing each of these risks, as summarized below, as well as authority limits. Treasury operations are reviewed annually by Internal Audit to ensure compliance with Group's policies.

ICTSI finances its business activities through a mix of cash flows from operations and long-term loans from banks. It is the Group's policy to minimize the use of short-term loans. The Group's borrowings are in Philippine peso at fixed rates of interest and US dollars at floating rate of interest. The Group minimizes its currency exposure by matching its currency of borrowing to the currency of operations at the relevant business unit whenever possible. It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken. Speculative trading of derivatives or financial instruments is not permitted.

The main risks arising from the normal course of the Group's business are interest rate risk, liquidity risk, foreign currency risk and credit risk.

Working Capital Management

The Parent Company has minimal working capital requirements due to the short cash collection cycle of its business. Working capital requirements are well within the credit facilities established which are adequate and available to the Parent Company to meet day-to-day liquidity and working capital requirements. The credit facilities are regularly reviewed by the Treasury Group to ensure that they meet the objectives of the Group. The foreign operating subsidiaries currently do not access short-term credit facilities as their respective cash flows are sufficient to meet working capital needs.

Interest Rate Risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's bank loans and is addressed by a periodic review of the Group's debt mix with the objective of reducing interest cost and maximizing available loan terms.

The following table sets out the carrying amount, by maturity, of the Company's financial instruments that are exposed to interest rate risk for the year ended December 31:

	2008							
	1 Year	**2 Years**	**3 Years**	**4 Years**	**Over 5 Years**	**Total**		**Net of Debt***
						(In US Dollar)	***(In Philippine Peso)***	
Liabilities								
Long-term Debt								
Fixed Rate:								
Philippine peso	**₱141,912,500**	**₱162,475,000**	**₱179,612,500**	**₱12,050,000**	**₱1,156,800,000**	**—**	**₱1,652,850,000**	**₱1,531,752,639**
Interest rate	**9.5%-15%**	**9.5%-15%**	**9.5%-15%**	**9.5%-10.25%**	**9.5%-10.25%**			
US$ Loan	**$1,526,683**	**$1,653,643**	**$1,791,160**	**$1,940,113**	**$4,377,669**	**$11,289,268**	**₱542,376,529**	**₱538,163,376**
Interest rate	**9.471%**	**9.471%**	**9.471%**	**9.471%**	**9.471%**	**—**		

(Forward)

	2008							
	1 Year	**2 Years**	**3 Years**	**4 Years**	**Over 5 Years**	**Total**		**Net of Debt***
						(In US Dollar)	***(In Philippine Peso)***	
Floating Rate:								
Philippine Peso	**₱—**	**₱—**	**₱1,000,000,000**	**₱1,000,000,000**	**₱2,000,000,000**		**₱4,000,000,000**	**₱4,000,000,000**
Interest rate			**8.57%**	**8.57%**	**8.57%**			
US$ Loan	**$2,625,000**	**$252,625,000**	**$2,625,000**	**$2,625,000**	**$5,250,000**	**$265,750,000**	**₱12,628,440,000**	**₱12,473,629,044**
Interest rate	**Libor + 1.10% margin**	**Libor + 0.80% - 1.10% margin**	**Libor + 1.10% margin**	**Libor + 1.10% margin**	**Libor + 1.10% margin**			
RMB loan	**RMB30,000,000**	**RMB30,000,000**	**RMB35,000,000**	**RMB35,000,000**	**RMB145,000,000**	**RMB275,000,000**	**₱1,913,968,101**	**₱1,913,968,101**
Interest rate	**People's Bank of China (PBC) rate discounted by 10%**	**PBC rate discounted by 10%**	**PBC rate discounted by 10%**	**PBC rate discounted by 10%**	**PBC rate discounted by 10%**			

** Net of Debt Issuance Costs and Premium on Prepayment Option*

	2007							
	1 Year	2 Years	3 Years	4 Years	Over 5 Years	Total		Total (Net of Debt Issuance Costs)
						(In US Dollar)	*(In Philippine Peso)*	
Liabilities								
Long-term Debt								
Fixed Rate:								
Philippine peso	₱—	₱—	₱151,350,000	₱296,500,000	₱—	—	₱447,850,000	₱445,629,050
Interest rate			14%-15%	14%-15%				
US$ Loan	$1,520,794	$1,518,959	$1,645,277	$1,782,099	$6,285,820	$12,752,949	₱526,441,755	₱520,814,426
Interest rate	9.471%	9.471%	9.471%	9.471%	9.471%	—		
Floating Rate:								
US$ Loan	$2,625,000	$72,625,000	$2,625,000	$2,625,000	$5,250,000	$88,375,000	₱3,648,120,000	₱3,512,047,417
Interest rate	Libor + 1.10% margin	Libor + 0.80% - 1.10% margin	Libor + 1.10% margin	Libor + 1.10% margin	Libor + 1.10% margin			
RMB loan	RMB30,000,000	RMB30,000,000	RMB30,000,000	RMB30,000,000	RMB155,000,000	RMB275,000,000	₱1,555,686,506	₱1,555,686,506
Interest rate	People's Bank of China (PBC) rate discounted by 10%	PBC rate discounted by 10%	PBC rate discounted by 10%	PBC rate discounted by 10%	PBC rate discounted by 10%			

Re-pricing of floating rate financial instruments is mostly done on intervals of three months or six months. Interest on fixed rate financial instruments is fixed until maturity of the instrument. Financial instruments not included in the above tables are either noninterest bearing, therefore not subject to interest rate risk, or has minimal interest rate exposure due to the short-term nature of the account (i.e., cash equivalents).

The sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of ICTSI's profit before tax and equity (through the impact on floating rate borrowings), at December 31 are as follows (amounts in millions of pesos unless otherwise indicated):

	2008		
	Increase/Decrease in interest rate (%)	**Effect on Profit Before Tax**	**Effect on Equity**
Philippine Peso-denominated loans	**+1.0**	**(₱40.0)**	**(₱28.0)**
	-1.0	**40.0**	**28.0**
USD-denominated loans	**+1.0**	**(118.2)**	**(157.9)**
	-1.0	**118.2**	**167.0**
RMB-denominated loans	**+1.5**	**(26.4)**	**(25.1)**
	-1.5	**26.4**	**25.1**

	2007		
	Increase/Decrease in interest rate (%)	Effect on Profit Before Tax	Effect on Equity
USD-denominated loans	+1.0	(₱40.8)	(₱39.2)
	-1.0	40.8	39.2
RMB-denominated loans	+1.5	(25.1)	(25.1)
	-1.5	25.1	25.1

Liquidity Risk

The Group monitors and maintains a level of cash and cash equivalents and bank credit facilities deemed adequate by management to finance the Group's operations, ensure continuity of funding and to mitigate the effects of fluctuations in cash flows. The Group's policy is that not more than 25% of borrowings should mature in any 12-month period. The Group's debt that will mature in less than one year is 2%, 10% and 9% of the total borrowings as of December 31, 2008, 2007 and 2006, respectively.

The table below summarizes the maturity profile of the Group's financial liabilities as of December 31 based on contractual undiscounted payments (amounts in millions of pesos unless otherwise indicated).

			2008			
	Less than 3 months	***3 to 6 months***	***6 to 12 months***	***1 to 5 years***	***More than 5 years***	***Total***
Long-term debt	**₱—**	**₱—**	**₱564.7**	**₱15,560.2**	**₱4,623.5**	**₱20,748.4**
Accounts payable and other current liabilities	**2,758.6**	**—**	**—**	**—**	**—**	**2,758.6**
Derivative financial instruments	**187.5**	**0.2**	**139.5**	**0.6**	**—**	**327.8**
Concession rights payable	**234.9**	**374.8**	**1,006.6**	**6,189.4**	**9,599.9**	**17,405.6**
Total	**₱3,181.0**	**₱375.0**	**₱1,710.8**	**₱21,750.2**	**₱14,223.4**	**₱41,240.4**

			2007			
	Less than 3 months	*3 to 6 months*	*6 to 12 months*	*1 to 5 years*	*More than 5 years*	*Total*
Long-term debt	₱—	₱—	₱168.3	₱4,242.6	₱1,623.3	₱6,034.2
Accounts payable and other current liabilities	2,264.6	—	—	—	—	2,264.6
Derivative financial instruments	—	—	—	5.8	—	5.8
Concession rights payable	193.1	310.8	650.6	5,765.1	7,650.8	14,570.4
Total	₱2,460.7	₱310.8	₱818.9	₱10,013.5	₱9,274.1	₱22,875.0

Foreign Currency Risk

As a result of significant investment operations in Poland, Brazil, Madagascar, Indonesia, Japan, Syria, China, Ecuador, Colombia and Georgia, the Group's consolidated balance sheets can be affected significantly by movements in the Philippine peso/US dollar exchange rates.

In respect of monetary assets and liabilities held in currencies other than the functional currencies of the Parent Company and the operating subsidiaries, the net exposure is kept to an acceptable level by buying or selling foreign currencies at spot/forward rates where necessary to address short-term imbalances.

The Group has recognized in the consolidated statements of income net foreign exchange gain (loss) amounting to (₱401.5 million) in 2008, ₱877.4 million in 2007 and (₱381.6 million) in 2006 on its net foreign currency-denominated financial assets and liabilities for the year ended December 31, 2008, 2007 and 2006, respectively. This resulted mainly from the movements of the Philippine peso against the US dollar.

The following table shows the Parent Company's significant foreign currency-denominated monetary assets and liabilities and their Philippine peso equivalents at December 31 (amounts in millions of pesos unless otherwise indicated):

	2008		2007		2006	
	Foreign Currency	**Philippine Peso**	Foreign Currency	Philippine Peso	Foreign Currency	Philippine Peso
Current financial assets:						
Cash and cash equivalents						
US Dollar	**US$6,141,183**	**₱291,829,006**	US$18,465,607	₱762,260,273	US$14,805,725	₱725,924,697
Euro	**€5,548,879**	**368,391,124**	—	—	—	—
Receivable						
US Dollar	**US$6,168,259**	**293,115,676**	US$6,181,346	255,165,942	—	—
Euro	**€4,699**	**311,950**	—	—	—	—
Derivative assets	**US$3,765,689**	**178,945,577**	US$13,203,142	545,025,718	—	—
		1,132,593,333		1,562,451,933		725,924,697

(Forward)

	2008		2007		2006	
	Foreign Currency	**Philippine Peso**	Foreign Currency	Philippine Peso	Foreign Currency	Philippine Peso
Current financial liabilities -						
Accounts payable and						
other current liabilities:						
US Dollar	**US$1,995,296**	**₱94,816,479**	US$10,449,386	₱431,350,650	US$46,476	₱2,278,718
Euro	**€13,431**	**891,710**	€1,690,221	101,797,864	—	—
Others	**413,548**	**327,457**	¥4,591,861	1,696,822	—	—
Non Current Financial						
Liabilities						
Concession rights payable	**US$57,442,892**	**2,729,686,217**	65,099,347	2,671,375,013	—	—
		2,825,721,863		3,206,220,349		2,278,718
Net foreign currency - denominated						
financial assets		**(₱1,693,128,530)**		(₱1,643,768,416)		₱723,645,979

In translating the foreign currency-denominated monetary assets and liabilities into peso amounts, the Group used the exchange rates as shown in the table of exchange rates (see Note 3.4).

The foreign currency-denominated monetary assets and liabilities of local and foreign subsidiaries are not significant.

The following tables present the impact on the Group's income before income tax and equity due to change in the fair value of its monetary assets and liabilities (including the effect of derivative instruments), brought about by a change in the peso to US dollar exchange rate (holding all other variables held constant) as at December 31 (amounts in millions of pesos unless otherwise indicated):

	2008	
	Effect Profit Before Tax	**Effect on Equity**
Change in peso to US dollar exchange rate:		
5% appreciation	**₱135.7**	**₱129.2**
5% depreciation	**(123.8)**	**(72.9)**

	2007	
	Effect Profit Before Tax	Effect on Equity
Change in peso to US dollar exchange rate:		
5% appreciation	₱281.3	₱528.7
5% depreciation	(510.6)	(678.0)

The sensitivity analyses have been prepared on the basis that the amount of net debt, the ratio of fixed to float interest rates of the debt and derivatives and the proportion of the financial instruments in foreign currencies are all constant and on the basis of hedge designation in place at December 31, 2008.

Credit Risk

The Group trades only with recognized, creditworthy third parties and the exposure to credit risk is monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. Since the Group trades only with recognized third parties, collateral is not required in respect of financial assets. Moreover, counterparty credit limits are reviewed by management on an annual basis. The limits are set to minimize the concentration risks and mitigate financial loss through potential counterparty failure.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents, and available-for-sale financial assets, the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

As of December 31, 2008, about 35% of cash and cash equivalents of the Group is with a local bank. Investments of funds are made only with counterparties approved by the Board of Directors. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the consolidated balance sheets.

At December 31, the following tables provide the credit information and maximum exposure of the ICTSI's financial assets (amounts in millions of pesos unless otherwise indicated):

	2008			
	Neither past due nor impaired	**Past due but not impaired**	**Impaired**	**Total**
Loans and Receivables				
Cash and cash equivalents:				
Cash on hand and in banks	**₱3,463.1**	**₱—**	**₱—**	**₱3,463.1**
Cash equivalents	**7,125.6**	**—**	**—**	**7,125.6**
Receivables:				
Trade	**842.0**	**318.0**	**58.0**	**1,218.0**
Advances and nontrade	**32.7**	**8.5**	**13.1**	**54.3**
AFS Financial Assets				
Unquoted equity shares	**248.0**	**—**	**—**	**248.0**
Quoted equity shares	**39.0**	**—**	**—**	**39.0**
Derivative Assets	**178.9**	**—**	**—**	**178.9**
	₱11,929.3	**₱326.5**	**₱71.1**	**₱12,323.9**

	2007			
	Neither past due nor impaired	Past due but not impaired	Impaired	Total
Loans and Receivables				
Cash and cash equivalents:				
Cash on hand and in banks	₱1,400.2	₱—	₱—	₱1,400.2
Cash equivalents	2,164.7	—	—	2,164.7
Receivables:				
Trade	816.4	294.3	56.3	1,167.0
Advances and nontrade	59.3	55.3	11.2	125.8
AFS Financial Assets				
Unquoted equity shares	259.5	—	—	259.5
Quoted equity shares	39.0	—	—	39.0
Derivative Assets	545.0	—	—	545.0
	₱5,284.1	₱349.6	₱67.5	₱5,689.7

At December 31, the credit quality per class of financial assets that were neither past due nor impaired follow (amounts in millions of pesos unless otherwise indicated):

	2008			
	Neither past due nor impaired			
	Grade A	**Grace B**	**Grade C**	**Total**
Loans and Receivables				
Cash and cash equivalents:				
Cash on hand and in banks	**₱3,463.1**	**₱—**	**₱—**	**₱3,463.1**
Cash equivalents	**7,125.6**	**—**	**—**	**7,125.6**
Receivables:				
Trade	**588.7**	**91.7**	**161.6**	**842.0**
Advances and nontrade	**32.1**	**—**	**0.6**	**39.7**
AFS Financial Assets:				
Unquoted equity shares	**—**	**248.0**	**—**	**248.0**
Quoted equity shares	**39.0**	**—**	**—**	**39.0**
Derivative Assets	**178.9**	**—**	**—**	**178.9**
	₱11,427.4	**₱339.7**	**₱162.2**	**₱11,929.3**

	2007			
	Neither past due nor impaired			
	Grade A	Grace B	Grade C	Total
Loans and Receivables				
Cash and cash equivalents:				
Cash on hand and in banks	₱1,400.2	₱—	₱—	₱1,400.2
Cash equivalents	2,164.7	—	—	2,164.7
Receivables:				
Trade	543.8	199.2	73.4	816.4
Advances and nontrade	57.7	1.6	—	59.3
AFS Financial Assets				
Unquoted equity shares	—	259.5	—	259.5
Quoted equity shares	31.4	—	—	31.4
Derivative Assets	545.0	—	—	545.0
	₱4,742.8	₱460.6	₱73.4	₱5,276.5

The credit quality of the financial assets was determined as follows:

Cash and cash equivalents, derivative financial assets and available-for-sale financial assets - based on the credit standing of the counterparty.

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

At December 31, the aging analyses of the receivables that were past due but not impaired follow (amounts in millions of pesos unless otherwise indicated):

	2008				
	Past due but not impaired				
	30 days	**60 days**	**120 days**	**More than 120 days**	**Total**
Trade	**₱184.5**	**₱49.0**	**₱10.3**	**₱74.2**	**₱318.0**
Advances and nontrade	**0.1**	**0.3**	**2.1**	**6.0**	**8.5**
	₱184.6	**₱49.3**	**₱80.2**	**₱542.9**	**₱326.5**

	2007				
	Past due but not impaired				
	30 days	60 days	120 days	More than 120 days	Total
Trade	₱227.1	₱45.4	₱20.5	₱1.3	₱294.3
Advances and nontrade	—	1.1	54.2	—	55.3
	₱227.1	₱46.5	₱74.7	₱1.3	₱349.6

Capital Management

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

The Group considers the total stockholders' equity as its capital. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended December 31, 2008 and 2007.

The Group monitors capital using gearing and debt service cover ratios. Gearing ratio is total debt over net worth (total stockholders' equity) where total debt includes long-term debt and loans payable and debt service cover ratio is total debt over EBITDA. Some creditor banks compute gearing ratio as total debt less cash and cash equivalents over net worth and debt service cover ratio as total debt less cash and cash equivalents over EBITDA for the computation of the Group's financial covenants.

The Group's policy is to keep the gearing ratio within two times and the debt cover ratio within four times.

	2008	2007 (As restated - Note 3)
Long-term debt	**₱20,468,271,022**	₱6,034,177,399
Loans payable	**1,297,962,695**	—
Total debt (a)	**21,766,233,717**	6,034,177,399
Less cash and cash equivalents	**10,588,660,900**	3,564,863,096
Net debt	**11,177,572,817**	2,469,314,303
Net worth (b)	**21,294,831,671**	19,224,536,384
EBITDA (c)	**8,736,311,985**	5,986,590,652
Gearing ratio (a)/(b)	**1.02 times**	0.31 times
Debt cover ratio (a)/(c)	**2.49 times**	1.01 times

28. Earnings Per Share Computation

The following table presents information necessary to calculate earnings per share:

	2008	2007 (As restated - Notes 3 and 4.2)	2006 (As restated - Note 3)
Net income attributable to Equity Holders of the Parent (a)	**2,858,855,928**	₱3,289,678,213	₱2,003,442,200
Common shares outstanding at beginning of year	**1,992,066,860**	2,324,669,479	2,324,669,479
Weighted shares issued/cancelled during the year	**—**	(166,301,310)	—
Weighted shares held by subsidiaries	**(17,048,425)**	(267,466,944)	(771,406,761)
Weighted treasury shares	**(74,007,125)**	(51,356,816)	—
Weighted average shares outstanding (b)	**1,901,011,310**	1,839,544,409	1,553,262,718
Effect of dilutive stock options	**80,830,424**	83,823,299	73,678,968
Weighted average shares outstanding adjusted for potential common shares (c)	**1,981,841,734**	1,923,367,708	1,626,941,686
Basic earnings per share (a/b)	**₱1.504**	₱1.788	₱1.290
Diluted earnings per share (a/c)	**₱1.443**	₱1.710	₱1.231

ICTSI Management

Board of Directors

Enrique K. Razon Jr.
Chairman

Jon Ramon Aboitiz
Director
Elected April 2008

Octavio Victor R. Espiritu
Independent Director

Joseph R. Higdon
Independent Director

Jose C. Ibazeta
Director

Stephen A. Paradies
Director

Andres Soriano III
Director

Atty. Rafael T. Durian
Corporate Secretary

Corporate Management

Enrique K. Razon Jr.
President

Edgardo Q. Abesamis
Executive Vice President

Fernando L. Gaspar
Senior Vice President and Chief Administration Officer
Effective April 2008

Martin L. O'Neil
Senior Vice President and Chief Financial Officer

Rafael J. Consing Jr.
Vice President and Treasurer

Susan S. Domingo
Vice President, Enterprise Risk Management and Support Services
Effective September 2008

Earl Eric Nestor H. Ferrer
Vice President, Global IT
Effective September 2008

Christian R. Gonzalez
Vice President and MICT General Manager

Jose Manuel M. de Jesus
Vice President, Business Development
Effective September 2008

Vivien F. Miñana
Vice President and Senior Administration Officer

Brian Oakley
Vice President, Engineering

Joel M. Sebastian
Vice President and Comptroller
Effective September 2008

Francis M. Andrews
Regional Manager – Europe and Middle East
Effective December 2008

Ma. Estella O. Abad Santos
Manager, Business Development – Asia
Effective February 2008

Jesulito Magdaleno R. Cabas
Internal Audit Head

Rico T. Cruz
Manager, Business Development – Asia
Effective April 2009

Aldo Ferrufino
Manager, Civil Engineering
Effective June 2008

Gerard Angelo Emilio J. Festin
Manager, Financial Accounting Systems

Ireneo D. Frilles
Manager, Engineering and Special Projects

Benjamin M. Gorospe III
Manager, Legal Affairs and Risk Management

Filipina C. Laurena
Manager, Special Projects

Gigi T. Miguel
Manager, Liability and Capital
Effective March 2008

Estela T. Occeña
Executive Officer

Catherine D. Panilla
Manager, Financial Reporting
Effective November 2008

Rommel T. Samson
Manager, Reporting, Planning and Analysis

Gareth Scott
Manager, Engineering Projects
Effective September 2008

Narlene A. Soriano
Manager, Public Relations

Julien C. Domingo
Manager, Accounting
Effective January 2007

Maria Rowena R. Gulinao
Manager, Business Analysis and Valuation Services
Effective February 2008

Marc Dominique A. Palaroan
Manager, Civil Engineering
Effective January 2009

Berlin O. Samonte
Manager, Business Applications and Systems Development
Effective April 2008

Reimond Linus B. Silvestre
Manager, Special Projects

Ma. Cristina G. Zulueta
Manager, Special Projects
Effective December 2008

Simonette S. Buenaventura
Corporate Systems Specialist
Effective April 2008

Patricia I. Debuque
Assistant Manager, Corporate Accounting

Anthony Jake V. Duran
Information Systems Auditor
Effective February 2008

Jupiter L. Kalambakal
Assistant Manager, Public Relations

Arsenia D. Magtalas
Assistant Manager, Business Support Services
Effective January 2008

Atty. Lirene C. Mora
Corporate Governance and Risk Management Officer
Effective May 2008

Danielino G. Panganiban
Hyperion Financial Systems Specialist
Effective April 2008

Atty. Roderica B. Reyes
Tax Risk and Compliance Officer
Effective November 2008

Aldrich P. Sabay
Hyperion Financial Systems Specialist
Effective May 2008

Arnie D. Tablante
Assistant Manager, Treasury

ICTSI Ltd.

Enrique K. Razon Jr.
President

Fernando L. Gaspar
Senior Vice President and Chief Administration Officer
Effective April 2008

Paul P.L. Lo
Senior Vice President, Greater China Area

Martin L. O'Neil
Senior Vice President and Chief Financial Officer

Marcelo J. Suarez
Senior Vice President, Americas

Rafael J. Consing Jr.
Vice President and Treasurer

Susan S. Domingo
Vice President, Enterprise Risk Management and Support Services
Effective September 2008

Harsh Khare
Vice President, Europe, Middle East, Africa and Indian Subcontinent

Vivien F. Miñana
Vice President and Senior Administration Officer

Joel M. Sebastian
Vice President and Comptroller
Effective September 2008

Paul Finley
Director Business Development, Africa
Effective July 2008

Gabriello Lee Ching Tim
General Manager, Greater China Area
Effective May 2008

Pablo L. Peñalba
Manager, Business Development

Arthur R. Tabuena
Manager, Finance

Tony Leung
Assistant Project Manager – Greater China Area

Manila International Container Terminal

Christian R. Gonzalez
General Manager

Antonio G. Coronel
Manager, Purchasing

Aurelio C. Garcia
Terminal Manager
Effective April 2009

Leopoldo S. Dela Cruz Jr.
Manager, Management Services and Government Affairs

Joselito V. Feliciano
Manager, Engineering

Rodrigo G. La Chica Jr.
Controller

Christian L. Lozano
Manager, Terminal Services – Anchorage
Effective June 2008

Catherine P. Orellano
Manager, Information Technology Systems and Services

Wilhelmer A. Pumarada
Manager, Budget and Cost Control

Arnold Svahn F. Rivas
Manager, Human Resources Development

Tomas Bonifacio N. Ysip
Manager, Operations – Systems / Process Development

Lilibeth A. Bonga
Manager, Administrative Services

Julio L. Cabral
Manager, CY and CFS Operations

William H. Gutierrez
Manager, Customer Relations

Malou O. Jolejole
Manager, Billing and Documentation

Noel C. Monzon
Manager, Operations Systems / Gates

Jay A. Valdez
Manager, Operations – Planning
Effective January 2008

Raul S. Venturina
Port Facility Security Officer / Manager, Community Relations

Oscar F. Zornosa
Manager, Funds Management

Rene I. Alvarez
Assistant Manager, Engineering

Crizalde L. Carlos
Assistant Manager, ITSS – Technical Infrastructure Services

Juliver V. Llamado
Assistant Manager, Crane Maintenance Section

Barsabias O. Lopez
Assistant Manager, Claims and Insurance

Michael G. Mangay-ayam
Assistant Manager, Controller – Accounting

Elmer D. Merquita
Assistant Manager, Operations

Joel L. Pajuyo
Assistant Manager, Anchorage

Sherwin Y. Sanchez
Assistant Manager, HRD – Compensation, Benefits and Industrial Relations

Juvelyn D. Taasan
Assistant Manager, Credit and Collection

Peter C. Young
Assistant Manager, Billing and Documentation

Bauan International Port, Inc.

Edgardo Q. Abesamis
President

Aurelio C. Garcia
General Manager

Ferdinand Magtalas
Terminal Manager
Effective 2008

Subic Bay International Terminal Corp.

Edgardo Q. Abesamis
President

Reimond Linus B. Silvestre
Acting General Manager
Effective April 2009

Armen C. Manlapat
Terminal Manager
Effective March 2008

Toribio E. Ramos
Administration Manager

Davao Integrated Port Services and Stevedoring Corp.

Edgardo Q. Abesamis
President

Jose Manuel M. de Jesus
General Manager

Julien C. Domingo
Assistant General Manager and Controller
Effective April 2008

Santos C. Bunachita Jr.
Manager, Human Resources Development

Sanieto A. Sebellino
Manager, Operations

Mindanao International Container Terminal Services, Inc.

Jose Manuel M. de Jesus
President / General Manager
Effective June 2008

Rafael G. Lauron
Terminal Manager
Effective January 2009

Jose Mari Fernandez
Manager, Operations
Effective June 2008

Peteford Padla
Head, Engineering & Maintenance
Effective June 2008

Rowena Cabano
Manager, Accounting
Effective June 2008

South Cotabato Integrated Port Services, Inc.

Edgardo Q. Abesamis
President

Gabriel D. Muñasque
General Manager

Timoteo S. Ledesma
Manager, Operations
Effective January 2009

Contecon Guayaquil SA

Luis Cao
Chief Executive Officer

Adrian Agazzi
Director of Services and Technology

Gustavo Cercos
Director of Engineering

Javier Hrycaniuk
Director of Operations

Jose Miguel Muñoz Jimenez
Financing Director

Maritza Arza
Manager, Human Resources

Paulo Cruz
Manager, Customer Service

Vinicio Gaibor
Operations Manager, Planning Area

Claudio Lossa
Operations Manager, Banana Area

Rodrigo Murillo
Manager, Information Technology

Luis Sabatini
Commercial Manager

Pablo Triviño
Operations Manager, Container Area

Rene Narvaez
Manager, Security

Tecon Suape, S.A.

Sergio Kano
Chief Executive Officer

Cristian Lucas Ardanza
Chief Operating Officer

Carlos Roberto Silva Miranda Filho
Chief Financial Officer

Rodrigo Aguiar da Costa Pinto
Chief Commercial Director

Severino Freire Ayres
Manager, Planning

Hilberto Batista de Oliveira Filho
Manager, Operations

Andre Albuquerque dos Santos
Manager, Finance and Administration
Effective March 2008

Fernando Lucato
Manager, Customer Service

Ronaldo Melo
Manager, Engineering

Marco Raposo
Manager, Human Resources

Roberta Costa Siqueira
Manager, Information Technology

Baltic Container Terminal Ltd.

Krzysztof Szymborski
Chief Executive Officer
Effective January 2009

Jan Nowak
Vice President
Effective July 2008

Andrzej Kujoth
Chief Commercial Officer

Adam Kaliszewski
Chief Financial Officer

Kazimierz Giczkowski
Manager, Engineering
Effective February 2009

Michal Kuzajczyk
Manager, Marketing and Sales
Effective September 2008

Marek Szyller
Manager, Operations

Wojciech Szymulewicz
Manager, Information Technology

Jadwiga Danowska
Manager, Human Resources & Payroll

Batumi International Container Terminal LLC

Frank Carter
Chief Executive Officer and General Manager
Effective May 2008

Benjamin D. Rosario
Finance Manager

Rafael G. Nieto
Terminal Manager

Tom Goodwin
Engineering Manager

Marlon G. Caburnay
Operations Manager
Effective April 2008

Christopher Magat
Billing Manager

Sophico Megrelishvili
Chief Accountant

Ketevan Oragvelidze
Human Resource Manager

Madagascar International Container Terminal Services Ltd.

Gassen C. Dorsamy
Chief Operating Officer and General Manager

Antonio M. Andrade
Chief Financial Officer
Effective February 2008

Guido Dempewulf
Manager, Technical

Lalaharimbola Rakotoarisoa
Manager, Accounting

Michael Ratrimo
Terminal Manager

Glenn D. Urdaneta
Manager, Yard and Marine

Mamy Razafimaharo
Manager, Risk and Safety

Boungnavanh Rafidimanana
Purchasing Officer

Zafitsara Prisca Rakotovao
Manager, Human Resources Development

Tartous International Container Terminal jsc

Romeo A. Salvador
Chief Executive Officer and General Manager
Effective August 2008

Russell Mitchell
Engineering Manager

Augusto D. Oblego Jr.
Terminal Manager

Houssam Haddad
Operations Manager

Nashaat Kourdy
Accounting Manager

Rana Samaan
Billing and Collections Manager

PT Makassar Terminal Services

Lasmar L. Edullantes
President Director / Chief Executive Officer

Ruben Enesio
Director, Accounting & Finance Administration

Sangkala Pawakka
Director, Operations & Business Development

Naha International Container Terminal, Inc.

Edgardo Q. Abesamis
President

Capt. Naoki Yamauchi
General Manager
Effective July 2008

Hiroshi Hiranaka
Officer in Charge, Operations

Yantai Rising Dragon International Container Terminals Ltd.

Apollo Zhou
General Manager

Sherry Liu
Deputy General Manager

Kirsten Zhang
Deputy General Manager

Shiti Pang
Director, Operation

Alfred Sun
Marketing Director

Eric Zheng
Deputy Manager, Finance

Daniel Xia
Manager, Finance and Administration

Leo Liu
Manager, Engineering

Steven Zhang
Manager, Operation

Lin Jianzhong
Manager, CFS
Effective January 2008

Arron Gai
Manager, Equipment Operation
Effective March 2008

Adam Hao
Manager, Safety and Security

Cathy Wang
Manager, Human Resources Department

Baoping Zhu
Manager, Information Technology
Effective March 2008

Sociedad Puerto Industrial de Aguadulce, S. A.

Ricardo Eastman De La Cuesta
General Manager

Rafael Emilio Hurtado
Chief Financial Officer
Effective November 2008

David Fernando Rubiano
Purchasing Chief
Effective December 2008

Manuel Buendia
Project Manager
Effective November 2008

Alba Lucia Rodallega
Accounting Chief

Javier Moya
Planning Chief

Juan Solano
Equipment Manager

Australia International Container Terminals Ltd.

Richard Setchell
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