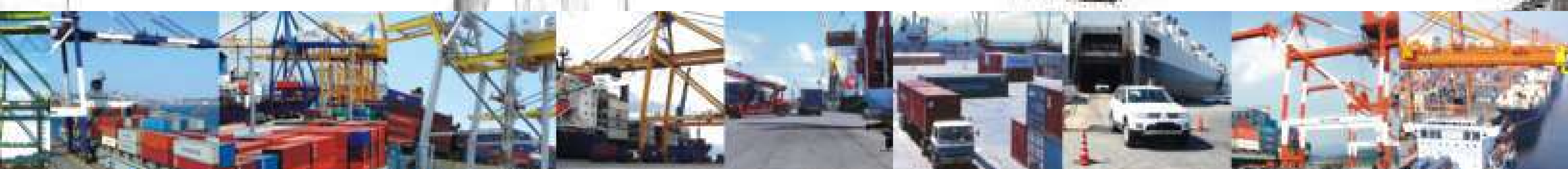
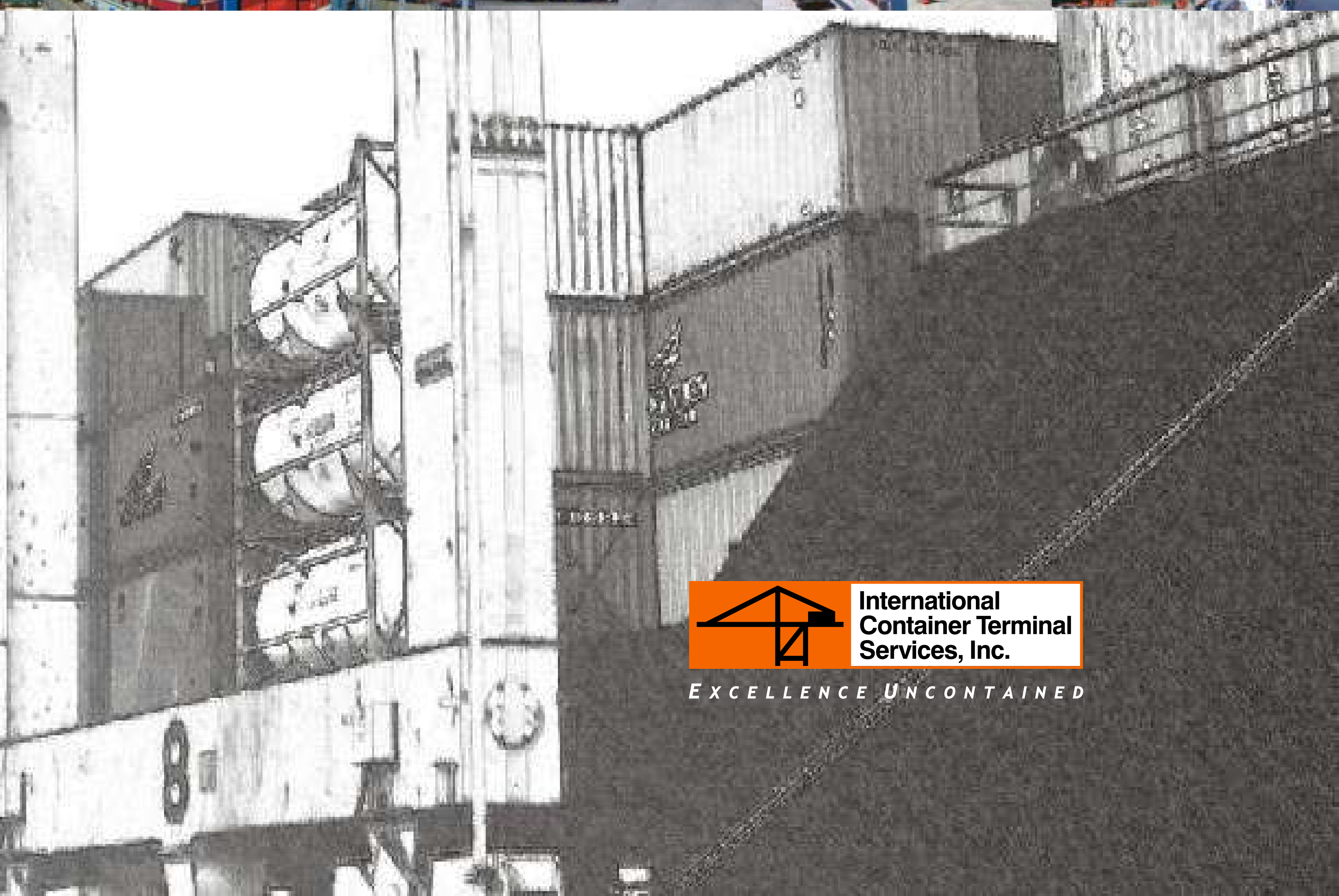
Annual Report 2009





International Container Terminal Services, Inc.

EXCELLENCE UNCONTAINED

Contents

The Chairman's Report

In 2009, the world saw the first full year decline in global trade since the end of the Second World War, and as a consequence, our annual results reflect this difficult and trying period.

Prior to the first quarter of 2009, we were already prepared with a plan to deal with the crisis, having witnessed the unprecedented collapse in almost all types of credit on a global basis.

Our highest priority was the implementation of cost cutting measures and the preservation of capital, putting on hold all major capital expenditures for the rest of the year. As the year went by, the global economy showed signs of stabilizing as massive injections of liquidity by the world central banks started taking effect, restoring liquidity to the credit markets. The huge bailouts of the world's largest banks likewise contributed to the stabilization. By the last quarter of 2009, we saw the first signs of year-on-year growth, albeit from a much lower base.

Overall, consolidated volumes decreased by 4.8 percent, from 3,734,892 TEUs in 2008 to 3,557,256 in 2009. In Asia, Philippine operations posting volume declines were the Manila International Container Terminal (MICT), ICTSI's flagship terminal, by 7.8 percent, Subic Bay International Container Terminal Corp. (SBITC) by 9.9 percent, and PT Makassar Terminal Services (MTS) in Indonesia by 5.9 percent.

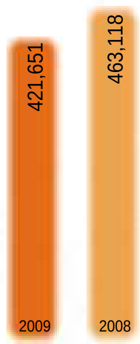
In the Americas, Tecon Suape, S. A. (TSSA) in Brazil posted a 14.6 percent decrease, while operations in Europe, Middle East and Africa (EMEA) reported declines at the Baltic Container Terminal (BCT) in Poland by 48.5 percent, Batumi International Container Terminal LLC in Georgia y 80.1 percent, and Madagascar International Container Terminal Services, Ltd. (MICTSL) in Madagascar by 7.7 percent.

On the other hand, there were bright spots as several of our operations did grow year–on-year. In the Philippines, Davao Integrated Port and Stevedoring Services Corp. (DIPSSCOR) grew by 16.2 percent. With its consolidation beginning 2008, South Cotabato Integrated Port Services, Inc. (SCIPSI) in Gen. Santos City posted a 12 percent increase. Mindanao International Container Terminal Services Inc. (MICTSI) in Misamis Oriental, which had its first full year of operation in 2009, increased by 7.7 percent.

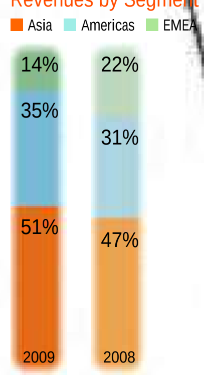
Outside the Philippines, volume handled by Yantai Rising Dragon International Container Terminals Ltd. (YRDICT) in China jumped 23 percent. In the Americas, Contecon Guayaquil SA (CGSA) in Ecuador reported a 5.9 percent increase. For EMEA, Tartous International Container Terminal jsc (TICT) in Syria was up 53.4 percent. Naha International Container Terminal, Inc. (NICTI) in Japan, whose volume is not consolidated in ICTSI, posted a 17 percent increase.

Asian operations accounted for 63.2 percent of consolidated volume with Philippine terminals contributing 54.9 percent. Despite the volume decrease, the MICT remained the largest contributor at 39.2 percent, equivalent to 1,395,925 TEUs. This was followed by CGSA at 17.6 percent, bringing in 624,783 TEUs. Volume from the Americas accounted for 24.7 percent, and EMEA for 12.1 percent.

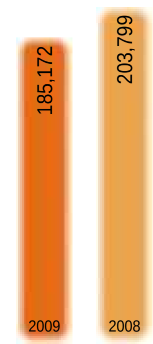
Consolidated Revenues
USD'000



Revenues by Segment



Cash Operating Expenses
USD'000



Financial Highlights

Beginning 1 January 2009, as you are aware, ICTSI began presenting its financial statements in US dollars as we changed our functional and reporting currency from Philippine peso to US dollar. For comparative purposes, 2008 full year results were also translated to US dollars. ICTSI now also reports financial results based on its main geographic regions: Asia, Americas, and EMEA.

Full year gross revenues from port operations decreased by 9 percent to US$421.7 million, as compared to US$463.1 million reported in 2008. This includes the lower revenue contribution from the Group's five key terminal operations in Manila, Brazil, Poland, Ecuador, and Madagascar, which decreased by 12 percent collectively, from US$428.9 million in 2008 to US$378.1 million in 2009. Consolidated yield per TEU for the full-year dropped 4 percent to US$119, from US$124 in 2008 mainly due to the currency weakness relative to the US dollar in countries where the Group operates in.

Revenue contribution from container terminal operations in Asia decreased 2 percent, from US$219.1 million in 2008 to US$213.8 million in 2009. The drop in gross revenue is mainly due to the decline in volume at the MICT and a weaker Philippine peso versus the US dollar in 2009 compared to 2008. Asian port operations contributed 51 percent to ICTSI's full year consolidated gross revenues.

Full year revenue contribution from container terminal operations in the Americas was 2 percent higher for the full year 2009 at US$147.4 million compared to US$144.9 million in 2008. The increase in gross revenue mainly resulted from the double-digit growth posted by CGSA for the year. Revenue contribution from the Company's ports in the Americas equaled 35 percent of ICTSI's full year consolidated gross revenues.

The Group's EMEA operations, which accounted for 14 percent of the Company's revenue for the year, fell 39 percent, from US$99 million in 2008 to US$60.5 million in 2009. The revenue contribution decline from the EMEA segment was principally due to the decline in revenues in the Company's terminals in Poland, Madagascar, and Georgia.

Total consolidated cash operating expenses for the year decreased 9 percent to US$185.2 million, from US$203.8 million in the same period in 2008 due principally to the cost containment measures successfully implemented by all ICTSI terminals and cost centers. The decrease in manpower, fuel, equipment, and utilities consumption is related to the volume contraction. The impact of cost containment measures implemented across all terminals was also a factor for the decrease in cash operating expenses.

Consolidated earnings before interest, taxes, depreciation and amortization (EBITDA) declined 11 percent to US$175.7 million in 2009, from US$196.4 million in 2008 due mainly to the volume contraction resulting from the global economic slump and the unfavorable volume and revenue mix in 2009. Consolidated EBIDTA margin for full year 2009 was relatively flat at 41.7 percent compared to the 42.4 percent in the same period in 2008.

Net income attributable to equity holders stood at US$54.9 million, down 15 percent over the US$64.2 million earned last year. This drop was mainly due to lower volume brought about by the decline in global trade, higher interest expense due to higher debt level, and higher depreciation expense associated with continued investment in the Company's container handling capacities. These negative impacts were partially mitigated by a reduction in cash operating expenses.

Consolidated financing costs and bank charges increased by 29 percent to US$21.8 million compared to last year's US$16.8 million due mainly to higher average debt levels in 2009. Average interest-bearing debt increased by 48 percent from US$302.1 million in 2008 to US$446.0 million in 2009. The effective tax rate for the full year declined to 35 percent from 40 percent in the same period of the previous year. The drop in the Group's effective tax rate was mainly due to the decline in pre tax income resulting from the reduction in volume and change in corporate income tax rate of ICTSI's Philippine terminals, from 35 percent in 2008 to 30 percent in 2009.

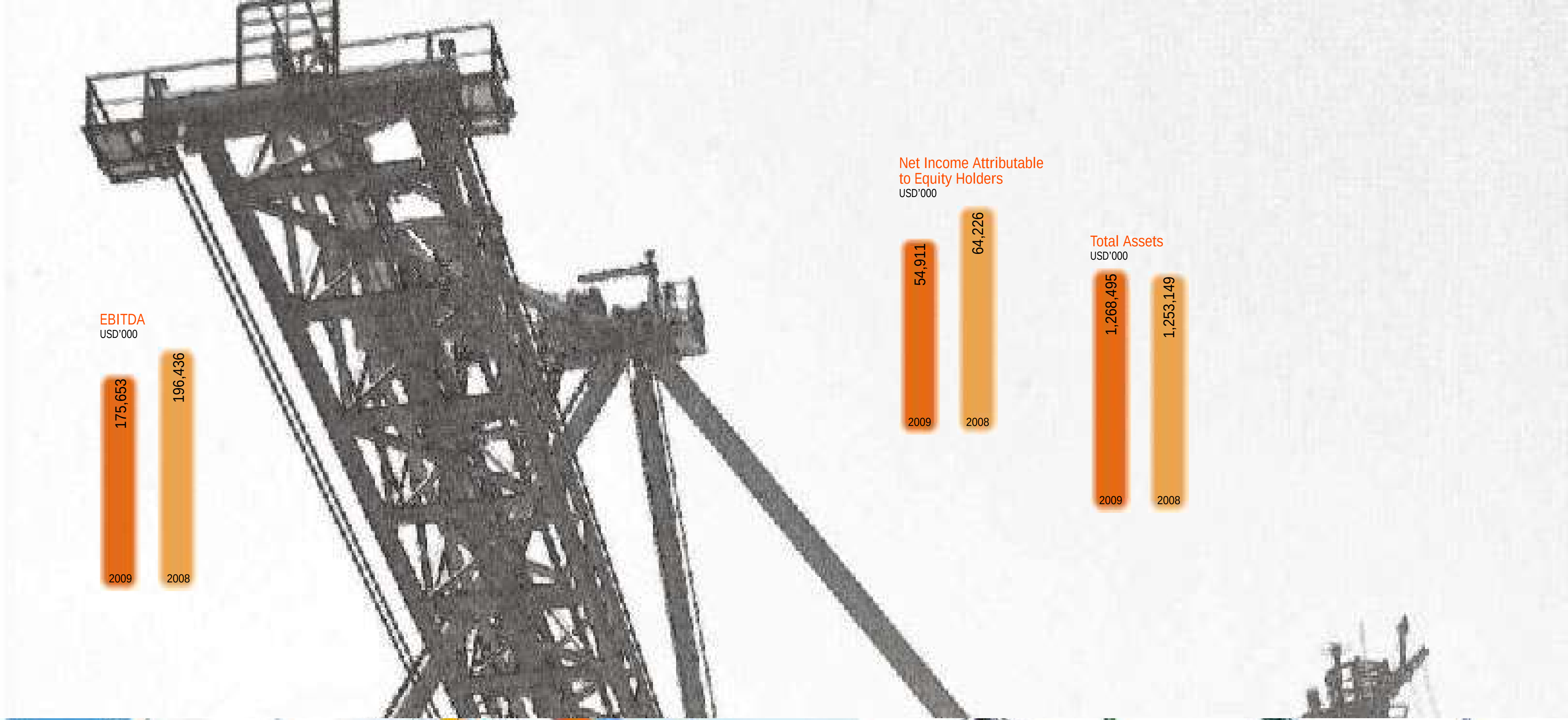
In 2009, ICTSI's capital expenditure amounted to US$119 million, the bulk of which were for CGSA's acquisition of container handling equipment and civil works in order to expand handling capacity and improve operating efficiency, and for Berth 6 in Manila. In 2010, the total estimated consolidated capital expenditure is approximately US$123 million mainly for Manila, Brazil, Ecuador, and Madagascar.

To refinance the Company's liabilities, ICTSI in April 2009 signed a US$40 million five-year term loan with Metropolitan Bank and Trust Co., while in May, the Company signed a US$150 million three-year loan from seven banks: Bank of Tokyo-Mitsubishi UFJ Ltd., Calyon, Hongkong and Shanghai Banking Corp. Ltd., Australia and New Zealand Banking Group Ltd., Chinatrust (Philippines) Commercial Banking Corp., Citibank N.A., and Mizuho Corporate Bank Ltd. The latter loan was used to refinance the outstanding balance of ICTSI Capital BV's US$250 million revolving and term facility due in December 2010. This resulted in ICTSI having no substantial debt repayments until 2011. In December, the Company signed an additional US$100 million five-year term loan with Banco De Oro, of which only US$25 million was drawn, used for general corporate requirements.

Expansion

Amidst the deep recession, the highlights of the year in review were our official takeover of the Muara Container Terminal (MCT) in Brunei Darussalam, and our re-entry into Mexico when we won the container terminal project in Manzanillo, Mexico's busiest port.

In May, we signed agreements with the Sultanate of Brunei Darussalam for the operation and maintenance of the MCT. The agreements authorized ICTSI, through subsidiary New Muara Container Terminal Services Sdn. Bhd., to operate the terminal for four years, which may be extended for one year at a time, for a maximum of two years. The MCT is the second project of ICTSI in Brunei.



In 2008, the Company signed a Memorandum of Understanding with the Brunei government for the design, construction and development of a new container terminal in an island at the Port of Muara. The project is expected to be completed in 2012.

In November, Administracion Portuaria Integral de Manzanillo S.A. declared ICTSI the winner of a 34-year concession for the development and operation of a second specialized container terminal at the Port of Manzanillo. The concession agreement is being drawn up, and takeover of the terminal is scheduled on 1 July 2010. The project covers an area of 77 hectares with 1,080 meters of seafront. The development of the facility will be done in three phases. First phase will involve 42 hectares with 720 meters of quay. Completion of the first phase is expected in three years.

As of date, we are now involved in 20 port projects worldwide: nine in Southeast Asia including the Philippines, two in East Asia, five in Latin America, two in Eastern Europe, and two projects in the Middle East and Africa.

I must say that the Company performed well beyond all our expectations given the severity of the recession.

Citations

ICTSI's performance during the recession period was not left unnoticed by our colleagues in the business community as we were cited to be among the Philippines' best managed companies by Hong Kong-based Finance Asia magazine. The Company was also a finalist for the prestigious Port Operator of the Year Award by Lloyd's List. ICTSI was also ranked third in the Philippines and 39th in ASEAN in the region's 100 Relative Wealth Added Index by New York-based business adviser Stern Stewart & Co. Meanwhile, London-based World Finance magazine's Syria Economic Reform Awards recognized Tartous International Container Terminal as the Best Container Terminal Manager in its December 2009-January 2010 issue.

2010 Outlook

If our performance in the last quarter of 2009 was any indication, we expect brighter prospects for 2010. However, I cannot say with any degree of confidence that the global economy will be any better in 2011.

The road to recovery from the recession is sluggish and uneven at best, but we are making the best out of this situation. The global downturn has shut the doors of many businesses, but it has also opened a lot of unprecedented opportunities. We shall be on the lookout for these prospects, and make decisions – but as always, we will be prudent. The recession proved once again that it pays to be far sighted and to keep in mind value rather than immediate gains. It has, likewise, reminded us never to let our guards down, and always keep in mind the basic business foundations of efficiency and responsibility.

I thank the hardworking men and women of ICTSI all over the world. I thank our clients for your continued patronage, our business partners in both private and public sector for your steadfast confidence, and of course you, our stockholders, for your continued trust and faith in our Company.

Thank you.

Enrique K. Razon Jr.
Chairman and President

Review of Operations

INTERNATIONAL CONTAINER TERMINAL SERVICES, INC.

"The global economy is beginning to pull out of a recession unprecedented in the post-World War II era, but stabilization is uneven and the recovery is expected to be sluggish," says the International Monetary Fund (IMF) in its World Economic Outlook report in July 2009. The IMF added that, despite positive signs, the global recession was not over, and the recovery was expected to be slow.

International Container Terminal Services, Inc. (ICTSI) braced for the worst-case scenario in 2009. Global trade was on a decline and currencies where the Company operates continued to depreciate. Despite the setbacks, ICTSI, through cost containment measures, optimization of manpower and resources and sound judgment, was able to keep at bay the full impact of the global recession.

Consolidated volume decreased by a mere 4.8 percent, from 3,734,892 TEUs in 2008 to 3,557,256 in 2009. In Asia, Philippine operations posting volume declines were the Manila International Container Terminal (MICT), ICTSI's flagship terminal, by 7.8 percent, and NCT-1 in Subic Bay Freeport by 9.9 percent. Elsewhere in Asia, Makassar Container Terminal in Indonesia went down by 5.9 percent. In the Americas, Suape Container Terminal in Brazil posted a 14.6 percent decrease. Operations in Europe, Middle East and Africa (EMEA), reported declines in Baltic Container Terminal in Poland, Batumi International Container Terminal in Georgia and Madagascar International Container Terminal in Madagascar by 48.5 percent, 80.1 percent and 7.7 percent, respectively.

Volume increases, however, were posted in other operations. In Asia, Philippine operations in Sasa Wharf in Davao grew by 16.2 percent. Year-on-year, Mindanao Container Terminal in Misamis Oriental grew by 7.7 percent, and Makar Wharf in Gen. Santos City by 12.0 percent. Still in Asia, Yantai Rising Dragon International Container Terminal in China climbed to 23.0 percent. In the Americas, Guayaquil Container and Multipurpose Terminals in Ecuador grew by 5.9 percent. In EMEA, Tartous International Container Terminal in Syria increased by 53.4 percent. Naha International Container Terminal in Japan, whose volumes are not consolidated, posted a 16.8 percent increase.

Asian operations accounted for 63.2 percent of consolidated volumes with Philippine terminals contributing 54.9 percent. MICT, despite the volume decrease, remained the largest TEU contributor at 39.2 percent, equivalent to 1,395,925 TEUs, followed by Guayaquil at 17.6 percent or 624,783 TEUs. Volumes from the Americas accounted for 24.7 percent, and EMEA for 12.1 percent.

Highlights of the year included ICTSI's official takeover of the Muara Container Terminal (MCT) in Brunei Darussalam in May, and the re-entry of ICTSI in Mexico when it won a container terminal project in Manzanillo, Mexico's busiest port, in November.

March – Baltic Container Terminal Ltd. wins the Bronze Emblem of Quality International from the jury of Forum Jakosci Quality International 2009 competition

In May, ICTSI signed agreements with the Sultanate of Brunei Darussalam for the operation and maintenance of the MCT. The agreements authorized ICTSI, through subsidiary New Muara Container Terminal Services Sdn. Bhd., to operate the terminal for four years, which may be extended for one year at a time, for a maximum of two years. The MCT is the second project of ICTSI in Brunei. In 2008, the Company signed a Memorandum of Understanding with the Brunei government for the design, construction and development of a new container terminal in an island at the Port of Muara. The project is expected to be completed in 2012.

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Credit lines remained open to ICTSI, signifying trust and confidence in the Company's fiduciary and financial management. To refinance the Company's liabilities, ICTSI signed in April 2009 a US$40 million five-year term loan with Metropolitan Bank and Trust Co. In May, the Company signed a US$150 million three-year loan from seven banks: Bank of Tokyo-Mitsubishi UFJ Ltd., Calyon, Hongkong and Shanghai Banking Corp. Ltd., Australia and New Zealand Banking Group Ltd., Chinatrust (Philippines) Commercial Banking Corp., Citibank N.A., and Mizuho Corporate Bank Ltd. The latter loan was used to refinance the outstanding balance of ICTSI Capital BV's US$250 million revolving and term facility due in December 2010. This resulted in ICTSI having no substantial debt repayments until 2011. In December, the Company signed an additional US$100 million five-year term loan with Banco De Oro, of which only US$25 million was drawn, used for general corporate requirements.

To support marketing efforts of the Company's global business development offices, ICTSI participated in the ASEAN Ports and Shipping Conference in Jakarta, Indonesia in June, Coastlink Conference in Tallinn, Estonia in June, First Port Cities Exhibit in Guayaquil in August, 35th Philippine Business Conference in Manila in October, and the Thai Ports and Shipping Conference in Bangkok, Thailand in October.

ICTSI continued to receive global recognition. In May, ICTSI was ranked 10th among the Philippines' best managed companies by Hong Kong-based Finance Asia magazine, while in June, the Company was a finalist for Lloyd's List Port Operator of the Year Award. In July, ICTSI ranked third in the Philippines and 39th in ASEAN in the region's 100 Relative Wealth Added Index by New York-based business adviser Stern Stewart & Co. In December, London-based World Finance magazine's Syria Economic Reform Awards recognized Tartous International Container Terminal as the Best Container Terminal Manager in its December 2009-January 2010 issue.

At the close of 2009, ICTSI was involved in 20 operating concessions and development projects in 14 countries.

30 April – ICTSI receives the Special Award for Outstanding Achievement in Industrial Peace and Harmony from the Employers Confederation of the Philippines

OPERATIONS IN ASIA

Manila International Container Terminal

Manila International Container Terminal (MICT), the Philippines' leading international trading gateway and the flagship terminal of ICTSI, posted a 7.8 percent decrease in volume, from 1,513,543 TEUs in 2008 to 1,395,925 TEUs in 2009. Despite the decrease, the MICT maintained 65.0 percent of the container market share in the Port of Manila.

In the midst of the economic downturn, the MICT banked on its efficiency, customer focus and cost-containment measures to maintain its operational advantages over competition; while costs were cut, existing manpower and equipment were optimized. At the same time, the terminal took in as much business as it could. All these enabled the MICT to weather the economic storm in 2009.

The terminal serviced a total of 2,009 vessels, 41 of which were maiden calls and five were maiden voyages. The MICT also welcomed two new shipping line clients: Meico Shipping and Bengal Tiger Line.

Improvements in the terminal included the installation of eight new Noell rubber tired gantries (RTG), bringing to 40 MICT's RTG fleet. Meanwhile, the heights of existing RTGs were raised to one over five high for denser stacking, enabling MICT to accommodate more containers. The RTG upgrades further boosted the terminal's handling capacity.

In November, the MICT opened a new Billing Center annexed to the ICTSI Administration Building for the convenience of its customers. The billing and tellering facility features comfortable and wide receiving and waiting areas for port users transacting business at the MICT. An electronic queuing system was implemented to ensure the orderly movement of human traffic while reducing transaction time.

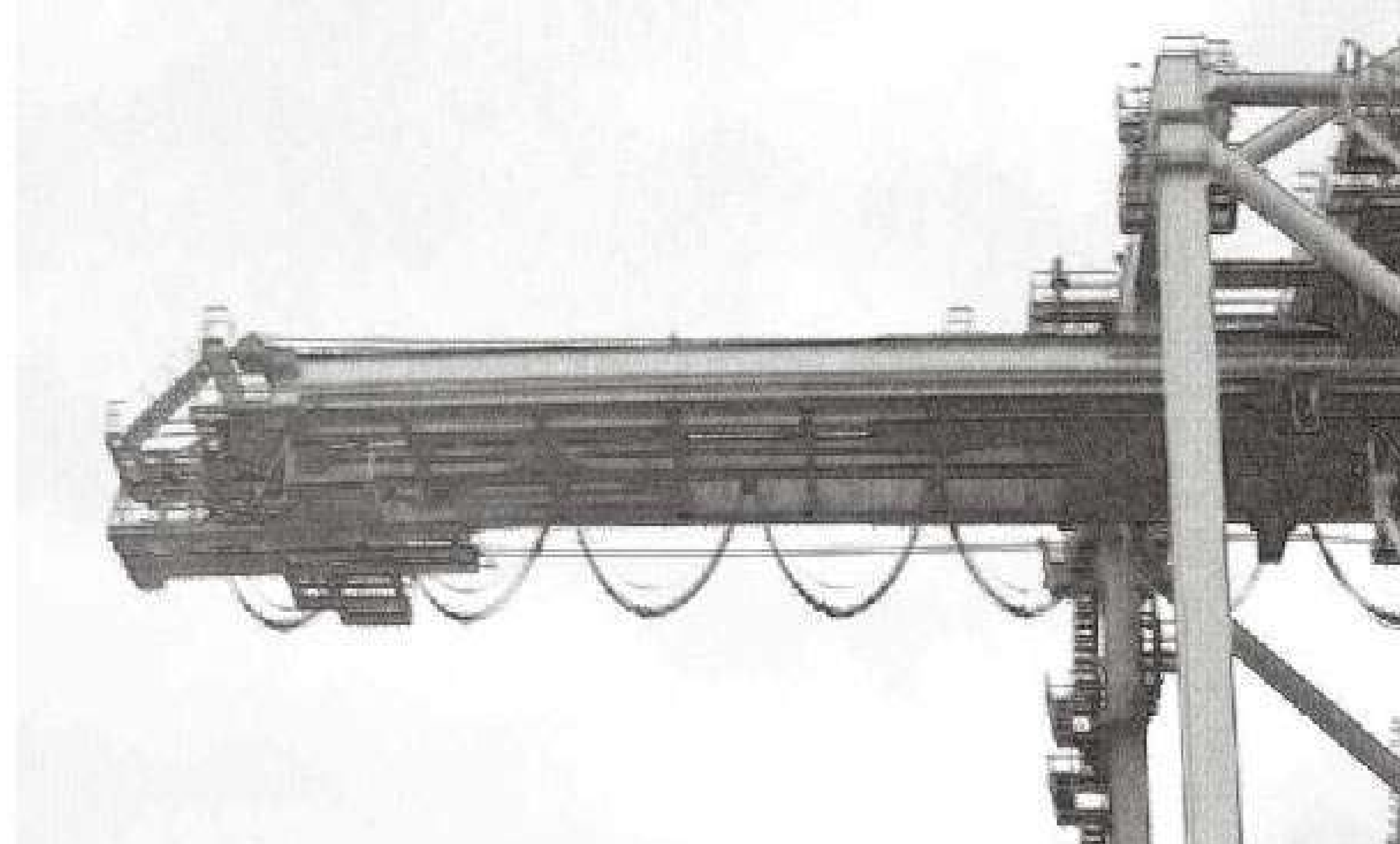
On the IT front, Ariba Sourcing 9r1, the latest release of MICT's sourcing management solution, was rolled out. A new feature of the updated Ariba is the home dashboard page, which has a rich library of content items and tabs that can be set at system and user levels. MICT's SAP Human Capital Management, and Financial and Controlling modules, on the other hand, were upgraded, thus further enhancing MICT's financial and human resources functions.

The MICT successfully integrated the Philippine Bureau of Customs' (BOC) Electronic to Mobile (E2M) module into MICT's current system to ensure more efficient and convenient transactions for all port users. E2M has improved trade facilitation among the BOC, MICT, port stakeholders, and other government agencies. A web-based technology, E2M allows Customs officers and traders to facilitate transactions, from Customs declarations to cargo manifests and transit documents via the internet.

Industrial peace continued between management and the terminal's trade union despite the growing economic uncertainties and spiraling cost of living. Early in 2009, employees showed support to management, when union leaders agreed to maintain existing pay levels. During negotiations on the existing collective bargaining agreement, both parties reached an agreement whereby minimum increases would be given, with bigger increases coming into play only if certain volume levels were achieved over the following years. In addition, overtime work was controlled and minimized where possible.

In April, the Employers Confederation of the Philippines (ECOP) conferred on ICTSI, through MICT's Human Resources Department, the Special Award on Outstanding Achievement in Industrial Peace and Harmony during the 30th National Conference of Employers. ICTSI was also a finalist in ECOP's Kapatiran sa Industriya or KAPATID Awards, a biennial award given to a Philippine company promoting industrial peace and harmony, quality and productivity, social accountability and strategic partnership for progress.

With the global economy showing signs of recovery, the MICT stands prepared to be a key player in spurring the economic rebound of the Philippines.



May – ICTSI is cited for the fourth time by Hong Kong-based Finance Asia as one of the best managed companies in the Philippines. ICTSI placed in three of the survey's seven categories: fifth in best investor relations, sixth in most committed to a strong dividend policy, and 10th in the best managed category.

Subic Bay International Terminal Corp.

Subic Bay International Terminal Corp. (SBITC), manager and operator of the New Container Terminal-1 (NCT-1) in Subic Bay Freeport, Philippines, handled 26,026 TEUs in 2009, a 9.9 percent decrease from the 28,889 TEUs it handled in 2008. The decline was due to the global recession and slowing trade.

Despite the volume decline, SBITC was able to increase volumes from the Freeport and locators from neighboring economic zones particularly containers from Trust Industrial Paper Corp. and Yokohama Tires Philippines, Inc. The two locators started using the NCT-1 in 2009.

A new terminal operation system (TOS) was installed and implemented. The Navis SPARCS N4 system includes wireless infrastructure complete with handheld data terminals, data centers with servers to run all applications, fiber optic connectivity from yard to the data center. Part of Zebra Enterprise Solutions, the new TOS is the industry's most scalable, open, deployable, adaptable and maintainable system available today.

SBITC continues to beef up its marketing efforts to invite industries in the northern Luzon hinterland to use the NCT-1 as well as to entice shipping lines to consider the terminal as an alternative hub and logistics center for the region.

Bauan International Port, Inc.

Bauan International Port, Inc. (BIPI), manager and operator of the Bauan Terminal in Batangas, posted a 5.2 percent increase in cargo volume handled, from 393,913 billable tons (BT) in 2008 to 414,453 BT in 2009.

The increase was mainly driven by growing roll-on, roll-off cargo in the terminal, which increased by 32.0 percent. BIPI handled a total of 28,364 completely built-up units (CBU), up by 27.0 percent compared with 22,371 CBUs handled over last year.

The 2009 volumes are the most handled by the port since it began handling CBUs in 2003. Import volume grew 36.0 percent mostly due to the surge in Mitsubishi vehicles. On the other hand, exports grew by 5.0 percent as Ford Philippines continues to develop its export market.

Terminal facilities were enhanced with the installation of a 15-meter high protective net fence along the car compound perimeter, and the opening of a second pre-delivery inspection (PDI) facility inside the terminal. The PDI, operated by NYK Logistics for Mitsubishi vehicles, can process 325 units at any given time.

Plans are underway to expand the car compound to another 7,300 square meters, increasing the storage capacity by an additional 450 CBUs, and to install a perimeter fence on the south and east portion of the compound.

BIPI expects volume to increase with more project cargo coming from AG&P and more rolling cargo with the introduction of new car models in the Philippine automobile market as a result of the improving local economy.

5 May – Philippine President Gloria Macapagal-Arroyo visits Tartous International Container Terminal in Syria – the first Philippine President to visit the country. The visit underscored economic ties between Syria and the Philippines through the investment of ICTSI in TICT.

South Cotabato Integrated Port Services, Inc.

South Cotabato Integrated Port Services, Inc. (SCIPSI), cargo handler at the Makar Wharf in Gen. Santos City in southern Philippines, posted a 12 percent increase in containerized cargo handled, from 115,019 TEUs in 2008 to 130,806 TEUs in 2009. Non-containerized cargo, on the other hand, decreased by 14.9 percent, from 430,159 metric tons (MT) in 2008 to 366,041 MT in 2009.

Growing foreign trade in Gen. Santos City and South Cotabato and Saranggani provinces drove the increase in container volumes. During the year in review, fruit grower, Dole Philippines, shifted its fruit shipment to Makar Wharf from nearby Calumpang Wharf and the Port of Davao. On the other hand, the drop in non-containerized cargo was due to declines in the roll-on, roll-off cargo segment as well as rice importations by the Philippine National Food Authority.

In 2009, improvements in equipment and facilities included the purchase of two new spreaders, fabrication of a fully automated hopper unit, and the rehabilitation of two weighing scale concrete platforms.

In May, SCIPSI was re-certified compliant with three ISO systems for its Integrated Management System (IMS). The terminal's IMS is composed of ISO 9001:2008 Quality Management System, ISO 14001:2004 Environment Management System and OHSAS 18001:2007 Occupational Health and Safety System. Management, together with labor union, SAMAGEWU-TUPAS, successfully passed the audit by AJA Registrars.

In June, the People Management Association of the Philippines certified SCIPSI as compliant to the Investors in People (IiP) standard, the first cargo handler in the country to be IiP certified. The IiP certification is an internationally recognized standard that helps improve organizational performance through its people.

SCISPI maintained its zero accident and lost time injury status for the past seven years largely because of safety awareness in the workplace that continued to be cascaded through regular toolbox meetings, safety drills and training on emergency response, road safety, life support and occupational safety and health. In November, the Philippine Bureau of Working Conditions of the Department of Labor and Employment recognized this achievement by conferring on SCIPSI the Safety Milestone (SMILE) Recognition Award.

Cooperation between management and the union was recognized in November when the National Conciliation and Mediation Board awarded SCIPSI and SAMAGEWU-TUPAS with a citation as Best Labor-Management Cooperation Practitioner for Region XII.

Next to Davao, the Port of Gen. Santos is seen as the next important trading gateway for Philippine fruits. SCIPSI is committed to further improve productivity and services to facilitate this export as well as the trading of other commodities.

12 May – Contecon Guayaquil SA receives four ISO certifications from the Bureau Veritas of Ecuador, becoming the first Latin American container port to be ISO certified

Davao Integrated Ports & Stevedoring Services Corp.

Davao Integrated Ports & Stevedoring Services Corp. (DIPSSCOR), cargo handler at the Sasa Wharf, International Port of Davao in southern Philippines, handled 284,237 TEUs in 2009, a 16.2 percent increase from the 244,521 TEUs handled in 2008. The increase was a result of improving banana trade in Mindanao, and increased domestic traffic.

During the year, traders started shifting the transport of bananas from reefer ships to reefer containers, a safer and more cost efficient method of shipping the commodity. The Philippines is the world's third largest exporter of bananas. Ecuador is the leading exporter followed by Costa Rica.

DIPSSCOR serviced 527 ships calls, 15 of which were maiden calls. Three shipping lines joined Sasa's growing client portfolio: K Line, Sea Consortium and CB Ships Services Corp. DIPSSCOR now holds 73.0 percent of the container market in the Port of Davao.

Equipment acquisition for the year included a reach stacker, two units of 20-foot spreaders and two units of 40-foot spreaders.

In February, Philippine President Gloria Macapagal-Arroyo inaugurated Sasa Wharf's expansion area consisting of a 113-meter additional berth with a 3,179 square meter reinforced concrete apron, and a 1.3 hectare unpaved back-up area. With the expansion, the terminal now has a 1,093 meter berth and a container yard of 6.6 hectares.

In March, the Philippine Ports Authority approved a designated container yard (CY) for DIPSSCOR within the terminal. The Company was assigned two hectares of CY, which can accommodate an annual throughput of 280,000 TEUs opposite Berths 6 to 9. Offices were also constructed in the CY.

DIPSSCOR successfully renewed its ISO 0991:2008 quality management certification on its third year after a surveillance audit by Societe Generale de Surveillance (SGS) Philippines.

Training on safety awareness, work ethics, leadership, productivity and communication skills continued to be implemented.

Plans are underway to introduce mobile harbor crane (MHC) operations in the terminal. DIPSSCOR conducted structural testing at Sasa's quay for an MHC. The planned container handling equipment is seen to further improve productivity and service delivery in southern Philippines' leading international gateway.

22 May – ICTSI signs a Service Agreement and a Hand-Over Agreement for the operation and maintenance of the Muara Container Terminal in Brunei Darussalam

Mindanao International Container Terminal Services Inc.

On its first full year of operation, Mindanao International Container Terminal Services Inc. (MICTSI), operator of the Mindanao Container Terminal (MCT) at the Phivedec Industrial Estate in Misamis Oriental, handled 118,684 TEUs in 2009. MICTSI took over operations of the MCT in June 2008, and handled 61,461 TEUs during that six-month period.

During the year, MICTSI welcomed a new client, Mariana Express Lines Ltd., while American President Lines started transferring its calls to the MCT. This development signifies the terminal's readiness to shift from servicing domestic trade to foreign trade. On its first full year of operation, MCT's container market share in the area was at 55.0 percent.

To improve service delivery, a new reach stacker was deployed in the terminal. The terminal operations unit, on the other hand, was transferred to the MCT control tower. On the commercial side, MICTSI expanded its empty container storage and services, through its Empty Container Pool, and gave clients competitive rates for lift-on, lift-off and storage services.

On the IT front, the Integrated Computer-Aided Maintenance system was rolled out in July, improving MICTSI's inventory management, purchase of spare parts and maintenance of container handling equipment.

Technical training programs for maintenance and port operations were implemented. These included programs on safety covering pollution control, basic life support and standard first aid. MICTSI also conducted fire prevention and bomb threat dr

MICTSI was among 41 participants in the First Cagayancon, a construction trade event, which provided the Company the opportunity to introduce itself and network with the region's construction sector.

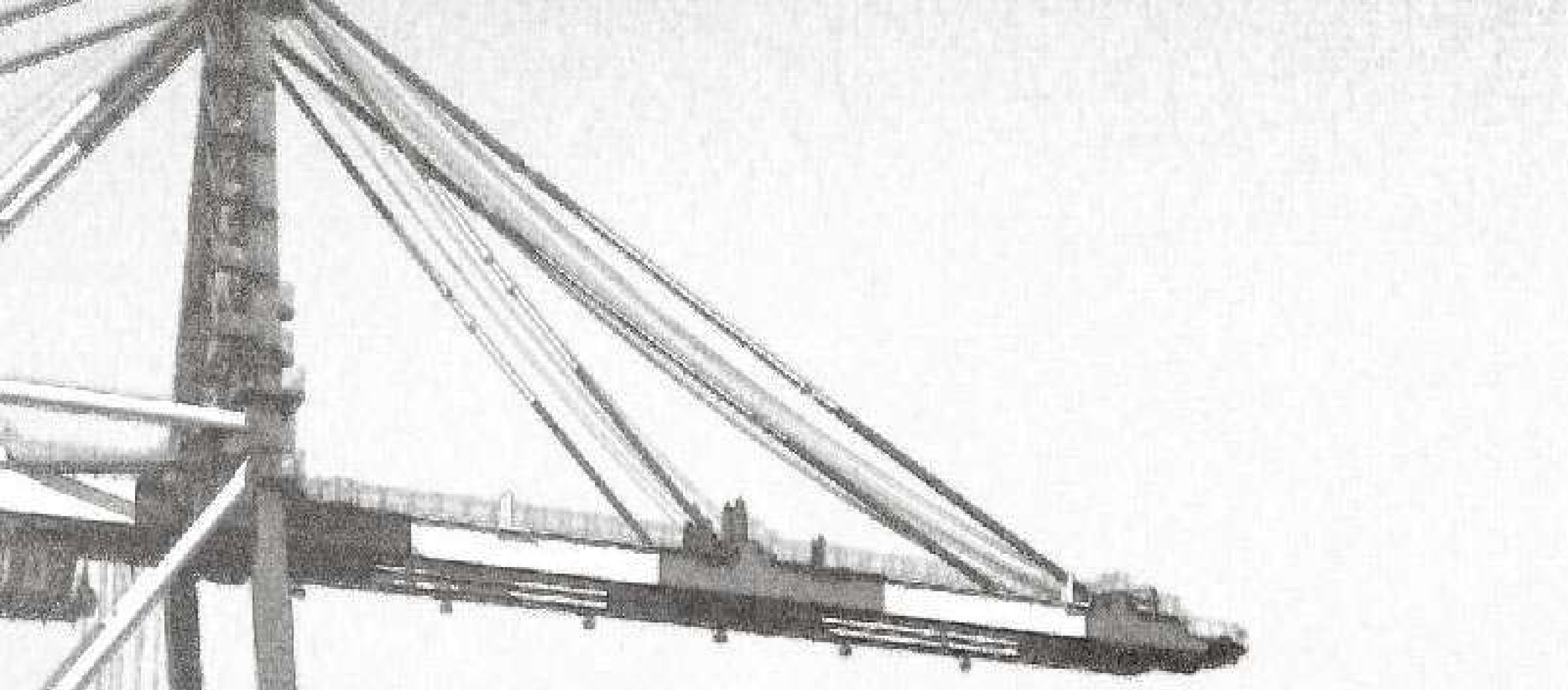
In 2010, MICTSI will continue to prime the MCT to further improve service delivery and to service more foreign volumes.

PT Makassar Terminal Services

PT Makassar Terminal Services PT Makassar Terminal Services (MTS), co-operator of the Makassar Container Terminal (MCT) in South Sulawesi, Indonesia, handled 135,108 TEUs in 2009, a 5.9 percent decrease from the 143,584 TEUs it handled in 2008. The decline was mainly attributed to several major repairs undertaken in 2009 on the quay cranes owned and operated by MTS.

Key improvements implemented during the year included the construction of a new parking site for delivery trucks and the conversion of a multi-purpose area into a container yard (CY), expanding the CY from 11.4 hectares to 12.4 hectares. The major overhauls and rehabilitation of quay cranes and RTGs were also completed.

Plans are underway to operate an inland container depot under a joint cooperation agreement with PT Kawasan Industri Makassar. MTS will deploy two reach stackers for the operations of the depot located in an industrial estate in Makassar.



June – ICTSI is one of the Top 100 Companies in ASEAN Relative Wealth-Added Index in a study conducted by New York-based Stern Steward & Co., and is only one of two Philippine companies that made profit for shareholders

Yantai Rising Dragon International Container Terminals Ltd.

Yantai Rising Dragon International Container Terminals Ltd. (YRDICTL), operator of two container berths at the Port of Yantai, China, posted a 23.0 percent increase in volume, from 130,193 TEUs in 2008 to 160,138 TEUs in 2009. The surge in container throughput was a result of increasing foreign traffic coming into the terminal as well as spillovers from other Chinese ports.

YRDICTL serviced a total of 567 vessel calls, a 28.0 percent increase from the 443 calls in 2008. Sinotrans Shandong was YRDICTL's latest client, while Qingdao feeder services sustained its calls in the terminal. On 10 July, the terminal reached a milestone when it had full berth occupancy for the first time, servicing five vessels simultaneously. The increasing volumes and calls at the terminal enabled YRDICTL to capture 13.0 percent of China's container market.

A key improvement implemented during the year was the expansion of the terminal's reefer area to 1,800 square meters and the increase of its storage capacity, from 300 TEUs to 400 TEUs.

During the year in review, YRDICTL embarked on an Integrated Management System (IMS) certification program. The IMS team passed the audit review by Société Générale de Surveillance in December, which included three systems: ISO 9001 Quality Management System, ISO 14001 Environmental Management System and OHSAS 18001 Occupational Health and Safety.

On the IT front, systems were modified to fit YRDICTL's new manifest document for Chinese customs requirements, while online services were improved with C&K Ferry Shipping with the creation of a data auto-entry system for order booking and reservation acceptance for full import containers. An online facility for billing inquiries was also launched.

Other improvements included the set up of a monitoring system for working times and fuel consumption for rubber tired gantries, implementation of an alert system at the terminal gates on the ventilation and refrigeration of containers, and the rollout of a wireless truck control network with the installation of on-vehicle data loaders for more efficient loading and unloading of containers.

Human resources development mainly focused on behavioral and professional training programs, especially cascading ICTSI's culture and brand of port management and terminal operations. Performance incentives and commendations were given year round for productive employees with excellent working attitudes.

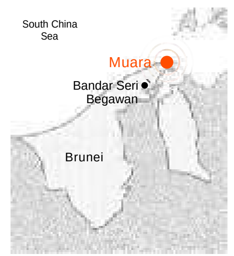
Despite the global recession, China was able to weather the challenges in 2009 as evidenced by steady volumes in the country. YRDICTL expects to play a bigger role in 2010 as the terminal improves its positioning in the overall container market.

5 June – Argentine President Cristina Fernandez inaugurates construction works for the La Plata port. ICTSI earmarks US$230 million to build a container terminal that can handle 500,000 containers.

New Muara Container Terminal Services Sdn. Bhd.

ICTSI took over the operations of the Muara Container Terminal (MCT) in the Port of Muara, Brunei Darussalam in May 2009 after signing agreements with the Brunei Government for the operation and maintenance of the MCT for a period of four years, which may be extended for one year at a time for a maximum of two years. ICTSI established a local subsidiary, New Muara Container Terminal Services Sdn. Bhd. (NMCTS), to operate the terminal.

The MCT handled a total of 85,577 TEUs in 2009, 53,013 TEUs of which were handled by NMCTS from June to December. The terminal posted a 5.2 percent decrease in volume, from the 90,366 TEUs it handled in 2008.



Despite the decrease, NMCTS welcomed a new client, Marianas Shipping. Meanwhile, Pacific International Lines launched a new line service, which included Muara in its port rotation.

The MCT, which has an annual capacity of 220,000 TEUs, has a terminal area of five hectares. The terminal is located at the estuary of the Brunei River, which is about 20 kilometers from the capital, Bandar Seri Begawan. Muara is the country's main trading gateway.

Container handling equipment upon NMCTS takeover included two Panamax quay cranes, three reach stackers, four front loaders, four prime movers and six trailers.

MCT facilities, on the other hand, include a 250-meter berth with a controlling depth of 12 meters, a 72,500-square meter container yard with a capacity of 5,480 TEUs, a reefer facility with 145 reefer points, a 5,000-square meter container freight station, a four-lane gate and a gatehouse, and two buildings that house the terminal's planning, documentation, administration and maintenance sections.

Plans are underway to purchase additional container handling and ancillary equipment as well as rehabilitate existing equipment to further boost terminal efficiency and productivity. A terminal operating system and other IT applications will be rolled out soon.

Naha International Container Terminal, Inc.

Naha International Container Terminal, Inc. (NICTI), manager of the Naha International Container Terminal (NICT) in Okinawa, Japan, posted a 16.8 percent increase in container volume handled, from 70,437 TEUs in 2008 to 82,304 TEUs in 2009. Drivers for the increase were the increasing volumes brought in by Mariana Express Lines and Asian Container Express Lines.

NICTI serviced 232 container vessels and 31 non-container vessels, the latter of which were combination passenger and general cargo vessels. NICTI serviced the biggest vessel to call at the terminal to date: Diamond Princess, a cruise ship weighing 111,000 gross tons.

During the year in review, the Naha Port Authority conducted large scale rehabilitation in the areas with land subsidence, restored areas for container storage and improved drainage channels. The port authority also installed 12 new power supply plugs, which brought the terminal's reefer power supply plugs to 60.

NICTI continues to market the terminal to shipping lines, logistics companies and manufacturing companies, and is optimistic about the future.

11 June – Contecon Guayaquil SA (CGSA) receives the Centenario from the Chamber of Commerce of Guayaquil (CCG), for being one of the top companies in Ecuador. CCG recognizes the business performance of CGSA contributing significantly to the development of Ecuador. The Centenario is the most prestigious award given annually to a CCG member.

OPERATIONS IN THE AMERICAS

Tecon Suape, S.A.

Tecon Suape S.A. (TSSA), manager and operator of the Suape Container Terminal (SCT) at the Suape Industrial Port Complex in Pernambuco, Brazil, posted a 14.6 percent decrease in container volume handled, from 294,383 TEUs in 2008 to 251,417 TEUs in 2009, owing mostly to the slowdown in global trade.

TSSA serviced a total of 684 vessels at the SCT in 2009. In May, Mercosul Line deployed three container vessels each with a 2,500-TEU capacity. In September, TSSA serviced the largest vessel to berth at the terminal, the 6,730 TEU-capacity MSC Stella, which has an overall length of 304 meters.

During the third quarter, Hamburg Süd and CSAV introduced a seasonal joint service coinciding with the end of harvest time for the export of Brazilian fruits to Europe.

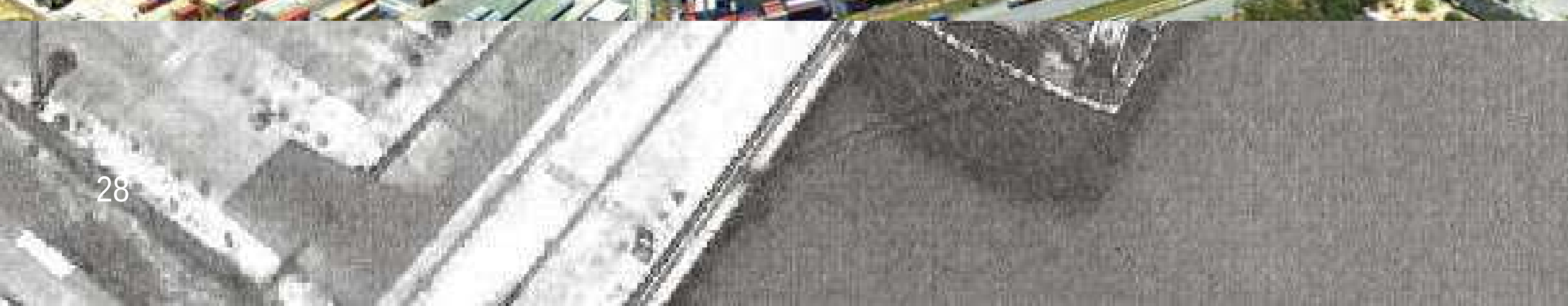
Taking a long term view and in anticipation of improving volumes as the global economy begins to rebound, TSSA maintained the SCT at world-class standards and introduced several improvements.

Aside from facilities and service enhancements, TSSA ordered eight rubber tired gantries (RTG) from Noell Cranes in China, which were delivered in early 2010, and an empty handler from Konecranes in December. The new RTGs were purchased to complement the expanded SCT container yard (CY), which now runs on full RTG operation. In June, Philippine President Gloria Macapagal Arroyo inaugurated the 6.1-hectare area of the CY during an official visit to Brazil.

Meanwhile, the new empty handler was used to improve empty container handling and ancillary services. In line with this improvement, a new washing system was introduced for empties with chemicals residues. Two special vacuum cleaners were also purchased for this new service.

An ISO certified company, TSSA continued to fully comply with Brazil's environment regulations during the year in review. In May, the terminal successfully renewed its certification for ISO 9001 Quality Management System and ISO 14001 Environment Management System, and in July, a project was launched for the terminal's eventual certification for OHSAS 18001 Occupational Health and Safety System.

During the year, TSSA rolled out several IT programs and enhancements to further improve systems and processes. The Company rolled the ISA SERVER and Iron port application systems, and updated the Lan Switch in accordance with best IT practices. TSSA also implemented the Truck Control System, a new application from Sparcs / Navis; integrated the SOS system with the Bill of Lading for imports; enabled electronic registration through bar codes in the gate pass and processing of the empty container invoice; added new functionalities to the Terminal Operating System to include customs and legal requirements; activated online terminal departure report by shipping line; and implemented collection through systems integration with banks.



By increasing the capacity of the SCT's Web Portal from 512 kbp to 2mb, TSSA was able to launch more B2B features such as status check of container booking, container and invoicing inquiries and truck communication with customs.

For added security, TSSA installed additional CCTV cameras, and increased the storage capacity of its CCTV system. On the other hand, radio communication was upgraded from analog to digital technology, and the communication network was expanded.

TSSA's Human Resources Department concluded labor agreements with SINDAGE, the workers union of the terminal. The department conducted training programs for RTG operation, SIMATIC S7, ISO systems and its internal audit processes, SPARCS, environmental awareness and risk, and port workforce development.

In anticipation of improving volume, TSSA started negotiations during the year with the Suape Port Authority to annex a public berth to the SCT and to add another 10 hectares to the terminal.

23 June – Philippine President Gloria Macapagal-Arroyo inaugurates the Suape Container Terminal's expanded container area during her visit to Brazil. Through the SCT, ICTSI is the largest Philippine investor in South America's largest economy.

Contecon Guayaquil SA

On its second full year of operation, Contecon Guayaquil SA (CGSA), manager and operator of the Guayaquil Container and Multipurpose Terminals (GCMT) in the Port of Guayaquil, Ecuador, posted a 5.9 percent increase in volume handled, from 590,213 TEUs in 2008 to 624,783 TEUs in 2009. The increase was largely a result of improving banana trade. Banana is Ecuador's main export, and GCMT facilitates this trade through reefer container transiting in and out the terminal.

During the year in review, GCMT maintained its 65.0 percent market share in the Port of Guayaquil, cementing its position as the leading container terminal in Ecuador. The terminal serviced a total of 1,194 vessels, while two shipping lines launched new service routes: Compañía Sud Americana de Vapores' Far East service and MSK's Rotterdam-Russia service.

In January, CGSA acquired new container handling equipment: three quay cranes and eight rubber tired gantries manufactured by ZPMC of China. The new equipment, a first for Ecuadorian ports, was inaugurated by Francisco Jimenez, Governor of Guayas. He also inaugurated GCMT's reinforced berths 1B and 1C.

To enable customers to efficiently accomplish cargo documentation and withdraw cargo offsite, a CGSA Billing Desk was opened at the Chamber of Commerce of Guayaquil (CCG) office north of Guayaquil. With the new desk, CGSA became the first maritime terminal operator in Ecuador to extend its services outside the port area.

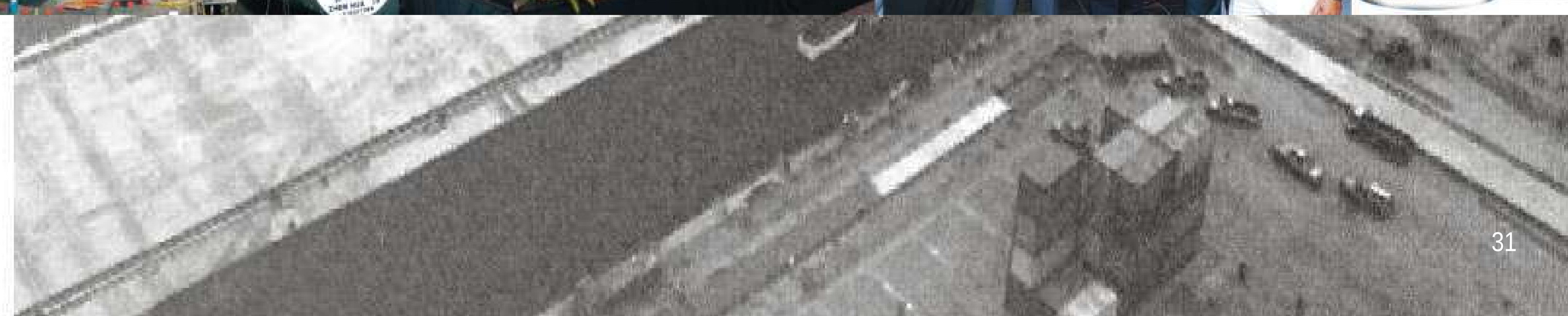
Management systems were further improved when CGSA successfully obtained four ISO certifications in 2009: ISO 9001 Quality Management System, ISO 14001 Environmental Management System, OHSAS 18001 Occupational Health and Safety, and ISO 28000 Supply Chain Security Management Systems.

On the labor front, CGSA signed with union officers the Company's first collective bargaining agreement (CBA) in July, strengthening labor relations between CGSA and its employees. The CBA would last for two years, and has provisions on improvement of labor conditions and processes, among others.

In August, CGSA joined the three-day First Port Cities Exhibit in Guayaquil. The exhibit was an opportunity to promote CGSA as well as network with officers from the maritime sector, local ports, maritime agencies, freight forwarders and other private terminals.

In less than two years, CGSA was able to make its mark in the country's business community. In June, the Company was recognized as one of the best companies in Ecuador with the Chamber of Commerce of Guayaquil (CCG) naming CGSA as the former's most outstanding member. CCG also conferred on CGSA the Centenario, the most prestigious award given annually to a CCG member company whose business contributed to the development of Guayaquil and Ecuador. Furthermore, in the September issue of Vistazo, CGSA ranked 116th in the list of 500 top-performing companies in Ecuador. The Company was listed as one of the top companies in the country in terms of sales, job creation, net profit, and social responsibility, among others.

In 2010, CGSA plans to further develop terminal facilities and market GCMT to become Ecuador's container terminal of choice.



24 June – South Cotabato Integrated Port Services, Inc. (SCIPSI) receives the Investors in People (IiP) certification from the People Management Association of the Philippines, becoming the first cargo handling company in the Philippines to be IiP certified

Sociedad Puerto Industrial de Aguadulce S.A.

ICTSI Colombian unit Sociedad Puerto Industrial de Aguadulce S.A. (SPIA) proceeded with the development of a multi-user terminal at the Aguadulce Peninsula in the Port of Buenaventura, Colombia. SPIA re-visited technical plans, and embarked on a re-design of the terminal to include bulk handling.

The 122-hectare green field project will include berths for handling coal, grains and containers. The berths will have a controlling depth of 12.5 meters. In the first phase of the project, berth length for containers will be at 600 meters, expanding to 900 meters in the second phase, whilst the coal and grain berth will be 250 meters long.

With the re-design of the terminal, the access road is currently being built while the construction of the terminal is expected to start in early 2011. SPIA will equip the facility with leading edge management systems and the latest generation equipment and facilities. The terminal will have a capacity of around 400,000 TEUs in the first phase, expanding to 750,000 TEUs in the second and final phases.

SPIA is the ICTSI subsidiary which won the 30-year concession to develop, construct and operate a new terminal in Buenaventura in July 2007. The Buenaventura port is the largest and busiest in Colombia, and the only Colombian port in the Pacific Litoral.

The government of Colombia launched the development of the Aguadulce multi-user terminal in Buenaventura to decongest heavy cargo traffic in the port.

TecPlata, S.A.

In 2009, TecPlata S.A., the consortium of ICTSI and the Argentine transport and logistics company, Loginter S.A., commenced with the first phase of civil works for the construction of a 1,000,000 TEU annual capacity terminal at the Port of La Plata in Buenos Aires province, Argentina.

TecPlata obtained the 30-year concession to develop and operate the terminal in November 2008. The concession is renewable for another 30 years.

In June of the year in review, Argentine President Cristina Fernández led the groundbreaking rites at the future site of the terminal, signaling the start of the construction of a 40-hectare terminal on the eastern bank of the Santiago River.

TecPlata's initial investment of US$230 million will go into civil works, dredging and the purchase of container handling equipment.

The construction of the Terminal will be developed in three stages. At the end of the first stage – April 2012 – the terminal will have a 220,000 square meter container yard, and a 600-meter quay with a controlling depth of 10.4 meters. The terminal will also be equipped with four quay cranes, 10 rubber tired gantries and over 1,000 reefer plugs.

The Argentine Government envisions the La Plata terminal to become one of the most modern container terminals in the region, decongesting heavy cargo traffic at the Port of Buenos Aires. The future terminal is seen to serve transshipment of Argentine cargo, which presently uses the Port of Montevideo in Uruguay.

September – Vistazo, an Ecuadorian-based magazine ranks CGSA 116th in the top 500 companies in Ecuador. The Vistazo survey highlighted CGSA's 50 percent improved proficiency in cargo handling and 30 percent in vessel operations compared to 2008.

OPERATIONS IN EUROPE, MIDDLE EAST AND AFRICA

Baltic Container Terminal Ltd.

Baltic Container Terminal Ltd. (BCT), operator and manager of the container terminal at the Port of Gdynia, Poland, handled 226,742 TEUs in 2009, a 48.5 percent drop in volume handled from 440,591 TEUs handled in 2008. The decrease was largely due to the global recession, which hit Europe badly. Overall volumes in the Baltic region declined, while increasing competition among ports in Poland, Scandinavia and Eastern Europe exacerbated the drop in BCT volume.

Notwithstanding the decline in volume, BCT continued to further improve its service levels. In May, BCT serviced a large containership, the MSC Brianna, handling an estimated 4,500 TEUs in a span of only 30 hours. The MSC Brianna has a carrying capacity of 3,000 TEUs, a length overall of 245 meters and weighs 43,288 tons. In September, BCT established a new productivity record of 97 moves per hour per crane when it serviced mega vessel MSC Aniello. BCT handled 2,464 TEUs in only 26 hours. The MSC Aniello, which now calls at the terminal regularly, has a carrying capacity of 4,056 TEUs, a length overall of 260 meters and weighs 56,916 tons.

During the year in review, BCT was re-certified compliant to ISO 9001:2008 Quality Management System in March by audit firm Lloyd's Register Quality Assurance (LRQA). The certification, a first in the Polish ports industry, firmly proves that BCT has matured as an organization. According to the audit findings, the Company achieved its business and operational objectives, and continuously improves its overall management and operations. LRQA also noted that BCT's high scores were a result of an integrated IT system and a structured plan for its workforce.

The last phase of implementation of the terminal's monitoring system for its rubber tired gantry fleet was completed. The RTGs were equipped with a CCTV-based monitoring driving system, composed of a video camera placed on each corner of the equipment and a monitor in the operator's cabin. Part of the system also included the automation of fuelling the RTGs, preventing fuel spills while accurately monitoring and measuring fuel levels. At the same time, safety and security are enhanced during the entire process.

BCT likewise automated its fuel distribution at the terminal's fuel station using Petro Control-Smart, an outdoor pay-terminal system, which has the capability to work on self-service station mode. The station also started serving outside trucks of consignees.

On the IT front, BCT launched a new online service in May, the "Check Container," which allows customers to check the status of a container passing through the terminal. In July, the "Ships at BCT," was rolled out. This previews the schedule of vessel calls and vessel operations at the terminal quays. These services are available through the Company's website www.bct.gdynia.pl.

As a result of the global recession, BCT implemented a phased attrition and early retirement program, providing decent separation packages for availing employees. Work shifts were also reduced.

In June, BCT won the Bronze Emblem of Quality International after being highly rated as a service provider among companies with over 100 employees. BCT received high marks from the jury of Forum Jakosci Quality International 2009 competition. The annual contest recognizes Polish institutions, manufacturers and service providers which have clear quality policies for products, services and management systems that adhere to internationally accepted quality standards and business practices.

In October, BCT celebrated its 30th anniversary. Through the years, BCT, as a port operator and manager, has held leadership positions in the Baltic region's box market. ICTSI was able to sustain its market niche, when BCT was privatized in 2003. The global recession that hit the region in 2008 and 2009 has dampened BCT's growth momentum. However, BCT is poised to bounce back, and retain its position as a key player among ports in the Baltic Sea.

26 November – South Cotabato Integrated Port Services, Inc. and the Sarangani Marine and General Workers Union receive recognition from the Philippine National Conciliation and Mediation Board of the Department of Labor and Employment for upholding the advocacy of dynamic labor-management relations through an effective labor-management cooperation program

Batumi International Container Terminal LLC

Batumi International Container Terminal LLC (BICTL), manager and operator of the Batumi International Container Terminal (BICT) in Adjara, Georgia, handled 8,813 TEUs in 2009, an 80.0 percent drop from the 44,197 TEUs it handled in 2008. The steep drop was due to declining trade and volumes in the Baltic region as a result of the global recession.

Despite the decreasing volumes, BICT continued with improvements in its facilities. The berth's controlling depth was further dredged to 11.5 meters, new fenders were installed at the quay, and portal cranes were refurbished. At the container yard, additional reefer plugs were installed.

BICTL also completed the construction of a temporary inspection and storage area as required by Georgian customs, and is now seeking official approval to construct a permanent storage facility. The area is designated for the stripping of cars and other motor vehicles in containers. This also serves as temporary storage for personal effects and other cargo unloaded from containers pending release from the customs control zone.

For improved monitoring of terminal activities, CCTV cameras were upgraded, and additional cameras installed. At the same time, safety trainings were conducted during the year. In addition, the implementation of policies and procedures for BICT's emergency response team was cascaded across the organization. Manpower skills were upgraded with training programs for mobile harbor crane equipment operation and roll on-roll off operation.

As volumes have been showing early signs of recovery early in 2010, BICTL continues to market the terminal, and is in the process of pursuing a larger participation in the United States military cargo moving into Afghanistan. This new cargo segment will help improve the terminal's 2010 performance.

30 November – Administracion Portuaria Integral de Manzanillo, S.A. declares ICTSI the winner of the 34-year concession for the development and operation of the second Specialized Container Terminal in the Port of Manzanillo in Mexico

Tartous International Container Terminal jsc

Tartous International Container Terminal jsc (TICT), operator of the container terminal in the Port of Tartous in Syria, posted a 53.4 percent increase in container volumes, from 40,607 TEUs in 2008 to 62,299 TEUs in 2009.

The significant volume increase is a result mainly of both new shipping line clients and increased ship calls by existing clients. In 2009, the terminal serviced 243 vessels in 2009, up 73.6 percent from 2008's 140 vessel calls. Russian shipping company Transcontainer Shipping Line joined TICT's growing client portfolio during the first quarter, while Mediterranean Shipping Co. began using the terminal during the second quarter. On the other hand, Maersk increased its calls to once a week.

During the year in review, the Syrian Government gave the approval for TICT to handle transshipment, making TICT the first and only terminal in Syria to handle transshipment. TICT hopes to grow this market in the coming year.

Key improvements in the terminal were carried out during the year. This includes the commissioning of two new quay cranes (QC) from Konecranes. Ordered by port authority Tartous Port General Co., the QCs are expected to significantly improve the terminal's crane handling productivity to about 30 moves per hour per crane. Facilities were likewise maintained at top level and upgrades were carried out where necessary.

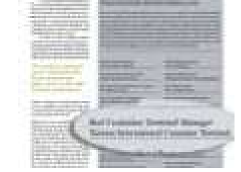
On the IT front, TICT upgraded its electronic data interchange-enabled Terminal Operating System (TOS) to Graphical Tracking System (GTS), which provided easier communication and direct interface with shipping lines. On the other hand, ICAM was rolled out for equipment maintenance, purchasing and inventory.

Human resources development was a continuing program at TICT. Trainings on the use of GTS and ICAM systems, and enterprise risk management were implemented. Customer relations and interpersonal communication skills improved through in-house English courses for employees.

In May, Philippine President Gloria Macapagal Arroyo visited the TICT. Mrs. Arroyo unveiled a marker commemorating the bilateral ties between Syria and the Philippines. Through TICT, International Container Terminal Services, Inc., is one of the largest investors in Syria.

In December, London-based World Finance magazine, as part of its Syria Economic Reform Awards, cited TICT as the Best Container Terminal Manager. The citation gives TICT the distinction of being one of the few Syrian companies that weathered the social and economic challenges of the country.

In 2010, TICT is doubling its efforts to further upgrade services and increase productivity as more shipping lines are expected to call at the terminal.



December – Tartous International Container Terminal jsc is declared the Best Container Terminal Manager in the World Finance Syria Economic Reform Awards. World Finance, a leading financial magazine based in London, recognized Syrian companies braving the economic challenges in the country.

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, handled 132,278 TEUs in 2009, a 7.7 percent decrease from the 143,371 TEUs handled in 2008. Apart from the global decline in trade, Madagascar also grappled with civil disputes, which partly affected the country's economy. Despite these setbacks, MICTSL went about its business, keeping the terminal in topnotch condition and providing top-rate service. Thus, new shipping services opened up at the terminal: Maersk's M-Express, which increased its calls to twice a week, and Mitsui OSK Lines' MZX Service, which now calls thrice a month.

MICTSL serviced a total of 302 vessels in 2009. For its MZX Service, MOL deployed four vessels dedicated to South Africa and the islands of the Indian Ocean. Meanwhile, United Africa Feeder Lines added a new vessel to its fleet, effectively increasing vessel calls to twice a month.

Five more prime movers manufactured by Ottawa were purchased, further improving terminal productivity, especially the transfer of empty containers between the quayside and the empty container depot situated 500 meters from the berth. A sweeper from Sentinel was also acquired to further maintain terminal cleanliness.

Safety and security programs were also upgraded. Additional CCTV cameras were placed at the employee gates to better monitor employee traffic. In addition, the Health and Safe Environment training was conducted not only to increase safety awareness but also to prevent accidents in the workplace.

MICTSL built up relations with its labor force, and negotiations for a new collective bargaining agreement (CBA) are ongoing. The new CBA will take effect in October 2010. Apart from this, a new performance incentive program was launched, which enhanced team spirit and camaraderie among employees. This program focuses on group goal setting and evaluates individual employee performance as a group. Additionally, intensive training on equipment maintenance for spreaders and mobile equipment were conducted.

MICTSL remains optimistic that Madagascar trade will rebound. In particular, the country's textile industry is largely touted to improve beginning 2010, products of which are handled at the MICT. The terminal is also expected to serve the country's mining industry with nickel and cobalt traders expressing interest in using the terminal to ship their commodities.

Corporate Social Responsibility at ICTSI

Corporate social responsibility (CSR) at International Container Terminal Services, Inc. (ICTSI) was further strengthened with new and sustained CSR projects, and the creation of a CSR unit, the ICTSI Foundation, Inc.

On its own and in partnership with the Philippine Business for Social Progress, ICTSI undertook programs and projects benefitting its immediate communities. At the same time, ICTSI supported CSR initiatives of various organizations aligned with the ICTSI Group's CSR advocacies.

Advancing the youth through education

The ICTSI Scholarship Program went on its third year of implementation with 26 high school students in Manila, Batangas, Olongapo City, Cagayan de Oro, Davao City and Gen. Santos City. ICTSI also supported the scholarship programs of the De La Salle Alumni Association, Manila Overseas Press Club, Caridad O. Velasco Scholarship, and the Foundation of the Society of Fellows in Supply Management, Inc. (SOFSM). ICTSI donated its junk batteries at the Manila International Container Terminal (MICT) to SOFSM for proper disposal. Proceeds from the junk batteries were used to fund scholarship programs.

South Cotabato Integrated Port Services, Inc. (SCIPSI) maintained its 60 elementary, high school and college scholars who are children of on-call employees. SCIPSI's first college scholar graduated in 2009 with a degree in nursing.

Helping stakeholders and communities

ICTSI continued its health programs for employees through regular seminars on cervical cancer, diabetes, hypertension and HIV. Employees also received free influenza vaccinations, blood screenings, drug tests, chest x-rays and electrocardiograms.

At the MICT, almost 2,000 residents in the nearby communities of Parola and Isla Puting Bato availed of ICTSI's quarterly free medical and dental mobile clinics. Meanwhile, the ICTSI Stella Maris Prayer Group joined Child Hope Asia Philippines in the latter's outreach programs for street children in Delpan and Lawton in Manila.

ICTSI continued providing livelihood programs for its rank-and-file employees in cooperation with its trade union. Trainings on the production of dishwashing liquids, fabric conditioners and perfumes were implemented, helping families of employees earn extra income.

ICTSI supported organizations with projects on community welfare such as the Filipino Shipowners Association, Gawad Kalinga, Lingap Children's Development Center, Rotary Club of Makati Dasmariñas, Amigo Foundation, Beloved of the Lord Catholic Community, Bahay ng Diyos Foundation, Filipino War Veterans Foundation, Philippine National Red Cross, Rayomar Outreach Foundation, Asilo de San Vicente de Paul, Ramos Peace and Development Foundation, and the Manila Welfare District Office of the Philippine Department of Social Welfare and Development (DSWD).

Among subsidiaries, Mindanao International Container Terminal Services Inc. (MICTSI) held a blood donation drive among its employees, while Davao Integrated Port and Stevedoring Services Corp. launched a feeding program for 70 malnourished Grade 1 pupils of Francisco Bangoy Central Elementary School in Sasa, Davao City. SCIPSI, on the other hand, conducted a free lecture on tuberculosis and distributed goods for residents of San Jose in Gen. Santos City. SCIPSI also had its annual blood donation drive.

Heroes in times of calamities

ICTSI employees were on hand to help victims of destructive floods brought about by tropical storm Ondoy and typhoon Pepeng, which hit the Philippines in the last quarter of 2009. Many ICTSI employees were themselves severely affected. ICTSI organized a fundraising and relief goods drive that saw many employees donating their time and resources to the relief efforts.

In MICT's neighboring communities, ICTSI organized relief operations for residents affected by the floods. Some 1,000 relief bags containing food and personal effects were distributed by employee volunteers. Outside Manila, ICTSI's relief operations were extended to Pasig, Quezon City, Marikina, Cainta, Laguna and Zambales. Over 3,000 families benefitted from ICTSI's disaster relief initiative. ICTSI management also gave donations to support relief efforts of the Philippine National Red Cross, Caritas Manila and the Philippine Center for Entrepreneurship.

On the other hand, Madagascar International Container Terminal Services Ltd. donated food and construction materials to the fire victims at Foulpointe in Madagascar. More than 1,500 villagers received rice, corrugated metal sheets, nails and kitchen utensils. Makeshift houses were built for over 800 families as their temporary shelters.

Promoting ecological balance

ICTSI, through members of the ICTSI Mountaineering Club and other employee volunteers, participated in Manila Standard Today's Adopt-a-Tree project, wherein tree seedlings were planted in Mount Makiling in Los Baños, Laguna. ICTSI also continued its greening project at the MICT with the planting of 100 tree saplings along the access roads of the terminal.

MICTSI also held a tree planting activity as part of its first year anniversary celebration. Some 500 tree saplings were planted along the sidewalks of two roads near Mindanao Container Terminal. SCIPSI, on the other hand, and its trade union joined the annual port clean-up drive along coastal areas in the Port of Gen. Santos City in celebration of the National Maritime Week.

Contecon Guayaquil SA (CGSA) continued with its "With Our Hands" program, wherein 200 children of employees participated in an on-the-spot painting contest with environment protection as its theme. Twelve winning artworks were selected and featured in CGSA's 2010 calendar.

Meanwhile, Baltic Container Terminal Ltd. (BCT), in cooperation with the Sea Fisheries Institute in Gdynia, purchased two reef sharks from the Philippines for the Gdynia Aquarium. The live museum promotes environmental protection of endangered species.

The ICTSI Foundation, Inc.

The ICTSI Foundation, Inc. is the corporate social responsibility arm of International Container Terminal Services, Inc. The Foundation was established in May to consolidate, manage and monitor the Group's increasing CSR activities initially, in its home country, the Philippines, and in due time, across the Group's global operations.

The Foundation is anchored on advocacies that optimize the growth potentials of the youth through the provision of support mechanisms in the areas of sports, education and social welfare activities primarily in communities where ICTSI operates.

Pre-operating activities occupied the Foundation's last quarter of 2009. ICTSI turned over several existing projects to the Foundation for continued implementation and monitoring. Plans are underway to migrate other CSR projects to the Foundation.

Coordination meetings with community leaders, local government units, public schools, concerned government agencies, as well as networking with various private entities and other foundations were undertaken. The Foundation joined the Asian CSR Forum, an annual assembly of non-government organizations from different countries, as part of its networking activities.

The Foundation, which will hold office at the second floor of the ICTSI Administration Building at the MICT, is expected to be fully operational by the first quarter of 2010.

ICTSI Golf Program

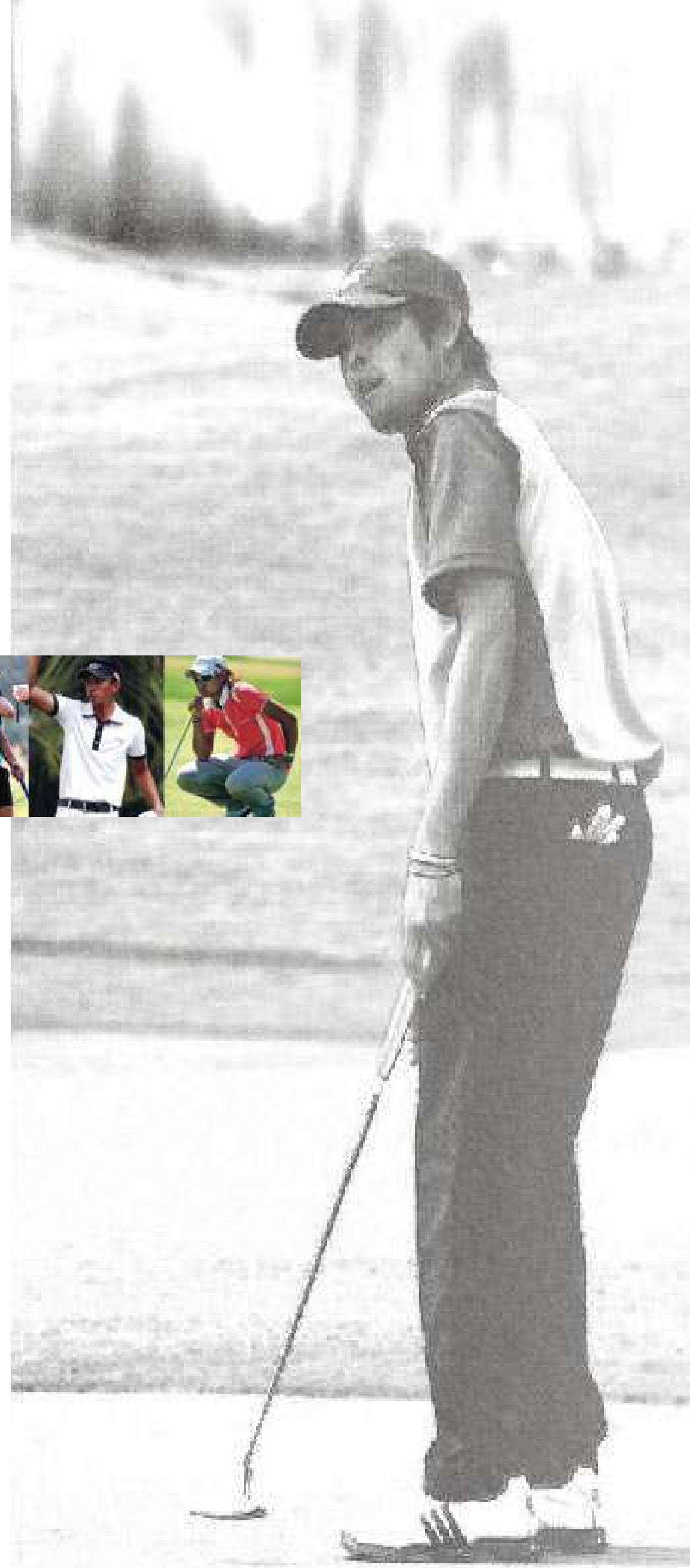
In 2005, International Container Terminal Services, Inc. was tapped by the Philippine government to be one of its private sector partners in the organization of the 23rd Southeast Asian Games held in various sports venues in the country. ICTSI, in particular, sponsored and co-organized the golf competition of the Philippine SEA Games at The Country Club in Sta. Rosa, Laguna.

Aside from co-managing the event together with the Philippine SEA Games Organizing Committee, ICTSI supported the Philippine Golf Team, which competed in the golf competition of the Games. ICTSI provided funding for training, board and lodging, uniforms as well as incentives for the men and women teams.

After winning two gold medals and two silver medals for the Philippines, ICTSI decided to sustain its support for Philippine Golf by coming up with its own golf development advocacy for the country's top amateur golf players.

ICTSI Amateur Golf Program

The ICTSI Amateur Golf Program selects, trains and supports promising Filipino amateur golfers, exposing them to major local and international golfing competitions. The program recruits young and talented male and female golfers nationwide for its pool of players, complementing government efforts to promote sports in the youth sector. Currently, ICTSI has two amateur teams for men and a women's team.



The goal of the program is to develop world-class amateur golfers who will represent the Philippines in international tournaments, and later on graduate into professional golfers who will compete in tournaments worldwide.

In 2009, the ICTSI amateur teams represented the Philippines in the Laos SEA Games, wherein the women's team won the gold medals for the team and individual divisions. Chihiro Ikeda, who won the SEA Games gold, single-handedly won eight victories last year.

In total, the amateur program produced 47 local and international victories for 2009.

Management's Discussion & Analysis

The following discussion and analysis relate to the consolidated financial condition and results of operations of ICTSI and its majority-owned subsidiaries (collectively known as "ICTSI Group"), and should be read in conjunction with the accompanying audited consolidated financial statements and related notes as of and for the year ended December 31, 2009. References to "ICTSI", "the Company", and "Parent Company" pertain to ICTSI Parent Company, while references to "the Group" pertain to ICTSI and its subsidiaries.

OVERVIEW

The Company is an international operator of common user container terminals serving the global container shipping industry. Its business is the acquisition, development, operation and management of container terminals focusing on facilities with total annual throughputs ranging from 50,000 to 1,500,000 twenty-foot equivalent units (TEUs). It also handles break bulk cargoes (BBC) and provides a number of ancillary services such as storage, container packing and unpacking, inspection, weighing and services for refrigerated containers or reefers. As of December 31, 2009, the Company operated a total of 16 terminal facilities, six in the Philippines and one each in Brazil, Poland, Madagascar, Japan, Indonesia, China, Ecuador, Syria, Georgia and Brunei. It recently concluded agreements to operate the design, construction and development of the new Pulau Muara Besar Container Terminal and Muara Container Terminal in Brunei, and acquired and was awarded the concession to develop and manage the container terminal in the Port of La Plata in Argentina and Port of Manzanillo in Mexico, respectively.

ICTSI was established in 1987 in connection with the privatization of MICT in the Port of Manila, and has built upon the experience gained in rehabilitating, developing and operating MICT to establish an extensive international network concentrated in emerging market economies. Since 2002, international acquisitions, principally in Brazil, Poland, Madagascar and Ecuador, substantially contributed in the growth in revenues and net income. ICTSI's business strategy is to continue to develop its existing portfolio of terminals and proactively seek acquisition opportunities that meet its investment criteria.

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

- Asia
  - Manila – Manila International Container Terminal, Port of Manila (MICT)
  - Zambales – NCT-1, Subic Bay Freeport Zone, Olongapo City (SBITC)
  - Batangas – Bauan Terminal, Bauan (BIPI)
  - Davao – Sasa International Port, Davao City (DIPSSCOR)
  - General Santos – Makar Wharf, Port of General Santos (SCIPSI)
  - Misamis Oriental – Mindanao Container Terminal, Phividec Industrial Estate, Tagaloan (MICTSI)
  - Japan – Naha International Container Terminal, Okinawa, Japan (NICTI)
  - Indonesia – Makassar Port Container Terminal, Makassar, South Sulawesi, Indonesia (MTS)
  - China – Yantai Rising Dragon International Container Terminal, Shandong Province, China (YRDICTL)
  - Brunei – Muara Container Terminal (NMCTS)
- Europe, Middle East and Africa (EMEA)
  - Poland – Baltic Container Terminal, Gdynia, Poland (BCT)
  - Madagascar – Madagascar International Container Terminal, Port of Toamasina, Toamasina, Madagascar (MICTSL)
  - Syria – Tartous International Container Terminal, Tartous, Syria (TICT)
  - Georgia – Batumi International Container Terminal, Batumi, Georgia (BICTL) Georgia
- Americas
  - Brazil – Suape Container Terminal, Suape, Brazil (TSSA)
  - Ecuador – Guayaquil Container and Multi-Purpose Terminal, Port of Guayaquil, Guayaquil, Ecuador (CGSA)

In November 2009, ICTSI was declared by the Administracion Portuaria Integral de Manzanillo, S.A. (Integrated Port Administration) the winner of a 34-year concession for the development and operation of the second Special Container Terminal (ECT) or the Port of Manzanillo. The Port of Manzanillo is located in the Pacific coast of Mexico and the busiest port of the country. As of March 4, 2010, the concession agreement has not yet been signed by both parties.

In May 2009, ICTSI through ICTSI Far East Pte. Ltd., signed a Service Agreement and a Hand-Over Agreement for the operation and maintenance of the Muara Container Terminal (Muara Terminal) in Brunei Darussalam. Under these agreements, ICTSI shall operate and maintain Muara Terminal for four years, which may be extended for one year at a time, for a maximum of two years. Muara Terminal is located at Muara Port, which is the main trade gateway for Brunei Darussalam, situated at the estuary of the Brunei River about 15 kilometers from the capital, Bandar Seri Begawan. ICTSI established New Muara Container Terminal Services Sdn Bhd (NMCTS) to develop, manage and operate Muara Terminal. NMCTS took over terminal operations on May 22, 2009.

In October 2008, ICTSI signed a Memorandum of Understanding with BEDB for the design, construction and development of the new Pulau Muara Besar Container Terminal (PMB) in Brunei Darussalam. BEDB will award a Concession Agreement to ICTSI or its subsidiary to operate the PMB once it is completed and ready for commercial operations. Commercial operations in PMB have not yet started as of December 31, 2009.

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. (later renamed as International Ports of South America and Logistics S.A.), which is 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. Tecplata has not yet started commercial operations as of December 31, 2009.

In July 2008, ICTSI acquired additional shares of South Cotabato Integrated Port Services, Inc. (SCIPSI) to increase its ownership to 50.08 percent from 35.70 percent and obtain control. SCIPSI has a ten-year contract with PPA, or until 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.

On April 25, 2008, ICTSI was awarded by the Phividec Industrial Authority (PIA) 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.

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.

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.

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.

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.

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.

RESULTS OF OPERATIONS

Effective January 1, 2009, ICTSI changed its functional currency from Philippine peso to US dollar (see Note 2.2, Change in Functional Currency, to the Audited Consolidated Financial Statements, for explanation). The change was treated prospectively from January 1, 2009 and accordingly, the 2008 and 2007 results of operations, financial condition and cash flows were translated to US dollars based on translation procedures enumerated in Note 2.3, Translation of Philippine Peso Consolidated Financial Statements to U.S. Dollar Presentation Currency, to the Audited Consolidated Financial Statements.

Audited Consolidated Statements of Income

	For the Year Ended December 31		
In thousands, except % change data	2009	2008	% Change
Gross revenues from port operations	US$421,651	US$463,118	(9.0)
Revenues from port operations, net of port authorities' share	360,825	400,235	(9.8)
Total income (net revenues, interest and other income)	401,386	466,730	(14.0)
Total expenses (operating, financing and other expenses)	321,367	365,772	(12.1)
EBITDA[1]	175,653	196,436	(10.6)
EBIT[2]	118,050	145,688	(19.0)
Net income attributable to equity holders of the parent	54,991	64,226	(14.4)
Earnings per share			
Basic	US$0.029	US$0.034	(14.7)
Diluted	0.028	0.032	(14.7)

[1] EBITDA is not a uniform or legally defined financial measure. It generally represents earnings before interest, taxes, depreciation and amortization. EBITDA is presented because the Group believes it is an important measure of its performance and liquidity. EBITDA is also frequently used by securities analysts, investors and other interested parties in the evaluation of companies in the industry.

The Group's EBITDA figures are not; however, readily comparable with other companies' EBITDA figures as they are calculated differently and thus, must be read in conjunction with related additional explanations. EBITDA has limitations as an analytical tool and should be considered in isolation or as a substitute for analysis of the Group's 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 debt payments;
- 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 the industry may calculate EBITDA differently, which may limit its usefulness as a comparative measure.

Because of these limitations, EBITDA should not be considered as a measure of discretionary cash available to the Group to invest in the growth of the business. The Group compensates for these limitations by relying primarily on the PFRS results and uses EBITDA only as supplementary information.

[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.

The following table shows the computation of EBITDA as derived from the Group's consolidated net income for the year:

EBITDA Computation

In thousands, except % change data	2009	2008	% Change
Net income attributable to equity holders of the parent	US$54,911	US$64,226	(14.5)
Minority interests	(2,873)	(3,211)	(10.5)
Provision for income tax	27,981	39,943	(29.9)
Income before income tax	80,019	100,958	(20.7)
Add (deduct):			
Depreciation and amortization	57,603	50,748	13.5
Interest and other expenses	78,592	111,224	(29.3)
Interest and other income	(40,561)	(66,494)	(39.0)
EBITDA	US$175,653	US$196,436	(10.6)

OPERATING RESULTS FOR THE YEAR ENDED DECEMBER 31, 2009 COMPARED WITH 2008

TEU VOLUME

The following table depicts the Group's consolidated volume for the year ended December 31, 2009 and 2008:

Consolidated Volume

	For the Year Ended December 31		
	2009	2008	% Change
Asia	2,250,924	2,181,530	3.2
Americas	876,200	884,596	(0.9)
EMEA	430,132	668,766	(35.7)
Total	3,557,256	3,734,892	(4.8)
MICT	1,395,925	1,513,543	(7.8)
CGSA	624,783	590,213	5.9
TSSA	251,417	294,383	(14.6)
BCT	226,742	440,591	(48.5)
MICTSL	132,278	143,371	(7.7)
Others	926,111	752,791	23.0
Total	3,557,256	3,734,892	(4.8)

Consolidated volume handled for the full year declined by 4.8 percent to 3,557,256 TEUs from 3,734,892 TEUs in 2008. The decrease was mainly attributable to the fall in international trade resulting from the global economic crisis which started in the fourth quarter of 2008. Key terminals – MICT, CGSA, BCT, TSSA and MICTSL posted 11.8 percent year-on-year volume contraction and contributed 74 percent to the Group's consolidated volume. Meanwhile, new terminals, MICTSI and SCIPSI, which were consolidated in July 2008, contributed 249,490 TEUs during the current year, or 7.0 percent of the consolidated volume. Excluding the impact of these new terminals, full year organic volume should have decreased by 8.5 percent year-on-year.

Volume throughput from the Group's Asian port operations increased 3.2 percent to 2,250,924 TEUs during the year compared to 2,181,530 TEUs in 2008. The increase mainly resulted from YRDICTL and DIPSSCOR which posted exceptional growth of 23.0 percent and 16.2 percent, respectively, and the additional volume generated by the new terminals, SCIPSI and MICTSI. Excluding the new terminals, volume of Asian ports should have declined by 2.9 percent year-on-year mainly due to the contraction in volume at MICT. Asian port operations contributed 63.3 percent to the Group's consolidated volume compared to 58.4 percent in 2008.

Volume operated from the Group's Americas port operations marginally declined by almost a percentage point to 876,200 TEUs in 2009 as against 884,596 TEUs posted a year earlier. The slight decline was primarily due to the contraction in volume at TSSA. These operations contributed 24.6 percent to the full year consolidated volume from 23.7 percent in 2008.

Volume of EMEA port operations weakened by 35.7 percent to 430,132 TEUs in 2009 from 668,766 TEUs a year ago mainly due to the volume contraction at BCT. BCT suffered mainly from the decline in foreign trade as well as from the competition with the new terminal in Gdansk, Poland. Meanwhile, TICT reported a remarkable throughput growth of 53.4 percent in 2009 as it benefited from the increase in transshipment activities and from the decision of United Nations World Food program to select TICT as the main port for Syria. BICT, which contributed about 2.0 percent to EMEA segment reported a decline of 80.1 percent in volume year-on-year. EMEA operations accounted for 12.1 percent of the 2009 consolidated volume from 17.9 percent in 2008.

MICT, Port of Manila, ICTSI's flagship terminal, handled 1,395,925 TEUs in 2009, or a decline of 7.8 percent from 1,513,543 TEUs in the preceding year. The decline in volume mainly resulted from the drop in exports to the US and Japan, Philippines' major trading partners, as these economies and consumer demand slowed significantly. MICT accounted for 39.2 percent of the Group's consolidated volume for the full year 2009 against 40.5 percent in 2008.

Volume handled at CGSA, Port of Guayaquil, stood at 624,783 TEUs, an increase of 5.9 percent from last year's 590,213 TEUs in 2008 mainly because of the upsurge in containerized export of bananas. CGSA is the second largest terminal of the Group in terms of volume contributing 17.6 percent to the full year consolidated volume in 2009 versus 15.8 percent in 2008.

TSSA, the Port of Suape, operated 251,417 TEUs in 2009, 14.6 percent lower than the volume of 294,383 TEUs in 2008. The decline in TSSA's volume was mainly due to the drop in import and low-yielding cargoes resulting from the global economic slowdown. TSSA's volume accounted for 7.1 percent of the consolidated volume in 2009 compared with 7.9 percent in 2008.

Volume throughput at BCT, Port of Gdynia, registered at 226,742 TEUs for the full year 2009. BCT's volume declined 48.5 percent from 440,591 TEUs in 2008 mainly due to the slowdown in foreign trade. BCT was also affected by the new entrant in Gdansk, Poland. BCT's volume is 6.4 percent of the Group's consolidated volume in 2009 from 11.8 percent in 2008.

Volume managed at MICTSL, Port of Toamasina in Madagascar, recorded at 132,278 TEUs in 2009 or a decline of 7.7 percent compared with 143,371 TEUs posted a year earlier. The decline was mainly due to the fall in global demand for commodities, garments and consumer goods during the year and the ongoing political uncertainty in the country. MICTSL's volume accounted for 3.7 percent of the full year consolidated volume in 2009 against 3.8 percent in 2008.

TOTAL INCOME

Total Income consists of: (1) Revenues from port operations, net of port authorities' share in gross revenues; (2) Foreign exchange gain; (3) Interest income; (4) Other income and (5) Reversal of impairment loss on investment.

The table below illustrates the consolidated total income for the year ended December 31, 2009 and 2008:

Total Income

	For the Year Ended December 31		
(In thousands, except % change data)	2009	2008	% Change
Gross revenues from port operations	US$421,651	US$463,118	(9.0)
Port authorities' share in gross revenues	60,826	62,883	(3.3)
Net revenues	360,825	400,235	(9.8)
Foreign exchange gain	35,445	55,512	(36.1)
Interest income	3,684	4,029	(8.6)
Other income	1,432	1,497	(4.3)
Reversal of impairment loss on investment property	–	5,457	(100.0)
Total income	US$401,386	US$466,730	(14.0)

Total income declined by 14.0 percent in 2009 against a year earlier mainly due to the decline in revenues, interest income and foreign exchange gain. Excluding last year's reversal of impairment loss on investment property, total income should have declined by 13.0 percent year-on-year. Net revenues and foreign exchange gain accounted for 89.9 percent and 8.8 percent, respectively, of the total consolidated income in 2009 compared with 85.8 percent and 11.9 percent, respectively, a year ago.

Gross Revenues from Port Operations

The table below illustrates the Group's gross revenues in 2009 and 2008:

Gross Revenues

	For the Year Ended December 31		
(In thousands, except % change data)	2009	2008	% Change
Asia	US$213,798	US$219,144	(2.4)
Americas	147,394	144,967	1.7
EMEA	60,459	99,007	(38.9)
Total	US$421,651	US$463,118	(9.0)
MICT	US$177,558	US$193,092	(8.0)
CGSA	92,993	81,423	14.2
TSSA	54,401	63,544	(14.4)
MICTSL	29,875	35,080	(14.8)
BCT	23,283	55,743	(58.2)
Others	43,541	34,236	27.2
Total	US$421,651	US$463,118	(9.0)

Gross revenues from port operations include fees received for cargo handling, wharfage, berthing, storage, and other special services.

Full year consolidated gross revenues from port operations declined by 9.0 percent to US$421.7 million from US$463.1 million in 2008 principally due to the contraction in TEU throughput. However, excluding the foreign exchange translation impact during the year, gross revenues should have declined by only 2.5 percent. The Philippine peso depreciated against the greenback by 7.1 percent to an average rate of P47.638 to a dollar in 2009 from ₱44.474 in 2008. Except for CGSA, whose gross revenues surged by 14.2 percent year-on-year, the rest of the key terminals suffered a drop in gross revenues. Meanwhile, TICT performed exceptionally posting a growth of 74.9 percent year-on-year while DIPSSCOR and YRDICTL registered 20.1 percent and 17.6 percent growth, respectively. New terminals, MICTSI, SCIPSI and NMCTS, consolidated in July 2009, added 2.9 percent to the full year revenues. Excluding the contribution from these new terminals, organic gross revenues declined by 10.8 percent year-on-year.

Gross revenues from Asian port operations declined by 2.4 percent to US$213.8 million in 2009 from US$219.1 million in 2008 mainly due to the drop in TEU volume at MICT and a weaker Philippine peso versus the US dollar in 2009 compared to 2008. Meanwhile, excluding the new terminals, gross revenues from Asian port operations should have declined by 6.2 percent. Asian port operations contributed 50.7 percent to the Group's full year consolidated gross revenues in 2009 from 47.3 percent in 2008.

Gross revenues from the Americas port operations increased 1.7 percent to US$147.4 million in 2009 from US$145.0 million a year ago. The increase in gross revenues mainly resulted from the double-digit growth posted by CGSA during the year. These operations contributed 35.0 percent to the Group's consolidated gross revenues in 2009 compared with 31.3 percent in 2008.

Gross revenues from EMEA port operations decreased by 38.9 percent to US$60.5 million during the year from US$99.0 million in 2008 mainly due to the decline in volume at BCT, MICTSL, and BICT. Among the Group's EMEA terminals, TICT performed remarkably, posting a double-digit growth of 74.9 percent year-on-year. EMEA port operations contributed 14.3 percent to the Group's consolidated gross revenues in 2009 against 21.4 percent in 2008.

Gross revenues of MICT declined by 8 percent primarily because of the contraction in both import and export volumes. The year-on-year 7.1 percent depreciation of Philippine peso versus the US dollar also contributed to the decline in MICT's gross revenues. Meanwhile, tariff increases of 5.0 percent for stevedoring in April 2008, 7 percent for stevedoring in January 2009 and 8 percent for arrastre in May 2009 tapered off the decline in gross revenues. MICT accounted for 42.1 percent of the Group's consolidated gross revenues in 2009 from 41.7 percent in 2008.

CGSA's gross revenues surged by 14.2 percent year-on-year primarily because of the increase in export of containerized cargoes resulting from higher value added modalities in banana and BBC operations coupled with higher yields in storage and other services related to banana cargoes. New equipment and infrastructure and reinforced berths at CGSA improved its productivity and profitability. CGSA is the second largest terminal of the Group in terms of gross revenues, contributing 22.1 percent to the full year consolidated revenues in 2009 from 17.6 percent in 2008.

TSSA's gross revenues decreased by 14.4 percent year-on-year primarily due to the decline in volume and a weaker Brazilian real versus the US dollar in 2009 compared with 2008. Brazilian real depreciated 8.7 percent to an average rate of R$2.0 in 2009 from an average rate of R$1.84 in 2008 against the US dollar. TSSA's gross revenues accounted for 12.9 percent of consolidated gross revenues in 2009 versus 13.7 percent in 2008.

MICTSL's gross revenues declined 14.8 percent on the account of volume reduction and the weakening of Euro against the US dollar. MICTSL contributed 7.1 percent to the full year 2009 consolidated gross revenues against 7.6 percent in 2008.

BCT's gross revenues decreased 58.2 percent year-on-year due to the significant decline in its volume throughput. Revenue contribution of BCT accounted for 5.5 percent of the full year 2009 consolidated gross revenues from 12.0 percent in 2008.

Foreign Exchange Gain, Interest Income and Other Income

Foreign exchange gain decreased by US$20.1 million, or 36.1 percent, to US$35.4 million in 2009 from US$55.5 million a year earlier primarily due to the substantial winding down of hedging activities in 2009. The unrealized foreign exchange gain mainly resulted from appreciation of Brazilian real, Colombian peso and Syrian pound against the US dollar in 2009. In addition, the depreciation of the Philippine peso from January 1, 2009 to June 30, 2009 generated unrealized foreign exchange gain arising from the Parent Company's net monetary liability position in Philippine peso. The appreciating Philippine peso from July 1, 2009 to December 31, 2009 against the US dollar likewise generated unrealized foreign exchange gain at the Parent Company level arising from its net monetary asset position in Philippine peso. Foreign exchange gain mainly arises from settlement of foreign currency-denominated assets and liabilities and translation or restatement adjustments of monetary assets and liabilities.

Consolidated interest income decreased by 8.6 percent to US$3.7 million in 2009 from US4.0 million in the previous year mainly due to lower average cash balance in 2009, particularly at ICTSI Parent level.

Other income declined by US$64.4 thousand, or by 4.3 percent, to US$1.4 million in 2009 from US$1.5 million in the preceding year. Other income is composed of rental and other sundry income accounts of ICTSI and subsidiaries.

TOTAL EXPENSES

Total expenses consist of: (1) Manpower costs; (2) Equipment and facilities-related expenses; (3) Administrative and other operating expenses; (4) Depreciation and amortization; (5) Foreign exchange loss and others; (6) Interest expense on concession rights payable and (7) Interest expense and financing charges on borrowings.

The table below shows the breakdown of total expenses for 2009 and 2008.

Total Expenses

	For the Year Ended December 31		
(In thousands, except % change data)	2009	2008	% Change
Manpower costs	US$82,880	US$88,568	(6.4)
Equipment and facilities-related expenses	48,035	59,990	(19.9)
Administrative and other operating expenses	54,257	55,241	(1.8)
Total cash operating expenses	185,172	203,799	(9.1)
Depreciation and amortization	57,603	50,748	13.5
Foreign exchange loss and others	33,741	71,084	(52.5)
Interest expense on concession rights payable	23,096	23,336	(1.0)
Interest expense and financing charges on borrowings	21,755	16,805	29.5
Total expenses	US$321,367	US$365,772	(12.1)

Consolidated full year expenses declined by 12.1 percent to US$321.4 million in 2009 from US$365.8 million in 2008 mainly because of the significant drop in foreign exchange loss and other expenses. Meanwhile, total cash operating expenses of the Group dropped 9.1 percent to US$185.2 million 2009 from US$203.8 million in 2008. The decline was mainly due to the contraction in volume and the effect of cost containment measures that were implemented across all terminals and cost centers.

Manpower Costs

Manpower costs decreased 6.4 percent to US$82.9 million in 2009 from US$88.6 million a year ago. Volume contraction and the impact of cost containment measures implemented across all terminals contributed to the decline in manpower costs. The decline at BCT's manpower costs by 59.6 percent as a result of its restructuring program also contributed to the overall reduction in manpower costs. Manpower costs accounted for 44.8 percent of total cash operating expenses as of year-to-date December 31, 2009 from 43.5 percent in the same period of the prior year.

Equipment and Facilities-related Expenses

Equipment and facilities-related expenses plummeted by 19.9 percent to US$48.0 million for the year ended December 31, 2009 from US$60.0 million in 2008. The decline was mainly due to the reduction in volume, effective maintenance and productivity programs and operating efficiency. Particularly, key terminals posted 23.7 percent drop in their equipment and facilities-related expenses. This account represents 25.9 percent of total cash operating expenses in 2009 from 29.4 percent the previous year.

Administrative and Other Operating Expenses

Administrative and other operating expenses fell by 1.8 percent in 2009 to US$54.3 million from US$55.2 million in the preceding year. The decline was mainly due to the effect of cost-saving measures implemented at terminals and cost centers. Implementation of cost-saving measures is part of the Group's thrust to counter the effects of the decline in global trade. This expense account stands for 29.3 percent of total cash operating expenses for the year ended December 31, 2009 from 27.1 percent in the same period a year ago.

Depreciation and Amortization

Depreciation and amortization expense increased by 13.5 percent to US$57.6 million in 2009 compared with US$50.7 million in the same period of the previous year. The increase was related to the acquisition of port equipment, transportation equipment and improvements in facilities at key terminals, specifically at CGSA, MICT and TSSA. Amortization on completed capital expenditures of CGSA in 2009 amounted to US$1.8 million.

Foreign Exchange Loss and Others

Foreign exchange loss and others account declined by 52.5 percent to US$33.7 million in 2009 from US$71.1 million a year ago mainly due to the substantial winding down of hedging activities and the strengthening of Colombian peso and Brazilian real against the US dollar. As of December 31, 2009, there are no outstanding non-deliverable forwards that are classified as non-hedge. Other expenses included mark-to-market loss on interest rate swap (IRS) amounting to US$1.7 million which was transferred from other comprehensive income in the second quarter of the year. The IRS was related to the US$50.0 million outstanding balance of the US$250.0 million term loan facility which was repaid in June 2009.

Interest Expense on Concession Rights Payable

Interest expense on concession rights payable decreased by 1.0 percent to US$23.1 million for the period ended December 31, 2009 compared with the US$23.3 million posted in the same period in 2008 mainly due to the decline in principal balance of concession rights payable.

Interest and Financing Charges on Borrowings

Interest and financing charges on borrowings increased by 29.5 percent to US$21.8 million in 2009 from US$16.8 million in 2008 primarily due to higher average debt level in 2009. Average interest-bearing debt stood at US$446.0 million and US$302.1 million in 2009 and 2008, respectively, while effective interest rates were 4.88 percent and 5.56 percent in 2009 and 2008, respectively. Meanwhile, capitalized borrowing costs on qualifying assets amounted to US$5.2 million in 2009 compared with US$2.9 million in 2008.

EBITDA and EBIT

Consolidated EBITDA for the full year 2009 declined by 10.6 percent to US$175.7 million compared to US$196.4 million in the preceding year. The drop in EBITDA was primarily due to the volume contraction resulting from the global economic slump and the unfavorable volume and revenue mix in 2009. A weaker Philippine peso against the US dollar in 2009 compared to 2008 also dampened EBITDA growth by 6.4 percent. Excluding the unfavorable foreign exchange translation impact, EBITDA should have declined by only 4.2 percent year-on-year. Despite the drop in EBITDA, however, the Group still managed to maintain a solid 41.7 percent EBITDA margin in 2009, or relatively flat when compared with the previous year's EBITDA margin of 42.4 percent, on account of cost reduction measures, effective management of cash operating expenses and tariff increases.

Consolidated EBIT for the year ended December 31, 2009 declined by 19.0 percent to US$118.1 million from US$145.7 million in the same period in 2008 primarily due to volume contraction and additional capital expenditures. Removing the unfavorable foreign exchange translation impact, EBIT declined by only 13.2 percent. Meanwhile, EBIT margin decreased to 28.0 percent as of the end of 2009 from 31.5 percent in the same period in 2008.

INCOME BEFORE INCOME TAX AND PROVISION FOR INCOME TAX

Consolidated income before income tax for the year ended December 31, 2009 decreased by 20.7 percent to US$80.0 million from US$101.0 million in 2008 mainly due to the volume contraction, increase in depreciation and amortization expense and higher average debt level. Income before income tax as a percentage of the total gross revenues declined to 19.0 percent in 2009 from 21.8 percent a year ago.

Consolidated provision for current and deferred income taxes decreased by 29.9 percent to US$28.0 million from US$39.9 million in 2008 mainly due to the decline in pre-tax income resulting from the reduction in volume and change in corporate income tax rate of MICT and other Philippine ports from 35.0 percent in 2008 to 30.0 percent in 2009. Meanwhile, effective tax rate for the year ended December 31, 2009 declined to 35.0 percent from 39.6 percent in the same period of the previous year.

NET INCOME

Consolidated net income for the full year 2009 decreased to US$52.0 million, or 14.7 percent lower than the US$61.0 million consolidated net income in the same period of the preceding year. The decrease in consolidated net income was associated with the contraction in TEU throughput, higher depreciation and amortization expense, and increase in debt level. In addition, a weaker Philippine peso against the US dollar in 2009 compared to 2008 and the translation of 2008 consolidated financial statements to US dollar from Philippine peso, for comparative purposes, contributed to the decline in consolidated net income. Excluding the foreign exchange translation impact, consolidated net income should have declined by only 8.6 percent. Consolidated net income as a percentage of gross revenues stood at 12.3 percent in 2009 compared with 13.2 percent a year ago.

Net income attributable to equity holders or net profits excluding minority interests for the year ended December 31, 2009 amounted to US$54.9 million or 14.5 percent lower from US$64.2 million in the same period of the preceding year. Excluding foreign exchange translation impact, net income attributable to equity holders should have declined by only 8.4 percent.

Basic and diluted earnings per share declined to US$0.029 and US$0.028 during the year ended December 31, 2009 from US$0.034 and US$0.032 in the same period of the prior year, respectively.

There were no significant elements of income or expense outside the Group's continuing operations in 2009.

TRENDS, EVENTS OR UNCERTAINTIES AFFECTING RECURRING REVENUES AND PROFITS

The Group is exposed to a number of trends, events and uncertainties which can affect its recurring revenues and profits. These include levels of general economic activity and containerized trade volumes in countries where it operates, as well as certain cost items, such as labor, fuel and power. In addition, the Group operates in a number of jurisdictions other than the Philippines and collects revenues in various currencies. Continued appreciation of the US dollar relative to other major currencies, particularly the Philippine peso, may have a negative impact on the Group's reported levels of revenues and profits.

FINANCIAL CONDITION

Consolidated Condensed Balance Sheets

	December 31		
(In thousands, except % change data)	2009	2008	% Change
Total assets	US$1,268,495	US$1,253,149	1.2
Current assets	209,409	282,382	(25.8)
Total Equity	517,353	451,780	14.5
Total equity attributable to equity holders of the parent	458,276	397,405	15.3
Total interest bearing-debt	433,891	458,044	(5.3)
Current liabilities	111,760	134,077	(16.6)
Total liabilities	751,142	801,350	(6.3)
Current assets/total assets	16.51%	22.53%	
Current ratio	1.87	2.11	
Debt-equity ratio1	1.45	1.77	
Debt-equity ratio2	0.99	1.21	

[1] Debt includes total liabilities. Equity includes total stockholders' equity.

[2] Debt includes interest-bearing debt and concession rights payable under IFRIC 4. Equity includes paid-up capital, cost of shares held by subsidiaries, retained earnings, cumulative translation adjustment and unrealized mark-to-market gain.

Consolidated assets as of December 31, 2009 increased by 1.2 percent to US$1.27 billion compared with US$1.25 billion as of December 31, 2008. The increase of US$15.3 million was mainly attributable to the net impact of acquisitions of port equipment and civil work expenditures at the Group's key terminals and the increase in current assets other than cash and cash equivalents. Noncurrent assets represent 83.5 percent and 77.5 percent of the total assets as of December 31, 2009 and December 31, 2008 respectively.

Total current assets declined by 25.8 percent to US$209.4 thousand as of December 31, 2009 from US$282.4 million as of December 31, 2008 mainly because of the decrease in cash and cash equivalents resulting from the spending on capital projects and settlement and prepayment of long-term borrowings. Current assets accounted for 16.5 percent and 22.5 percent of the total consolidated assets as of December 31, 2009 and December 31, 2008 respectively. Meanwhile, current ratio stood at 1.88 and 2.11 as at December 31, 2009 and December 31, 2008 respectively.

Total Equity and total equity attributable to equity holders of the parent increased by 14.5 percent and 15.3 percent, respectively, mainly because of the Group's net income generated during 2009 and the favorable translation adjustment from the 25.0 percent year-on-year appreciation of Brazilian real and appreciation of other currencies against the US dollar. Total equity account represents 40.8 percent and 36.1 percent of the total assets as of December 31, 2009 and 2008, respectively.

Total consolidated liabilities as of December 31, 2009 amounted to US$751.1 million, or 6.3 percent lower than the US$801.4 million balance as of December 31, 2008. The decrease was mainly because of the payments of short-term borrowings, full settlement of derivative liabilities and the net payment of long-term debt during the year. Total liabilities as a percentage of total assets stood at 59.2 percent and 63.9 percent as of December 31, 2009 and December 31, 2008.

MATERIAL VARIANCES AFFECTING THE BALANCE SHEET

Balance sheet accounts as of December 31, 2009 with variances of plus or minus 5 percent against December 31, 2008 balances are discussed, as follows:

Noncurrent Assets

1. Intangibles, net of amortization, increased by US$41.8 million, or by 7.1 percent higher than December 2008. This was mainly due to the acquisitions of port and other equipment at MICT, MICTSL and CGSA. Inclusion of TecPlata's concession rights under IFIRC 12 and concession rights resulting from the final purchase price allocation in 2009 also contributed to the increase in intangible assets of the Group.
2. Property and equipment, net of depreciation, increased by US$65.8 million, or 25.2 percent higher than the December 2008 balance mainly due to the acquisition of port and transportation equipment and construction of civil works for TSSA, BCT and SPIA.
3. Deferred tax assets declined by 17.5 percent as at year end of 2009 mainly due to the reduction in deferred tax assets related to the unrealized foreign exchange loss on Parent's concession rights payable.
4. Other noncurrent assets decreased by 22.6 percent to US$13.5 million principally due to the application of advances to suppliers and contractors for the acquisition, construction and rehabilitation of terminals and other equipment.

Current Assets

5. Cash and cash equivalents decreased by US$89.6 million, or 41.7 percent lower than the December 2008 balance mainly because of the prepayment of US$250.0 million revolving and term loan facility and acquisitions of port equipment and expenditures for civil works.
6. Receivables, net of allowance, increased by US$11.3 million in 2009, or by 44.6 percent from the December 2008 balance largely due to the significant improvement in revenues for the month of December 2009 against the same month in 2008, as the global economy recovers from the downturn.
7. Spare parts and supplies increased by US$2.6 million, or by 25.7 percent mainly because of the purchases of quay and rubber tyred gantry crane spare parts at CGSA and other key terminals.
8. Prepaid expenses and other current assets increased by 13.9 percent, or US$4.0 million primarily due to the increase in input VAT from capital expenditures at the Parent Company.
9. Derivative assets decreased by US$1.2 million, or by 31.1 percent decline mainly due to substantial winding down of the Group's hedging activities.

Equity

10. Retained earnings increased by 16.8 percent as a result of the net income for the year ended 2009, net of the dividends declared in 2009.
11. Other comprehensive loss declined by US$ 22.2 million or 32.0 percent lower than what was reported in 2008 mainly due to the favorable translation adjustments from the appreciation of Brazilian real, Colombian peso and Syrian pound against the US dollar.
12. Treasury shares decreased by US$1.7 million, or by 30.0 percent, mainly due to the issuance of stock awards in 2009.

Noncurrent Liabilities

13. Pension liabilities decreased by 16.1 percent or by US$175.1 thousand mainly due to jubilee adjustments at BCT, Poland.
14. Concession rights payable net of current portion decreased by 10.1 percent to US$185.3 million mainly due to periodic payments of concession rights.

Current Liabilities

15. Loans payable decreased by 60.9 percent to US$10.7 million mainly due to the full settlement of ICTSI's short-term loans in 2009.
16. Accounts payable and other current liabilities increased by 11.7 percent or by US$6.8 million mainly due to higher purchases particularly capital expenditures and spare parts made in the last quarter of 2009.
17. Current portion of long-term debt decreased by 23.2 percent to US$7.4 million as at year end 2009 mainly associated with the refinancing of US$250.0 million revolving term loan facility that will start maturing in 2010 by a new loan facility that will start maturing in 2011.
18. Income tax payable decreased by 15.5 percent, or by US$1.7 million, due to the lower pre-tax income in the fourth quarter of 2009 against the same period in 2008 and the decline in corporate tax rate of MICT and all the Group's Philippine ports to 30 percent in 2009 from 35 percent in 2008.
19. Derivative liabilities declined by 99.6 percent or by US$8.3 million due to the substantial winding down of the Group's hedging activities.

LIQUIDITY AND CAPITAL RESOURCES

This section discusses the Group's sources and uses of funds as well as its debt and equity capital profile.

LIQUIDITY

The table below shows the Group's consolidated cash flows for the year ended December 31, 2009 and 2008:

Consolidated Cash Flows

	For the Year Ended December 31		
(In thousands, except % change data)	2009	2008	% Change
Net cash provided by operating activities	US$137,018	US$152,921	(10.4)
Net cash used in investing activities	(137,842)	(259,470)	(46.9)
Net cash provided by (used in) financing activities	(92,284)	252,807	(136.5)
Effect of exchange rate changes on cash	3,498	(17,853)	(119.6)
Net decrease in cash and cash equivalents	(89,610)	128,405	(169.8)
Cash and cash equivalents, beginning	214,763	86,358	148.7
Cash and cash equivalents, end	US$125,153	US$214,763	(41.7)

Consolidated cash and cash equivalents declined by 41.7 percent to US$125.2 million as of December 31, 2009 from US$214.8 million as of December 31, 2008. The decrease was mainly due to the capital expenditures at CGSA and MICT, settlement of short term loans and the prepayment of the outstanding balance of the US$250.0 million revolving and term loan facility amounting to US$176.0 million, and the net proceeds from new loan availments amounting to US$231.4 million in 2009.

Net cash provided by operating activities declined by 10.4 percent to US$137.0 million in 2009 from US$152.9 million in 2008 mainly due to the impact of economic downturn which started in the last quarter of 2008.

Net cash used in investing activities was down by 46.9 percent to US$137.8 million in 2009 from the US$259.5 million reported in 2008 primarily due to lower capital expenditures as well as the deferment of existing and planned projects. The Group's budget for 2009 capital projects is estimated at US$146.9 million (₱7.2 billion) mainly allocated for civil works, systems improvement, and purchase of major cargo handling equipment of major terminals such as MICT, CGSA and TSSA. For the year ended December 31, 2009, the Group's capital expenditure amounted to US$119.4 million mainly resulting from CGSA's acquisition of container handling equipment and civil works and MICT's spending on Berth 6. These expenditures were financed by internally generated funds, available cash and cash equivalents and borrowings.

Net cash provided by financing activities declined by 136.5 percent to negative US$92.3 million in 2009 from positive US$252.8 million in 2008 largely attributable to the net payments of long-term borrowings, principally from the prepayment of the US$250.0 million revolving and term loan facility and full payment of ICTSI Parent's short-term borrowings in 2009.

CAPITAL RESOURCES

The table below illustrates the Group's capital sources as of December 31, 2009 and 2008:

Capital Sources

	December 31		
(In thousands, except % change data)	2009	2008	% Change
Loans payable	US$10,693	US$ 27,314	(60.9)
Current portion of long-term debt	7,399	9,630	(23.2)
Long-term debt, net of current portion	415,800	421,100	(1.3)
Total short and long-term debt	433,892	458,044	(5.3)
Stockholders' equity	517,353	451,799	14.5
Total capital	US$951,245	US$909,843	4.6

Total capital of the Group as of December 31, 2009 increased by 4.6 percent to US$951.2 million mainly due to the net income generated for the year. Significant reduction in loans payable was recorded in 2009 mainly due to full settlement of the Parent Company's short-term borrowings. Current portion of long-term debt also declined resulting from the longer terms of the refinanced loans.

Debt Financing

As of December 31, 2009, the Group's total interest-bearing debt stood at US$433.9 million, representing a 5.3 percent decrease from US$458.0 million as of December 31, 2008. The reduction by US$24.2 million was primarily accounted for by the prepayment of the US$250.0 million Revolving and Term Loan Facility of ICTSI Capital B.V. despite additional loans of US$150.0 million term loan facility, US$40.0 million MBTC term loan facility and the final drawdown of US$41.4 million under the DBP-LBP Term Loan Facility.

The table below represents the Group's outstanding loans net of debt issue costs as of December 31, 2009:

Outstanding Loans

(In thousands)	Company	Maturity	Interest Rate	Amount
Short-Term Debt				
RMB - denominated	YRDICTL	2010	Floating	US$10,693
Long-Term Debt				
Unsecured peso Term Loan	Parent	2014-15	Fixed	25,821
Unsecured peso Term Loan	Parent	2013	Floating	127,898
Unsecured US dollar Term Loans	Parent	2012-14	Floating	211,056
US dollar Term Loan	TSSA	2014	Fixed	9,641
US dollar Term Loan	BCT	2014	Floating	12,895
RMB Term Loan	YRDICTL	2017	Floating	35,887
				423,198
Total Debt				433,891
Less short-term debt and current portion of long-term debt				18,091
Long-term debt, net of current portion				US$415,800

The table below is a summary of long-term debt maturities, net of unamortized of debt issuance cost, of the Group as of December 31, 2009:

Long-term Debt Maturities

(In thousands)	Amount
2010	US$7,398
2011	106,025
2012	142,530
2013	90,744
2014 and onwards	76,501
Total	US$423,198

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 B.V. 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, 2009 and 2008, ICTSI, YRDICTL, BCT, TSSA, and ICTSI Capital B.V. are in compliance with the loan covenants.

There were no events that will trigger a direct or contingent financial obligation that is material to the Group, 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.

For a complete discussion of the Group's long-term debt, see Note 15, Long-term Debt, to the Audited Consolidated Financial Statements.

RISKS

ICTSI and its subsidiaries' geographically diverse operations expose the Group to various market risks, particularly foreign exchange risk, liquidity risk and interest rate risk, which movements may materially impact the financial results of the Group. 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, the Group has incorporated a financial risk management function in its organization, particularly in treasury operations.

FOREIGN EXCHANGE RISK

Fluctuations in the exchange rates between US dollar against the Euro and local currencies wherein the Group's ports operate affect the equivalent in US dollar of its foreign currency-denominated revenues and foreign currency-denominated assets and liabilities.

The Group's non-US dollar currency-linked revenues were 51.7 percent and 58.4 percent of gross revenues for the years ended December 31, 2009 and 2008, respectively. Foreign currency-linked revenues include the following: (1) all charges of MICT except vessel charges; and (2) the total non-US dollar revenues of our international subsidiaries. ICTSI Group incurs expenses in non-US dollar currency for all the operating and start-up requirements of its international subsidiaries.

The table below provides a currency breakdown of the Group's revenue as of December 31, 2009:

Revenue Currency Profile

Subsidiary	USD / EUR Composition	Local Currency
ICTSI	46% USD	54% PhP
SBITC		100% PhP
DIPSSCOR		100% PhP
SCIPSI		100% PhP
BIPI		100% PhP
MICTSI		100% PhP
BCT	92% USD	8% PLN
TSSA		100% BRL
MICTSL		100% EUR*
PTMTS		100% IDR
YRDICTL		100% RMB
CGSA	100% USD	
BICTL	100% USD	
TICT	100% USD	
SPIA	100% USD	
NICTI		100% JPY

*MGA pegged with the EURO

The Group recognized in the consolidated statement of income net foreign exchange gain amounting to US$7.4 million arising from net foreign-currency denominated financial assets and liabilities as of December 31, 2009, which resulted mainly from the movements in Philippine peso, Brazilian real, Syrian pound and Colombian peso against the US dollar and Malagasy ariary against Euro.

ICTSI entered into cross-currency swap transactions to hedge both the foreign currency and interest rate exposures of the Group's foreign currency-denominated term loan facilities. As of December 31, 2009, ICTSI's outstanding cross-currency swaps amounted to US$150.3 million.

As of December 31, 2009, the unrealized mark-to-market gain on these cross-currency swaps amounted to US$2.6 million, which was shown in the consolidated balance sheet as derivative assets with an offsetting entry to cumulative translation adjustments presented under the consolidated statement of comprehensive income.

For additional discussion on foreign currency risk, see Note 25.4, Derivative Instruments Accounted for as Cash Flow Hedges – Cross-currency Swaps, and Note 26, Financial Risk Management Objectives and Policies – Foreign Currency Risk, to the Audited Consolidated Financial Statements.

INTEREST RATE RISK

The Group's long-term liabilities have combined fixed and floating interest rates. A rise in short-term interest rates in US dollar and Philippine peso will result in a corresponding increase in the interest rates due on the floating rate US dollar and Philippine peso-denominated liabilities. 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.

For further discussion on interest rate risk, see Note 25.4, Derivative Instruments Accounted for as Cash Flow Hedges - Interest Rate Swap, and Note 26, Financial Risk Management Objectives and Policies Interest Rate Risk, to the Audited Consolidated Financial Statements.

LIQUIDITY RISK

The Group manages its liquidity profile to be able to finance its working capital and capital expenditure requirements through internally generated cash and proceeds from debt.

As part of the liquidity risk management, the Group maintains strict control of its cash and ensures that excess cash held by subsidiaries are up streamed timely to the Parent Company. The Group also monitors the receivables and payables to ensure that these are at optimal levels. In addition, the Group regularly evaluates its projected and actual cash flow information and continually assesses the conditions in the financial market to pursue fund raising initiatives. These initiatives may include accessing bank loans, securing project finance facilities and the debt capital markets.

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

For additional discussion on liquidity risk, see Note 26, Financial Risk Management Objectives and Policies, to the Audited Consolidated Financial Statements.

Management's Responsibility for Financial Statements

Management of International Container Terminal Services, Inc. (the Company) is responsible for all information and representations contained in the consolidated financial statements for the years ended December 31, 2009, 2008 and 2007. The consolidated financial statements have been prepared in conformity with Philippine Financial Reporting Standards, and reflect amounts that are based on best estimates and informed judgment of management with an appropriate consideration to materiality.

In this regard, management maintains a system of accounting and reporting which provides for the necessary internal controls to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition, and liabilities are recognized. 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 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 Philippine Standards on Auditing, 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

SGV&Co
Ernst & Young

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BOA/PRC Reg. No. 0001
SEC Accreditation No. 0012-FR-2

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

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, 2009, 2008, and 2007, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for each of the three years then ended, 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, 2009, 2008 and 2007, and their financial performance and their cash flows for each of the three years then ended in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Ramon D. Dizon

Ramon D. Dizon
Partner
CPA Certificate No. 46047
SEC Accreditation No. 0077-AR-2
Tax Identification No. 102-085-577
PTR No. 2087532, January 4, 2010, Makati City

March 4, 2010

Consolidated Balance Sheets

	December 31		
	2009	2008* (As Restated - Note 4)	2007*
ASSETS			
Noncurrent Assets			
Intangibles (Notes 4, 6 and 23)	US$628,394,081	US$586,601,376	US$440,059,828
Property and equipment (Notes 4, 7, 15 and 23)	326,815,392	261,064,202	264,210,979
Investment properties (Note 8)	29,717,138	29,513,927	28,478,612
Deferred tax assets - net (Notes 4 and 20)	28,064,498	34,016,985	40,542,173
Other noncurrent assets (Notes 4, 9, 22 and 23)	46,094,541	59,570,980	25,183,363
Total Noncurrent Assets	1,059,085,650	970,767,470	798,474,955
Current Assets			
Cash and cash equivalents (Notes 4, 11 and 25)	125,152,800	214,762,856	86,358,118
Receivables (Notes 4, 12, 21 and 25)	36,558,132	25,279,394	29,683,536
Spare parts and supplies (Note 4)	12,588,667	10,016,234	8,539,508
Prepaid expenses and other current assets (Notes 4, 13 and 23)	32,516,700	28,557,789	11,721,261
Derivative assets (Note 25)	2,593,095	3,765,690	13,203,142
Total Current Assets	209,409,394	282,381,963	149,505,565
	US$1,268,495,044	US$1,253,149,433	US$947,980,520
EQUITY AND LIABILITIES			
Equity Attributable to Equity Holders of the Parent			
Capital stock:			
Preferred stock (Note 14)	US$72,492	US$72,492	US$72,492
Common stock (Note 14)	66,029,259	66,028,443	65,537,141
Additional paid-in capital (Notes 4, 14, 18 and 21)	291,379,961	289,589,211	286,663,382
Cost of shares held by subsidiaries (Notes 14 and 21)	(119,005,362)	(115,193,083)	(102,633,384)
Treasury shares (Notes 4, 14, 18 and 21)	(3,877,508)	(5,535,789)	(7,126,323)
Excess of acquisition cost over the carrying value of minority interests (Note 14)	(343,983)	(343,983)	(7,255,385)
Retained earnings (Note 14)	271,145,420	232,076,554	184,121,786
Other comprehensive loss (Notes 9, 14 and 25)	(47,123,809)	(69,288,699)	(11,593,675)
Total equity attributable to equity holders of the parent	458,276,470	397,405,146	407,786,034
Equity Attributable to Minority Interests (Note 14)	59,076,765	54,394,381	57,924,635
Total Equity	517,353,235	451,799,527	465,710,669
Noncurrent Liabilities			
Long-term debt - net of current portion (Notes 7, 15 and 25)	415,799,860	421,099,920	142,098,716
Concession rights payable - net of current portion (Notes 6 and 23)	185,340,451	206,258,582	202,380,850
Deferred tax liabilities (Notes 4 and 20)	37,330,155	38,827,886	43,311,444
Pension liabilities (Note 22)	911,517	1,086,569	1,273,020
Total Noncurrent Liabilities	639,381,983	667,272,957	389,064,030
Current Liabilities			
Loans payable (Notes 16, 21 and 25)	10,692,837	27,314,030	–
Accounts payable and other current liabilities (Notes 4, 17, 21 and 25)	64,772,274	57,971,193	54,544,168
Current portion of long-term debt (Notes 7, 15 and 25)	7,398,583	9,629,689	4,078,062
Current portion of concession rights payable (Notes 6 and 23)	19,357,079	19,584,633	28,344,221
Income tax payable (Note 20)	9,509,912	11,258,265	6,099,229
Derivative liabilities (Note 25)	29,141	8,319,139	140,141
Total Current Liabilities	111,759,826	134,076,949	93,205,821
	US$1,268,495,044	US$1,253,149,433	US$947,980,520

* Amounts in Philippine peso functional currency are translated to US dollar presentation currency (see Note 2).

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Income

	Years Ended December 31		
	2009	2008* (As Restated - Note 4)	2007*
INCOME			
Gross revenues from port operations (Note 23)	US$421,651,311	US$463,117,713	US$324,933,335
Foreign exchange gain (Note 25)	35,445,296	55,512,516	40,504,589
Interest income (Note 11)	3,684,271	4,028,891	4,242,403
Reversal of impairment loss on investment property (Note 7)	–	5,456,648	–
Other income (Notes 8, 9 and 19)	1,432,227	1,496,648	2,327,830
	462,213,105	529,612,416	372,008,157
EXPENSES			
Port Authorities' share in gross revenues (Notes 19, 21 and 23)	60,826,739	62,882,216	45,368,392
Manpower costs (Notes 18, 21 and 22)	82,879,802	88,567,774	52,408,420
Depreciation and amortization (Notes 6, 7 and 8)	57,602,936	50,748,469	35,685,948
Administrative and other operating expenses (Note 21)	54,256,873	55,241,314	47,910,684
Equipment and facilities-related expenses (Note 23)	48,035,192	59,990,019	49,570,522
Foreign exchange loss (Note 25)	28,082,755	68,994,434	9,009,686
Interest expense on concession rights payable (Note 6)	23,096,102	23,335,515	17,492,828
Interest expense and financing charges on borrowings (Notes 15 and 16)	21,755,208	16,804,865	15,248,196
Other expenses (Notes 9, 15 and 19)	5,658,250	2,089,592	1,175,210
	382,193,857	428,654,198	273,869,886
CONSTRUCTION REVENUE (EXPENSE) (Notes 3 and 23)			
Construction revenue	76,591,806	116,117,934	45,841,321
Construction expense	(76,591,806)	(116,117,934)	(45,841,321)
	–	–	–
INCOME BEFORE INCOME TAX	80,019,248	100,958,218	98,138,271
PROVISION FOR INCOME TAX (Note 20)			
Current	23,051,866	39,548,912	21,797,848
Deferred	4,929,144	394,016	7,240,998
	27,981,010	39,942,928	29,038,846
NET INCOME	US$52,038,238	US$61,015,290	US$69,099,425
Attributable To			
Equity holders of the parent	US$54,911,280	US$64,226,240	US$71,257,597
Minority interests	(2,873,042)	(3,210,950)	(2,158,172)
	US$52,038,238	US$61,015,290	US$69,099,425
Earnings Per Share (Note 27)			
Basic	US$0.029	US$0.034	US$0.039
Diluted	0.028	0.032	0.037

* Amounts in Philippine peso functional currency are translated to US dollar presentation currency (see Note 2).

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

	Years Ended December 31		
	2009	2008* (As Restated - Note 4)	2007*
NET INCOME FOR THE YEAR	US$52,038,238	US$61,015,290	US$69,099,425
OTHER COMPREHENSIVE INCOME (LOSS)			
Exchange differences on translation of foreign operations' financial statements	28,276,440	(56,360,932)	(1,483,863)
Net unrealized gain (loss) removed from equity and recognized in profit or loss (Note 25)	2,686,317	(3,420,369)	–
Net change in unrealized mark-to-market values of derivatives	(2,308,385)	(4,325,183)	2,872,552
Net unrealized mark-to-market gain on available-for-sale investments	166,923	(87,533)	(110,229)
Effect of finalization of business combination (Note 4)	–	3,675,966	–
Income tax relating to components of other comprehensive income (loss)	899,021	2,503,723	(1,005,393)
	29,720,316	(58,014,328)	273,067
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	US$81,758,554	US$3,000,962	US$69,372,492
Attributable To			
Equity holders of the parent	US$77,076,170	US$6,531,216	US$69,733,713
Minority interests	4,682,384	(3,530,254)	(361,221)
	US$81,758,554	US$3,000,962	US$69,372,492

* Amounts in Philippine peso functional currency are translated to US dollar presentation currency (see Note 2).

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Equity

	Attributable to Equity Holders of the Parent											
	Preferred Stock	Common Stock	Additional Paid-in Capital	Preferred Shares Held by a Subsidiary	Common Shares Held by Subsidiaries	Treasury Shares	Excess of Acquisition Cost over the Carrying Value of Minority Interests	Retained Earnings	Other Comprehensive Income (Loss)	Total	Minority Interests	Total Equity
Balance at December 31, 2008, as previously stated	US$72,492	US$66,028,443	US$289,589,211	(US$72,492,481)	(US$42,700,602)	(US$5,535,789)	(US$343,983)	US$232,131,827	(US$69,292,242)	US$397,456,876	US$51,276,654	US$448,733,530
Adjustments on final valuation of business combinations (Note 4)	–	–	–	–	–	–	–	(55,273)	3,543	(51,730)	3,117,727	3,065,997
Balance at December 31, 2008, as restated	72,492	66,028,443	289,589,211	(72,492,481)	(42,700,602)	(5,535,789)	(343,983)	232,076,554	(69,288,699)	397,405,146	54,394,381	451,799,527
Total comprehensive income for the year	–	–	–	–	–	–	–	54,911,280	22,164,890	77,076,170	4,682,384	81,758,554
Cash dividends (Note 14)	–	–	–	–	–	–	–	(15,842,414)	–	(15,842,414)	–	(15,842,414)
Additional shares held by subsidiaries (Note 14)	–	–	–	–	(3,812,279)	–	–	–	–	(3,812,279)	–	(3,812,279)
Share-based payments (Note 18)	–	–	3,449,031	–	–	–	–	–	–	3,449,031	–	3,449,031
Collection of subscription receivable	–	816	–	–	–	–	–	–	–	816	–	816
Issuance of treasury shares (Notes 14 and 18)	–	–	(1,658,281)	–	–	1,658,281	–	–	–	–	–	–
Balance at December 31, 2009	US$72,492	US$66,029,259	US$291,379,961	(US$72,492,481)	(US$46,512,881)	(US$3,877,508)	(US$343,983)	US$271,145,420	(US$47,123,809)	US$458,276,470	US$59,076,765	US$517,353,235
Balance at December 31, 2007	US$72,492	US$65,537,141	US$286,663,382	(US$72,492,481)	(US$30,140,903)	(US$7,126,323)	(US$7,255,385)	US$184,121,786	(US$11,593,675)	US$407,786,034	US$57,924,635	US$465,710,669
Total comprehensive income for the year - as restated (Note 4)	–	–	–	–	–	–	–	64,226,240	(57,695,024)	6,531,216	(3,530,254)	3,000,962
Collection of subscription receivable	–	491,302	1,442,363	–	–	–	–	–	–	1,933,665	–	1,933,665
Share-based payments (Note 18)	–	–	2,961,228	–	–	–	–	–	–	2,961,228	–	2,961,228
Acquisition of minority interest (Note 14)	–	–	–	–	–	–	6,911,402	–	–	6,911,402	–	6,911,402
Additional shares held by subsidiaries (Note 14)	–	–	–	–	(12,559,699)	–	–	–	–	(12,559,699)	–	(12,559,699)
Issuance of treasury shares (Notes 14 and 18)	–	–	(1,477,762)	–	–	1,590,534	–	–	–	112,772	–	112,772
Cash dividends (Note 14)	–	–	–	–	–	–	–	(16,271,472)	–	(16,271,472)	–	(16,271,472)
Balance at December 31, 2008	US$72,492	US$66,028,443	US$289,589,211	(US$72,492,481)	(US$42,700,602)	(US$5,535,789)	(US$343,983)	US$232,076,554	(US$69,288,699)	US$397,405,146	US$54,394,381	US$451,799,527
Balance at December 31, 2006	US$72,492	US$72,770,863	US$187,583,848	(US$72,492,481)	(US$102,640,768)	US$–	(US$6,614,230)	US$125,304,326	(US$10,069,791)	US$193,914,259	US$6,589,849	US$200,504,108
Total comprehensive income for the year	–	–	–	–	–	–	–	71,257,597	(1,523,884)	69,733,713	(361,221)	69,372,492
Collection of subscriptions receivable (Note 14)	–	5,898	5,854	–	–	–	–	–	–	11,752	–	11,752
Merger and retirement of treasury shares (Note 14)	–	(7,239,620)	(27,872,604)	–	39,169,158	(4,056,934)	–	–	–	–	–	–
Sale of shares held by subsidiaries (Note 14)	–	–	124,205,350	–	29,665,171	–	–	–	–	153,870,521	–	153,870,521
Acquisition of shares held by subsidiaries (Note 14)	–	–	–	–	3,069,389	(3,069,389)	–	–	–	–	–	–
Share-based payments (Note 18)	–	–	2,740,934	–	–	–	–	–	–	2,740,934	–	2,740,934
Acquisition of additional minority interest	–	–	–	–	–	–	(641,155)	–	–	(641,155)	–	(641,155)
Additional shares held by subsidiaries	–	–	–	–	596,147	–	–	–	–	596,147	–	596,147
Cash dividends (Note 14)	–	–	–	–	–	–	–	(12,440,137)	–	(12,440,137)	–	(12,440,137)
Increase in share of minority interests (Note 4)	–	–	–	–	—	–	–	–	–	–	51,696,007	51,696,007
Balance at December 31, 2007	US$72,492	US$65,537,141	US$286,663,382	(US$72,492,481)	(US$30,140,903)	(US$7,126,323)	(US$7,255,385)	US$184,121,786	(US$11,593,675)	US$407,786,034	US$57,924,635	US$465,710,669

* Amounts in Philippine peso functional currency are translated to US dollar presentation currency (see Note 2).

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

	Years Ended December 31 2009	2008* (As Restated - Note 4)	2007*
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	US$80,019,248	US$100,958,218	US$98,138,271
Adjustments for:			
Depreciation and amortization (Notes 6, 7 and 8)	57,602,936	50,748,469	35,685,948
Interest expense on:			
Concession rights payable (Notes 6 and 7)	23,096,102	23,335,515	17,492,828
Borrowings (Notes 15 and 16)	21,755,208	16,804,865	14,267,216
Unrealized foreign exchange loss (gain)	(4,709,120)	9,027,638	(19,005,510)
Interest income (Note 11)	(3,684,271)	(4,028,891)	(4,242,403)
Share-based payments (Note 18)	2,829,571	2,961,228	2,740,934
Write-off of debt issuance costs from prepayment of long-term debt (Note 15)	2,225,505	–	–
Provisions for doubtful accounts (Notes 9 and 12)	939,365	181,139	13,545
Write-down of spare parts and supplies to net realizable value (Note 4)	69,356	89,123	140,576
Dividend income (Note 19)	(234,438)	(47,597)	(226,621)
Gain on sale of property and equipment (Note 19)	(111,633)	(410,753)	(1,053,029)
Reversal of impairment loss on investment properties (Notes 7)	–	(5,456,648)	–
Unrealized mark-to-market loss (gain) on derivatives (Note 25)	–	387,769	(8,807,921)
Equity in net earnings of an associate (Notes 9 and 19)	–	(116,917)	(157,788)
Impairment loss on goodwill (Note 6)	–	–	285,206
Operating income before changes in working capital	179,797,829	194,433,158	135,271,252
Decrease (increase) in:			
Receivables	(10,648,713)	1,249,502	(7,868,098)
Spare parts and supplies	(2,029,991)	(2,715,155)	(1,563,604)
Prepaid expenses and other current assets	(4,988,638)	(9,069,695)	(5,098,572)
Increase (decrease) in:			
Accounts payable and other current liabilities	116,892	2,504,212	17,513,305
Pension liabilities	(156,921)	–	(124,270)
Cash generated from operations	162,090,458	186,402,022	138,130,013
Income taxes paid	(25,072,515)	(33,481,494)	(20,298,765)
Net cash provided by operating activities	137,017,943	152,920,528	117,831,248
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Intangible assets (Notes 6 and 23)	(82,027,959)	(126,457,747)	(81,672,403)
Property and equipment (Note 7)	(37,342,657)	(43,044,255)	(60,612,072)
Subsidiaries, net of cash acquired (Note 4)	–	(44,144,596)	(88,114,983)
Interest received	3,634,564	3,909,609	4,242,403
Payments for concession rights	(20,106,837)	(11,932,625)	(2,738,188)
Decrease (increase) in other noncurrent assets (Note 9)	(2,899,916)	(35,193,477)	2,937,331
Proceeds from sale of property and equipment	666,397	887,439	1,496,514
Dividends received	234,438	47,597	226,621
Excess of acquisition cost over the carrying value of minority interests acquired	–	(3,542,198)	(477,424)
Net cash used in investing activities	(137,841,970)	(259,470,253)	(224,712,201)

(Forward)

	Years Ended December 31 2009	2008* (As Restated - Note 4)	2007*
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Long-term borrowings (Note 15)	US$251,014,516	US$297,276,563	US$93,631,281
Short-term borrowings (Note 16)	9,019,910	116,249,599	60,354,373
Subscriptions and issuance of capital stock	816	1,933,665	11,752
Sale of common shares held by a subsidiary (Note 14)	–	–	162,653,290
Payments of:			
Long-term borrowings (Note 15)	(261,589,531)	(4,350,947)	(82,055,690)
Short-term borrowings (Note 16)	(26,016,799)	(87,316,792)	(84,613,969)
Interest on borrowings and concession rights payable	(45,103,370)	(43,439,633)	(31,383,962)
Dividends (Note 14)	(15,796,927)	(14,985,541)	(12,440,137)
Acquisition of common shares held by a subsidiary (Note 14)	(3,812,279)	(12,559,699)	–
Net cash provided by (used in) financing activities	(92,283,664)	252,807,215	106,156,938
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	3,497,635	(17,852,752)	12,511,899
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(89,610,056)	128,404,738	11,787,884
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	214,762,856	86,358,118	74,570,234
CASH AND CASH EQUIVALENTS AT END OF YEAR	US$125,152,800	US$214,762,856	US$86,358,118

* Amounts in Philippine peso functional currency are translated to US dollar presentation currency (see Note 2).

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 4, 2010.

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 13 countries: in the Philippines, Brazil, Poland, Madagascar, Japan, Indonesia, Syria, China, Ecuador, Colombia, Georgia, Brunei and Argentina. 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:

Port of Manzanillo, Mexico. In November 2009, ICTSI was declared by the Administracion Portuaria Integral de Manzanillo, S.A. (Integrated Port Administration) the winner of a 34-year concession for the development and operation of the second Special Container Terminal (ECT) or the Port of Manzanillo. ICTSI established Contecon Manzanillo, S.A. de CV (Contecon Manzanillo) on December 10, 2009 to operate the Port of Manzanillo. As of March 4, 2010, the concession agreement has not yet been signed by both parties.

Muara Container Terminal, Brunei. In May 2009, ICTSI, through ICTSI Far East Pte. Ltd. (IFEPL) signed a Service Agreement and a Hand-Over Agreement for the operation and maintenance of Muara Container Terminal (Muara Terminal) in Brunei Darussalam. Under these agreements, ICTSI shall operate and maintain Muara Terminal for four years, which may be extended for one year at a time, for a maximum of two years. ICTSI established New Muara Container Terminal Services Sdn Bhd (NMCTS) to develop, manage and operate Muara Terminal. NMCTS took over the terminal operations on May 22, 2009 (see Note 23.22).

Pulau Muara Besar Container Terminal, Brunei. In October 2008, ICTSI signed a Memorandum of Understanding with Brunei Economic Development Board (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 PMBCT once it is completed and ready for commercial operations (see Note 23.21).

Port of La Plata, Argentina. In October 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 Gestíon del Puerto La Plata (La Plata) (see Notes 23.6 and 23.20). Pre-construction activities are ongoing.

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 23.16).

Mindanao Container Terminal, Phividec Industrial Estate, Misamis Oriental. On April 25, 2008, ICTSI was awarded by the Phividec Industrial Authority (PIA) 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 23.12).

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 23.4).

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 23.10).

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 control over 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. Pre-construction activities are ongoing (see Note 23.9).

Port of Guayaquil, Ecuador. In May 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 23.3).

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 managed 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 23.19).

1.3 Subsidiaries

	Place of Incorporation	Nature of Business	Functional Currency	Percentage of Ownership 2009 Direct	2009 Indirect	2008 Direct	2008 Indirect	2007 Direct	2007 Indirect
Asia									
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.	Bermuda	Holding Company	US Dollar	–	100.00	–	100.00	–	100.00
IFEPL	Singapore	Holding Company	US Dollar	–	100.00	–	100.00	–	100.00
PT Makassar Terminal Services, Inc. (MTS)	Indonesia	Port Management	Indonesian Rupiah	–	95.00	–	95.00	–	95.00
ICTSI (Hongkong) Limited	Hongkong	Holding Company	US Dollar	–	100.00	–	100.00	–	100.00
YRDICTL[(a)]	China	Port Management	Renminbi	–	60.00	–	60.00	–	60.00
Pentland International Holdings, Ltd. (PIHL)	British Virgin Island	Holding Company	US Dollar	–	100.00	–	100.00	–	100.00
ICTSI Poland	Bermuda	Holding Company	US Dollar	–	100.00	–	100.00	–	100.00
PT Container Terminal Systems Solutions Indonesia (PT CTSSI)	Indonesia	Software Developer	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
Australian International Container Terminals Limited (AICTL)[(c)]	Australia	Port Management	Australian Dollar	–	70.00	–	70.00	–	70.00
Naha International Container Terminal, Inc. (NICTI)	Japan	Port Management	Japanese Yen	60.00	–	60.00	–	60.00	–
MICTSI[(b)]	Philippines	Port Management	Philippine Peso	100.00	–	100.00	–	100.00	–
Abbotsford Holdings, Inc. (Abbotsford)	Philippines	Holding Company	Philippine Peso	100.00	–	100.00	–	100.00	–
Davao Integrated Port Services and Stevedoring Corporation (DIPSSCOR)	Philippines	Port Management	Philippine Peso	–	96.95	–	96.95	–	96.95
ICTSI Warehousing, Inc. (IWI)	Philippines	Warehousing	Philippine Peso	100.00	–	100.00	–	100.00	–
IW Cargo Handlers, Inc. (IW Cargo)	Philippines	Port Equipment Rental	US Dollar	–	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.[(c)]	Philippines	Manpower Recruitment	Philippine Peso	100.00	–	100.00	–	100.00	–
Subic Bay International Terminal Holdings, Inc. (SBITHI)	Philippines	Holding Company	US Dollar	83.33	–	83.33	–	83.33	–
SBITC (see Note 23.4)	Philippines	Port Management	US Dollar	–	83.33	–	83.33	–	70.83
Cebu International Container Terminal, Inc. (CICTI)[(c)]	Philippines	Port Management	Philippine Peso	51.00	–	51.00	–	51.00	–

(Forward)

	Place of Incorporation	Nature of Business	Functional Currency	Percentage of Ownership 2009 Direct	2009 Indirect	2008 Direct	2008 Indirect	2007 Direct	2007 Indirect
Cordilla Properties Holdings Inc. (Cordilla)[d]	Philippines	Holding Company	Philippine Peso	100.00	–	100.00	–	100.00	–
SCIPSI[e]	Philippines	Port Management	Philippine Peso	35.70	14.38	35.70	14.38	–	–
IGC[f]	Cayman Islands	Holding Company	US Dollar	–	100.00	–	100.00	–	100.00
NMCTS[g]	Brunei	Port Management	Brunei Dollar	100.00	–	–	–	–	–
ICTSI (M.E.) JLT[g]	United Arab Emirates	Business Development Office	US Dollar	100.00	–	–	–	–	–
ICTSI Manila Holdings, Inc. (IMH)[h]	Philippines	Holding Company	Philippine Peso	–	–	–	–	–	–
Europe, Middle East and Africa (EMEA)									
ICTSI Capital B.V.	Netherlands	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
Madagascar International Container Terminal Services, Ltd. (MICTSL)	Madagascar	Port Management	Euro(k)	100.00	–	100.00	–	100.00	–
BICTL[a]	Georgia	Port Management	US Dollar	–	100.00	–	100.00	–	100.00
Tartous International Container Terminal (TICT)[i]	Syria	Port Management	Syrian Pound	100.00	–	100.00	–	100.00	–
Americas									
CGSA[a]	Eucador	Port Management	US Dollar	99.90	0.01	99.90	0.01	51.00	49.90
ICTSI Brazil	Bermuda	Holding Company	US Dollar	–	100.00	–	100.00	–	100.00
Tecon Suape, S.A. (TSSA)	Brazil	Port Management	Brazilian Reais	–	100.00	–	100.00	–	100.00
C. Ultramar, S.A. (CUSA)[a]	Panama	Holding Company	US Dollar	–	100.00	–	100.00	–	100.00
Future Water, S.A. (FWSA)[a]	Panama	Holding Company	US Dollar	–	100.00	–	100.00	–	100.00
Kinston Enterprise Corporation (KEC)[a]	Panama	Holding Company	US Dollar	–	100.00	–	100.00	–	100.00
SPIA[a, c]	Colombia	Port Management	Colombian Peso	–	91.17	–	91.17	–	91.17
International Ports of South America and Logistics SA (IPSAL)[d, j]	Uruguay	Holding Company	US Dollar	–	100.00	–	100.00	–	–
Tecplata[c,d]	Argentina	Port Management	US Dollar	–	75.00	–	75.00	–	–
Contecon Manzanillo[g]	Mexico	Port Management	Mexican Peso	99.00	–	–	–	–	–

(a) Acquired in 2007.
(b) Established in 2008
(c) Not yet started commercial operations.
(d) Acquired in 2008.
(e) 35.70% owned by ICTSI in 2007 and treated as an associate. Became a subsidiary in July 2008.
(f) Formerly, ICTSI Leasing Corp.
(g) Established in 2009.
(h) Merged with ICTSI in July 2007.
(i) Started commercial operations in 2007.
(j) Formerly, Edanfer S.A.
(k) Prior to January 1, 2009, MICTSL's functional currency was Malagasy ariary (see Note 2.2)

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 14.4).

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 14.1).

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 2009 consolidated financial statements are presented in United States dollars (US dollar, USD or US$), the Parent Company's functional and presentation currency starting January 1, 2009. The 2008 and 2007 consolidated financial statements, previously expressed and presented in Philippine peso, are translated to and presented in US dollar as the presentation currency (see Note 2.3). All values are rounded to the nearest US dollar unit, except when otherwise indicated.

2.2 Change in Functional Currency

In 2008, the Parent Company reassessed its functional currency and found that there were mixed indications of its functional currency because of increasing foreign investments that were financed by borrowings in US dollar towards the end of the year. Following PAS 21, The Effects of Changes in Foreign Exchange Rates, when the indicators to determine an entity's functional currency are mixed and the functional currency is not obvious, management uses its judgment to determine the functional currency that most faithfully represents the economic effects of the underlying transactions, events and conditions.

Management believes that the combined factors of ICTSI, having (i) a significant portion of its revenue from port operations and costs and expenses in Manila denominated in US dollar; (ii) predominantly US dollar-denominated investing and financing activities towards the end of 2008; and (iii) significant US dollar-denominated concession fee commitments and forecasted US dollar investments and expansion projects, should make the US dollar as its functional currency effective January 1, 2009.

The change in functional currency of the Parent Company from Philippine peso to US dollar was adopted prospectively from the date of change. As of January 1, 2009, the Parent Company translated all balance sheet items to the new functional currency using the exchange rate at the beginning of January 1, 2009. The resulting translated amounts for non-monetary items are treated as the new historical cost. Exchange differences arising from the translation on the date of change was recognized as cumulative translation adjustments classified under the consolidated comprehensive income and presented as part of the equity section of the consolidated balance sheet. Consequently, the comparative consolidated financial statements as at and for the years ended December 31, 2008 and 2007, expressed and presented in Philippine peso, have been translated into US dollar presentation currency in accordance with the translation procedures enumerated in Note 2.3.

Also in 2009, MICTSL reassessed its functional currency because of the modification in its technical service and loan agreements whereby technical service fee and outstanding loans denominated in US dollar were converted to Euro effective January 1, 2009. Payments of technical service fee and interest on Euro-denominated loans form part of MICTSL's costs and expenses. MICTSL's management believes that the combined factors of MICTSL having: (i) all its revenue from port operations and majority of its costs and expenses influenced by the and denominated in Euro; (ii) predominantly Euro-denominated investing, which includes capital expenditures, and financing activities; and (iii) significant Euro-denominated concession fee commitments, should make the Euro as the functional currency of MICTSL effective January 1, 2009.

The change in functional currency of the Parent Company and MICTSL resulted in: (i) translation of the consolidated financial statements as at and for the years ended December 31, 2008 and 2007 into the US dollar presentation currency in accordance with the translation procedures enumerated in Note 2.3 below; and (ii) recognition of cumulative translation difference arising from the change in functional currency of the Parent Company in the consolidated statement of changes in equity as of January 1, 2009 amounting to US$45.9 million.

2.3 Translation of Philippine Peso Consolidated Financial Statements to U.S. Dollar Presentation Currency

The consolidated financial statements as at and for the years ended December 31, 2008 and 2007, expressed and presented in Philippine peso, have been translated into US dollar presentation currency following the translation procedures in PAS 21, to show comparative US dollar information as follows:

a. all assets and liabilities at the exchange rates prevailing at the balance sheet date;

b. equity items at historical exchange rates

c. revenue and expense items at the approximate exchange rates prevailing at the time of transactions; and

d. all resulting exchange differences are recognized in cumulative translation adjustment account, presented as part of the consolidated statement of comprehensive income.

The following are comparative presentations of the financial position and results of operations in Philippine peso and translation to US dollar as at and for the years ended December 31, 2008 and 2007.

	December 31			
	2008 (As Restated - see Note 4.2)		2007	
	(₱ as Functional Currency)	(US$ as Presentation Currency)	(₱ as Functional Currency)	(US$ as Presentation Currency)
ASSETS				
Noncurrent Assets				
Intangibles	₱27,875,297,395	US$586,601,376	₱18,165,669,689	US$440,059,828
Property and equipment	12,405,770,879	261,064,202	10,906,629,198	264,210,979
Investment properties	1,402,501,791	29,513,927	1,175,597,112	28,478,612
Deferred tax assets - net	1,616,487,134	34,016,985	1,673,580,888	40,542,173
Other noncurrent assets	2,830,813,030	59,570,980	1,039,569,201	25,183,363
Total Noncurrent Assets	46,130,870,229	970,767,470	32,961,046,088	798,474,955
Current Assets				
Cash and cash equivalents	10,205,530,900	214,762,856	3,564,863,096	86,358,118
Receivables	1,201,276,825	25,279,394	1,225,336,374	29,683,536
Spare parts and supplies	475,971,457	10,016,234	352,510,898	8,539,508
Prepaid expenses and other current assets	1,357,066,072	28,557,789	483,853,661	11,721,261
Derivative assets	178,945,577	3,765,690	545,025,718	13,203,142
Total Current Assets	13,418,790,831	282,381,963	6,171,589,747	149,505,565
	₱59,549,661,060	US$1,253,149,433	₱39,132,635,835	US$947,980,520
EQUITY AND LIABILITIES				
Equity Attributable to Equity Holders of the Parent				
Capital stock:				
Preferred stock	₱3,800,000	US$72,492	₱3,800,000	US$72,492
Common stock	1,991,664,766	66,028,443	1,969,814,612	65,537,141
Additional paid-in capital	12,277,157,393	289,589,211	12,147,034,031	286,663,382
Cost of shares held by subsidiaries	(4,336,655,635)	(115,193,083)	(3,819,438,900)	(102,633,384)
Treasury shares	(270,374,203)	(5,535,789)	(336,096,176)	(7,126,323)
Excess of acquisition cost over the carrying value of minority interests	(561,039,289)	(343,983)	(403,503,582)	(7,255,385)
Retained earnings	11,082,438,678	232,076,554	8,897,711,037	184,121,786
Other comprehensive loss	(1,229,798,150)	(69,288,699)	(1,924,642,868)	(11,593,675)
Total equity attributable to equity holders of the parent	18,957,193,560	397,405,146	16,534,678,154	407,786,034
Equity Attributable to Minority Interests	2,512,320,015	54,394,381	2,689,858,230	57,924,635
Total Equity	21,469,513,575	451,799,527	19,224,536,384	465,710,669
Noncurrent Liabilities				
Long-term debt - net of current portion	20,010,668,186	421,099,920	5,865,834,994	142,098,716
Concession rights payable - net of current portion	9,801,407,794	206,258,582	8,354,281,505	202,380,850
Deferred tax liabilities	1,845,101,155	38,827,886	1,787,896,407	43,311,444
Pension liabilities	51,633,760	1,086,569	39,545,650	1,273,020
Total Noncurrent Liabilities	31,708,810,895	667,272,957	16,047,558,556	389,064,030
Current Liabilities				
Loans payable	1,297,962,695	27,314,030	–	–
Accounts payable and other current liabilities	2,754,791,069	57,971,193	2,264,587,874	54,544,168
Current portion of long-term debt	457,602,836	9,629,689	168,342,405	4,078,062
Current portion of concession rights payable	930,661,751	19,584,633	1,170,049,434	28,344,221
Income tax payable	534,992,771	11,258,265	251,776,182	6,099,229
Derivative liabilities	395,325,468	8,319,139	5,785,000	140,141
Total Current Liabilities	6,371,336,590	134,076,949	3,860,540,895	93,205,821
	₱59,549,661,060	US$1,253,149,433	₱39,132,635,835	US$947,980,520

	December 31			
	2008 (As Restated - see Note 4.2)		2007	
	(₱ as Functional Currency)	(US$ as Presentation Currency)	(₱ as Functional Currency)	(US$ as Presentation Currency)
INCOME				
Gross revenues from port operations	₱20,596,697,164	US$463,117,713	₱15,000,872,327	US$324,933,335
Foreign exchange gain - net	2,468,863,617	55,512,516	1,869,934,848	40,504,589
Reversal of impairment loss on investment property	242,678,982	5,456,648	–	–
Interest income	179,180,891	4,028,891	195,854,786	4,242,403
Other income	66,561,917	1,496,648	107,466,608	2,327,830
	23,553,982,571	529,612,416	17,174,128,569	372,008,157
EXPENSES				
Port Authorities' share in gross revenues	2,796,623,657	62,882,216	2,094,477,205	45,368,392
Manpower costs	3,938,963,199	88,567,774	2,419,487,099	52,408,420
Equipment and facilities-related expenses	2,667,996,111	59,990,019	2,288,472,722	49,570,522
Administrative and other operating expenses	2,456,802,212	55,241,314	2,211,844,649	47,910,684
Depreciation and amortization	2,256,987,403	50,748,469	1,647,477,498	35,685,948
Foreign exchange loss	3,068,458,474	68,994,434	415,941,145	9,009,686
Interest expense on concession rights payable	1,037,823,692	23,335,515	807,573,883	17,492,828
Interest expense and financing charges on borrowings	747,379,587	16,804,865	703,948,205	15,248,196
Other expenses	92,932,531	2,089,592	54,254,726	1,175,210
	19,063,966,866	428,654,198	12,643,477,132	273,869,886
CONSTRUCTION REVENUE (EXPENSE)				
Construction revenue	5,164,229,016	116,117,934	2,116,310,428	45,841,321
Construction expense	(5,164,229,016)	(116,117,934)	(2,116,310,428)	(45,841,321)
	–	–	–	–
INCOME BEFORE INCOME TAX	4,490,015,705	100,958,218	4,530,651,437	98,138,271
PROVISION FOR INCOME TAX				
Current	1,758,898,332	39,548,912	1,006,319,455	21,797,848
Deferred	17,523,445	394,016	334,287,917	7,240,998
	1,776,421,777	39,942,928	1,340,607,372	29,038,846
NET INCOME	₱2,713,593,928	US$61,015,290	₱3,190,044,065	US$69,099,425
Attributable To				
Equity holders of the parent	₱2,856,397,717	US$64,226,240	₱3,289,678,213	US$71,257,597
Minority interests	(142,803,789)	(3,210,950)	(99,634,148)	(2,158,172)
	₱2,713,593,928	US$61,015,290	₱3,190,044,065	US$69,099,425
Earnings Per Share				
Basic	₱1.504	US$0.034	₱1.788	US$0.039
Diluted	1.443	0.032	1.710	0.037

The table below shows the comparative presentation of the consolidated statements of cash flows for the year ended December 31:

	2008 (As Restated - see Note 4.2)		2007	
	(₱ as Functional Currency)	(US$ as Presentation Currency)	(₱ as Functional Currency)	(US$ as Presentation Currency)
CASH FLOWS FROM OPERATING ACTIVITIES				
Income before income tax	₱4,490,015,705	US$100,958,218	₱4,530,651,437	US$98,138,271
Adjustments for:				
Depreciation and amortization	2,256,987,403	50,748,469	1,647,477,498	35,685,948
Interest expense on:				
Concession rights payable	1,037,823,692	23,335,515	807,573,883	17,492,828
Borrowings	747,379,587	16,804,865	658,660,326	14,267,216
Unrealized foreign exchange loss (gain)	401,495,153	9,027,638	(877,408,354)	(19,005,510)
Reversal of impairment loss on investment properties	(242,678,982)	(5,456,648)	–	–
Interest income	(179,180,891)	(4,028,891)	(195,854,786)	(4,242,403)
Share-based payments	131,697,667	2,961,228	126,398,297	2,740,934
Gain on sale of property and equipment	(18,267,824)	(410,753)	(48,614,155)	(1,053,029)
Unrealized mark-to-market loss (gain) on derivatives	17,245,636	387,769	(406,626,489)	(8,807,921)
Provisions for:				
Doubtful accounts	8,055,976	181,139	645,257	13,545
Spare parts and supplies carried at net realizable value	3,963,656	89,123	6,696,759	140,576
Equity in net earnings of an associate	(5,199,786)	(116,917)	(7,284,422)	(157,788)
Dividend income	(2,116,810)	(47,597)	(10,462,170)	(226,621)
Impairment loss on goodwill	–	–	13,166,818	285,206
Operating income before changes in working capital	8,647,220,182	194,433,158	6,245,019,899	135,271,252
Decrease (increase) in:				
Receivables	55,570,371	1,249,502	(363,258,535)	(7,868,098)
Spare parts and supplies	(120,753,813)	(2,715,155)	(72,392,262)	(1,563,604)
Prepaid expenses and other current assets	(403,365,508)	(9,069,695)	(235,380,682)	(5,098,572)
Increase (decrease) in:				
Accounts payable and other current liabilities	111,372,316	2,504,212	808,519,259	17,513,305
Pension liabilities	–	–	(5,737,051)	(124,270)
Cash generated from operations	8,290,043,548	186,402,022	6,376,770,628	138,130,013
Income taxes paid	(1,489,055,942)	(33,481,494)	(937,112,768)	(20,298,765)
Net cash provided by operating activities	6,800,987,606	152,920,528	5,439,657,860	117,831,248
CASH FLOWS FROM INVESTING ACTIVITIES				
Acquisitions of:				
Intangible assets	(5,624,081,805)	(126,457,747)	(3,770,488,119)	(81,672,403)
Subsidiaries, net of cash acquired	(1,963,286,747)	(44,144,596)	(4,066,309,880)	(88,114,983)
Property and equipment	(1,914,350,190)	(43,044,255)	(2,798,216,901)	(60,612,072)
Decrease (increase) in other noncurrent assets	(1,589,753,049)	(35,193,477)	135,604,830	2,937,331
Payments for concession rights	(530,691,580)	(11,932,625)	(126,411,203)	(2,738,188)
Interest received	173,875,936	3,909,609	195,854,786	4,242,403
Excess acquisition cost over the carrying value of minority interests acquired	(157,535,707)	(3,542,198)	(22,040,736)	(477,424)
Proceeds from sale of property and equipment	39,467,966	887,439	69,088,085	1,496,514
Dividends received	2,116,810	47,597	10,462,170	226,621
Net cash used in investing activities	(11,564,238,366)	(259,470,253)	(10,372,456,968)	(224,712,201)

(Forward)

	2008 (As Restated - see Note 4.2)		2007	
	(₱ as Functional Currency)	(US$ as Presentation Currency)	(₱ as Functional Currency)	(US$ as Presentation Currency)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from:				
Long-term borrowings	₱13,221,077,863	US$297,276,563	₱4,322,581,706	US$93,631,281
Short-term borrowings	5,170,084,654	116,249,599	2,786,320,000	60,354,373
Subscriptions and issuance of capital stock	85,997,818	1,933,665	542,549	11,752
Sale of common shares held by a subsidiary	–	–	7,509,051,773	162,653,290
Payments of:				
Long-term borrowings	(193,504,002)	(4,350,947)	(3,788,182,976)	(82,055,690)
Short-term borrowings	(3,883,327,000)	(87,316,792)	(3,906,288,508)	(84,613,969)
Interest on borrowings and concession rights payable	(1,931,934,241)	(43,439,633)	(1,448,872,010)	(31,383,962)
Dividends	(666,466,948)	(14,985,541)	(574,311,385)	(12,440,137)
Acquisition of common shares held by a subsidiary	(558,580,043)	(12,559,699)	–	–
Net cash provided by financing activities	11,243,348,101	252,807,215	4,900,841,149	106,156,938
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	160,570,463	(17,852,752)	(59,357,494)	12,511,899
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	6,640,667,804	128,404,738	(91,315,453)	11,787,884
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	3,564,863,096	86,358,118	3,656,178,549	74,570,234
CASH AND CASH EQUIVALENTS AT END OF YEAR	10,205,530,900	US$214,762,856	3,564,863,096	US$86,358,118

2.4 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 International Financial Reporting Interpretations Committee (IFRIC) 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 control. In assessing 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 the consolidated statement of comprehensive income, separate from equity attributable to equity holders of the parent.

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.

Functional and Presentation Currency. As discussed in Note 2, the consolidated financial statements are presented in US dollar, which is ICTSI's functional and presentation currency effective January 1, 2009 with comparative figures as of and for the years ended December 31, 2008 and 2007 in US dollar presentation currency in accordance with the translation procedures enumerated therein. 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 US dollar in 2009 and Philippine peso in 2008 and 2007 (see Note 1.3), are translated into the presentation currency of ICTSI using the Bloomberg closing rate at balance sheet date and, their statements of income are translated at the Bloomberg weighted average daily exchange rates for the year. The exchange differences arising on the translation are taken directly to the consolidated statement of comprehensive income. Upon disposal of the foreign entity, the deferred cumulative translation amount recognized in the consolidated statement of comprehensive income 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 standards and interpretations mandatory for financial years beginning on or after January 1, 2009:

3.2.1 New Standards and Interpretations

- PAS 1 (Revised), Presentation of Financial Statements, which separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity. In addition, the standard introduces the statement of comprehensive income, which presents all items of recognized income and expense, either in one single statement, or in two linked statements. The Group has elected to present two linked statements.
- PAS 23, Borrowing Costs (Revised), which requires capitalization of borrowing costs that are directly attributable to the acquisition, construction or production of 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.

  Port facilities and equipment under construction or development presented under "Intangibles" and "Property and equipment" accounts in the consolidated balance sheet are considered as qualifying assets. Adoption of this standard did not result in the restatement of the consolidated financial statements in prior years as it has been the Group's policy to capitalize borrowing costs relating to qualifying assets (see Note 6).
- PAS 39, Financial Instruments: Recognition and Measurement - Eligible Hedged Items, which clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. This also covers the designation of inflation as a hedged risk or portion in particular situations. The Group has concluded that the amendment will have no impact on the financial position or performance of the Group, as the Group has not entered into any such hedges.
- PFRS 8, Operating Segments, which replaced PAS 14, Segment Reporting, upon its effectivity date. This standard requires an entity to report financial and descriptive information about its reportable segments. The Group reports geographical segments since management believes that this information is relevant to the nature of the Group's business. Adoption of this new standard resulted in the regrouping of geographical operating segments into: (i) Asia; (ii) EMEA; and (iii) Americas. Previously, operating segments were reported as domestic and foreign. The 2008 and 2007 presentation was revised to conform to the new presentation of geographical segments (see Note 5).

  The Group early adopted the improvement in PFRS 8, which requires disclosures of information used by the chief operating decision maker. The improvement also clarifies that segment assets and liabilities need only be reported when those assets and liabilities are included in measures that are used by the chief operating decision maker.
- IFRIC 13, Customer Loyalty Programmes, which requires customer loyalty credits to be accounted for as a separate component of the sales transaction in which they are granted. Adoption of this interpretation has no impact to the consolidated financial statements as the Group does not maintain any loyalty program.
- IFRIC 16, Hedges of a Net Investment in Foreign Operation, which provides guidance on the accounting for a hedge of a net investment. As such it provides guidance on identifying the foreign currency risks that qualify for hedge accounting in the hedge of a net investment, where within the group the hedging instruments can be held in the hedge of a net investment and how an entity should determine the amount of foreign currency gain or loss, relating to both the net investment and the hedging instrument, to be recycled on disposal of the net investment. Adoption of this interpretation has no impact to the consolidated financial statements.
- IFRIC 18, Transfers of Assets from Customers, which provides guidance on how to account for items of property, plant and equipment received from customers or cash that is received and used to acquire or construct assets that are used to connect the customer to a network or to provide ongoing access to a supply of goods or services or both. When the transferred item meets the definition of an asset, the asset is measured at fair value on initial recognition as part of an exchange transaction. The service(s) delivered are identified and the consideration received (the fair value of the asset) allocated to each identifiable service. Revenue is recognized as each service is delivered by the entity. Adoption of this interpretation has no impact to the consolidated financial statements.

3.2.2 Amendments to Standards

- PAS 32, Financial Instruments: Disclosure and Presentation, and PAS 1, Presentation of Financial Statements, Amendments – Puttable Financial Instruments and Obligations Arising on Liquidation

  The standards have been amended to allow a limited scope exception for puttable financial instruments to be classified as equity if they fulfill a number of specified criteria. The adoption of these amendments did not have any impact on the financial position or the performance of the Group.
- PFRS 1, First-time Adoption of PFRS, and PAS 27, Consolidated and Separate Financial Statements, Amendments – Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate

  The amendments to PFRS 1 allowed an entity to determine the "cost" of investments in subsidiaries, jointly controlled entities or associates in its opening PFRS financial statements in accordance with PAS 27 or using a deemed cost method. The amendment to PAS 27 required all dividends from a subsidiary, jointly controlled entity or associate to be recognized in the income statement in the separate financial statement. The revision to PAS 27 was applied prospectively. The new requirement affects only the parent's separate financial statement and does not have an impact on the consolidated financial statements.
- PFRS 2, Share-based Payments, Amendment – Vesting Conditions and Cancellations

  The amendment to PFRS 2 clarifies the definition of vesting conditions and prescribes the treatment for an award that is cancelled. It did not have an impact on the financial position or performance of the Group.
- PFRS 7, Financial Instruments: Disclosures, Amendments – Improving Disclosures about Financial Instruments

  The amendments to PFRS 7 require additional disclosures about fair value measurement and liquidity risk. Fair value measurements related to items recorded at fair value are to be disclosed by source of inputs using a three-level fair value hierarchy, by class, for all financial instruments recognized at fair value. In addition, a reconciliation between the beginning and ending balance for level three fair value measurements is now required, as well as significant transfers between levels in the fair value hierarchy. The amendments also clarify the requirements for liquidity risk disclosures with respect to derivative transactions and financial assets used for liquidity management. The fair value measurement disclosures are presented in Note 25 to the consolidated financial statements. The liquidity risk disclosures are not significantly impacted by the amendments and are presented in Note 26 to the consolidated financial statements.
- IFRIC 9, Reassessment of Embedded Derivatives, and PAS 39, Financial Instruments: Recognition and Measurement, Amendments – Embedded Derivatives

  This amendment to IFRIC 9 requires an entity to assess whether an embedded derivative must be separated from a host contract when the entity reclassifies a hybrid financial asset out of the fair value through profit or loss category. This assessment is to be made based on circumstances that existed on the later of the date the entity first became a party to the contract and the date of any contract amendments that significantly change the cash flows of the contract. PAS 39 now states that if an embedded derivative cannot be reliably measured, the entire hybrid instrument must remain classified as at fair value through profit or loss.

3.2.3 Improvements to PFRSs 2009 and 2008

The omnibus amendments to PFRSs issued in 2009 and 2008 were issued primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the following amendments resulted in changes in accounting policies but did not have any impact on the financial position or performance of the Group.

- PAS 18, Revenue

  The amendment adds guidance (which accompanies the standard) to determine whether an entity is acting as a principal or as an agent. The features to consider are whether the entity:

  - Has primary responsibility for providing the goods or service
  - Has inventory risk
  - Has discretion in establishing prices
  - Bears the credit risk

  Adoption of this amendment did not have an impact on the financial position or performance of the Group.

3.3 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 Parent Company and MICTSL changed their functional currency effective January 1, 2009 as discussed in Note 2.2.

Service Concession Arrangements. The Group determined that the concession contracts of the Parent Company, SBITC, CGSA, MICTSL, TICT and Tecplata 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, 2009, 2008 and 2007 amounted to US$562.4 million, US$522.0 million, andUS$417.1 million , respectively (see Note 6).

Gross versus net Revenue Recognition. The Group assesses its revenue arrangements against specific criteria in order to determine if it is acting as principal or agent. The Group has concluded that it is acting as principal in all of its revenue arrangements because the Group is the primary obligor who is responsible for providing the services to the customers and the Group bears the credit risk. Thus, the Group presents its revenues from port operations and the Port Authorities' share in revenues on a gross basis.

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 outside the scope of IFRIC 12 and accounted by the Group in accordance with IFRIC 4 were determined as operating 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 Group 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, 2009, 2008 and 2007 amounted to US$28.1 million, US$34.0 million and US$40.5 million, respectively. Unrecognized deferred tax assets in certain subsidiaries amounted to US$10.3 million, US$7.0 million and US$2.7 million as of December 31, 2009, 2008, and 2007, respectively (see Note 20).

Contingencies. The Group is currently a defendant in a number of cases involving claims and disputes related to cargo and labor, and has existing tax contingencies. The Group's estimate of the probable costs for the resolution of these claims has been developed in consultation with outside counsels 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 estimates or in the effectiveness of strategies relating to these proceedings. Provision for claims and losses amounted to US$3.3 million, US$1.0 million and US$1.2 million as of December 31, 2009, 2008 and 2007, respectively (see Notes 17 and 24).

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 US$562.4 million, US$522.0 million and US$417.1 million as of December 31, 2009, 2008 and 2007, respectively (see Note 6).

Construction Revenue and Cost Recognition. The Group's revenue from construction services in relation to its service concession arrangement is recognized using the percentage-of-completion method and, measured by reference to the percentage of costs incurred to date to estimated total costs for each contract.

Expenditures to cover the work program for the development of the concession area or committed investments for each port development or project are provided in the concession agreement. When the costs incurred to date exceed the committed investments, an assessment is conducted to determine the cause of the cost overrun. Cost overruns arising from uncontrollable factors such as oil price, wage increases and changes in technical work programs due to unforeseen economical, political and geological conditions are capitalized while all other cost overruns are treated as period costs.

Impairment of Nonfinancial Assets and Assets not yet Available for Use. PFRS requires nonfinancial assets to be tested for impairment when certain impairment indicators are present and intangible asset that has not yet been brought into use to be tested for impairment annually, irrespective of whether there are any indications of impairment. Nonfinancial assets include intangible assets already in use and intangible assets not yet available for use, property and equipment, investment properties, and investment in an associate.

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 US$5.5 million (P242.7 million) was reversed in 2008. The carrying amount of intangible assets, including intangible assets not yet available for use, property and equipment and investment properties are disclosed in Notes 6, 7, and 8 to the consolidated financial statements, 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 Group 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 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 US$60.4 million, US$60.4 million and US$19.3 million as of December 31, 2009, 2008 and 2007, respectively (see Note 6). The carrying amount of goodwill in 2008 is restated as a result of finalization of various business combinations (see Note 4.1).

Estimated Useful Lives. Management determines the estimated useful lives and the related depreciation and amortization charges for its concession rights, property and equipment, and investment properties based on the period over which these assets are expected to provide economic benefits. Management's estimation of the useful lives of concession rights, property and equipment, and investment properties 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 concession rights, property and equipment, and investment properties will increase recorded expenses and decrease noncurrent assets. The carrying values of concession rights, property and equipment, and investment properties are disclosed in Notes 6, 7 and 8 to the consolidated financial statements, respectively.

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 Level 2 of the fair value hierarchy 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 and the fair value hierarchy are set out in Note 25.

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 values of receivables are disclosed in Note 12.

Estimating Net Realizable Value of Spare Parts and Supplies. The Group carries spare parts and supplies at net realizable value when such value is lower than cost due to damage, physical deterioration, obsolescence, changes in price levels or other causes. The carrying amounts of spare parts and supplies carried at net realizable value as of December 31, 2009, 2008 and 2007 amounted to US$12.6 million, US$10.0 million and US$8.5 million, respectively.

The cost of spare parts and supplies, which is higher than net realizable value amounted to US$12.7 million, US$10.1 million and US$8.7 million as of December 31, 2009, 2008 and 2007, respectively.

The amount of write-down of spare parts and supplies as an expense is US$0.1 million in 2009 and 2008, and $0.2 million in 2007 which is recognized in the consolidated statements of income under the "Equipment and facilities-related expenses" account.

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 22 and included among others, discount rate, future salary increases and expected return on plan assets. In accordance with PAS 19, Employee Benefits, 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 in 2009, 2008 and 2007 amounted to US$1.9 million, US$3.2 million and US$0.4 million, respectively (see Note 22).

3.4 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 under the "Depreciation and amortization" account in the expense category consistent with the function of the intangible asset.

Intangible assets with indefinite useful lives such as goodwill and intangible assets not yet brought into use are tested for impairment annually either individually or at the cash-generating unit level, irrespective of whether there is any indication of impairment. 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, including related borrowing costs, 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: (i) maintain the infrastructure to a specified level of serviceability or, (ii) 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 in accordance with the policy on equipment and facilities-related expenses.

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 their 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. Any adjustment to the fair values of identifiable assets and liabilities and contingent liabilities relating to previously held interests of the acquirer is accounted for as a revaluation and presented as part of the consolidated statement of comprehensive income during the period of the last purchase 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 PFRS 8, Operating Segment.

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 generally recognized in the consolidated statement of income in accordance with the policy on equipment and facilities-related expenses. 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 - 48 years or terms of the operating contract with port authorities or concessions, whichever is shorter
Port facilities and equipment	5 - 8 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 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 that are directly attributable to the acquisition or construction of a qualifying asset while the asset, which includes intangibles and property and equipment, is being constructed are capitalized as part of the cost of that asset. Capitalization of borrowing cost should commence when: (i) expenditures for the asset and borrowing costs are being incurred; and (ii) activities that are necessary to prepare the asset for its intended use or sale are in progress. Capitalization ceases when the asset is substantially ready for its intended use or sale. If active development is interrupted for an extended period, capitalization is suspended. When construction occurs piecemeal and use of each part is possible as construction continues, capitalization of each part ceases upon substantial completion of that part. For borrowing associated with a specific asset, the actual rate on that borrowing is used. Otherwise, a weighted average cost of borrowing is used.

All other borrowing costs are expensed as incurred.

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 and improvements are measured at cost less depreciation and amortization, and any impairment in value.

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

Estimated useful lives of the investment properties ranges from 15 to 25 years.

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, except intangibles not yet brought into use, 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. Intangibles not yet brought into use are tested for impairment annually irrespective of whether there is any impairment indicator. 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 fair value less cost to sell or value in use. The fair value less cost to sell 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. An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the assets or cash generating unit's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. In such instance, the carrying amount of the asset is increased to its recoverable amount. However, that increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of income.

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, which is also the operating entity acquired through business combination and to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount of the cash-generating unit 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 carrying amount of the investment, and recognizes the amount in the consolidated statement of income. The Group no longer accounted for its investment in SCIPSI as an investment in an associate after acquiring additional shares and effectively obtaining control over SCIPSI in 2008 (see Notes 4 and 9).

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 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 2009, 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 25).

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 as "Net change in unrealized mark-to-market values of derivatives" in the consolidated statement of comprehensive income. The ineffective portion is immediately recognized in the consolidated statement of income under.

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 as "Net change in unrealized mark-to-market values of derivatives" is retained in the consolidated statement of comprehensive income 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 the statement of comprehensive income 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 Group 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 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 11 and 12).

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 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 the consolidated statement of comprehensive income 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 9).

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 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 other comprehensive income to the consolidated statement of income.

An AFS investment is considered impaired if there is prolonged or significant decline in market value against cost. “Significant” is to be evaluated against the original cost of the investment and “prolonged” against the period in which the fair value has been below its original 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, increases in their fair value after impairment are recognized directly in other comprehensive 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 using the first-in, first-out 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.

Prepayments
Prepayments are expenses paid in advance and recorded as asset before they are utilized. This account comprises the following:

Input Tax. Input tax is recognized when an entity in the Group purchases goods or services from a Value Added Tax (VAT)-registered supplier. This account is offset, on a per entity basis, against any output tax previously recognized.

Prepaid Insurance, Bonds and Other Expenses, and Advanced Rent and Deposits. Prepaid insurance, bonds and other expenses, and advanced rent and deposits are apportioned over the period covered by the payment and charged to the appropriate account in the consolidated statement of income when incurred.

Creditable Withholding Tax. Creditable withholding tax is deducted from income tax payable on the same year the revenue was recognized.

Advances to Suppliers and Contractors. Advances to suppliers and contractors are reclassified to the proper asset or expense account and deducted from the contractors' billings as specified on the provision of the contract.

Prepayments that are expected to be realized for no more than 12 months after the reporting period are classified as current asset. Otherwise, these are classified as other noncurrent asset.

Capital Stock and Additional Paid-in Capital
Capital stock is measured at par value for all shares issued. When the Parent Company issues more than one class of stock, a separate account is maintained for each class of stock and the number of shares issued.

When the shares are sold at premium, the difference between the proceeds and the par value is credited to “Additional paid-in capital” account. When shares are issued for a consideration other than cash, the proceeds are measured by the fair value of the consideration received. In case the shares are issued to extinguish or settled the liability of the Parent Company, the shares shall be measured either at the fair value of the shares issued or fair value of the liability settled, whichever is more reliably determinable.

Direct costs incurred related to equity issuance, such as underwriting, accounting and legal fees, printing costs and taxes are chargeable to “Additional paid-in capital” account. If additional paid-in capital is not sufficient, the excess is charged against the retained earnings.

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 its functional currency and translated into the functional currency of the Parent Company by applying the exchange rate prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated to into U.S. dollars at period end using the closing rate of exchange at balance sheet date with any foreign exchange gains or losses recorded in 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 statement 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 the consolidated statement of comprehensive income presented under equity section of the consolidated statement of balance sheet 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 balance sheet and income statement items as of and for the years ended December 31:

	2009		2008		2007	
	Closing	Average	Closing	Average	Closing	Average
Foreign currency to 1 unit of						
US Dollar (USD or US$):						
Philippine peso	46.200	47.638	47.520	44.474	41.280	46.166
Australian dollar (AUD)	1.114	1.261	1.423	1.174	1.143	1.192
Brazilian real (BRL or R$)	1.745	1.997	2.315	1.836	1.779	1.946
Japanese yen (JPY)	93.020	93.600	90.640	103.370	111.710	117.780
Malagasy ariary (MGA)	1,970.000	1,977.920	1,870.000	1,714.970	1,802.000	1,858.610
Indonesian rupiah (IDR)	9,404.000	10,396.000	11,120.000	9,694.000	9,400.000	9,139.000
Chinese renminbi (RMB)	6.827	6.832	6.828	6.950	7.297	7.607
Syrian pound (SYP)	45.626	46.359	47.134	50.113	51.100	48.000
Colombian peso (COP)	2,043.780	2,154.390	2,248.580	1,970.290	2,018.000	2,075.160
Georgian lari (GEL)	1.699	1.670	1.666	1.489	1.593	1.669
Argentinean peso	3.799	3.730	–	–	–	–
Brunei dollar	1.405	1.454	–	–	–	–
Euro	0.698	0.717	–	–	–	–

Concession Rights Payable

Concession rights payable is recognized at the date of inception as the present value of the fixed portion of port fees or rental fees to the port authorities if the arrangement qualifies under IFRIC 12, Service Concession Arrangements, or IFRIC 4, Determining whether an Agreement contains a Lease, as a finance lease, respectively. This account is debited upon payment of port fees or rental fees to the port authorities. Such payments are apportioned between interest payment and payment of the principal.

Concession rights payable that are expected to be settled for no more than 12 months after the reporting period are classified as current portion of concession rights payable. Otherwise, these are classified as noncurrent liabilities.

Accounts Payable and Other Current Liabilities

Accounts payable is part of the working capital used in the normal operating cycle of the Group. Other current liabilities are not settled as part of the Group's normal operating cycle but are due for settlement within 12 months after the balance sheet date or held primarily for the purpose of being traded. Accounts payable and other current liabilities are recognized in the period when incurred. This account classification includes the following:

Trade Payable. Trade payable represents payable to port authorities other than concession rights pertaining to upfront fees payable in installments and fixed fees, such as accrual of variable portion of port fees and those payable to suppliers of goods and services.

Accrued Expenses. Accrued expenses are comprised of accruals relating to interest, salaries and benefits, and output and other taxes, among others.

Customers' Deposits. Customers' deposits represent advance payment of customers subject to refund or for future billing applications.

Provision for Losses. Provision for losses pertains to estimated probable losses on cargo and labor-related claims from third parties. Provision for losses not settled at the balance sheet date is reassessed and adjusted, if necessary.

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 gives rise to 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 officers and employees of the Parent Company and subsidiaries receive remuneration for their services in the form of equity shares of the Parent Company ("equity-settled transactions").

The cost of equity-settled transactions with officers and employees is measured by reference to the fair value of the stock at the date on which these are granted.

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 within 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.

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

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

Expenses

Expenses are recognized as incurred. Expenses constitute the following:

Port Authorities' Share in Gross Revenues. Port Authorities' share in gross revenue includes variable fees paid to port authorities as stipulated in the concession agreements.

Manpower Costs. Manpower costs include remunerations and benefits provided by the Group to its officers and employees such as salaries, wages, allowances, bonuses, among others.

Equipment and Facilities-related Expenses. Equipment and facilities-related expenses include expenses incurred for general repairs and maintenance of the Group's port facilities and other equipment such as consumption of fuel, oil and lubricants, contracted services, power, light and water, and technology and systems development expenses.

Administrative and Other Operating Expenses. Administrative and other operating expenses normally include costs of administering the business as incurred by administrative departments such as professional fees, transportation and travel, taxes and licenses, security and janitorial services, insurance and bonds, representation, utilities and general office expenses.

Taxes

Current 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 tax relating to items recognized directly to the consolidated statement of comprehensive income is recognized in the consolidated statement of comprehensive income under the equity section of the consolidated balance sheet and not in the consolidated statement of income.

Deferred Tax. Deferred 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 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 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 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 tax asset to be utilized. Unrecognized deferred 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 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 tax relating to items recognized directly to consolidated statement of comprehensive income is recognized in the consolidated statement of comprehensive income under the equity section of the consolidated balance sheet and not in the consolidated statement of income.

Deferred tax assets and deferred 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 equity holders of the parent 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 officers and employees under the Parent Company's stock incentive plan which are assumed to be exercised at the date of grant.

Where the effect of the vesting of stocks under the stock incentive plan 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 Asia, EMEA and Americas. 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.

3.5 Future Changes in Accounting Policies

The Group will adopt the following standards and interpretations enumerated below when these become effective. Except as otherwise indicated, the Group does not expect the adoption of these new and amended PFRS and IFRIC to have significant impact on its consolidated financial statements.

3.5.1 New Standards and Interpretations

- PFRS 3, Business Combinations (Revised) and PAS 27, Consolidated and Separate Financial Statements (Amended)

  The revised standards are effective for annual periods beginning on or after July 1, 2009. PFRS 3 (Revised) introduces significant changes in the accounting for business combinations occurring after this date. Changes affect the valuation of non-controlling interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs and future reported results. PAS 27 (Amended) requires that a change in the ownership interest of a subsidiary (without loss of control) is accounted for as a transaction with owners in their capacity as owners. Therefore, such transactions will no longer give rise to goodwill, nor will it give rise to a gain or loss. Furthermore, the amended standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. The changes by PFRS 3 (Revised) and PAS 27 (Amended) will affect future acquisitions or loss of control of subsidiaries and transactions with non-controlling interests. PFRS 3 (Revised) will be applied prospectively while PAS 27 (Amended) will be applied retrospectively with a few exceptions. The Group will consider the impact of this standard to its acquisitions starting January 1, 2010.

- IFRIC 15, Agreement for Construction of Real Estate

  This Interpretation, effective for annual periods beginning on or after January 1, 2012, covers accounting for revenue and associated expenses by entities that undertake the construction of real estate directly or through subcontractors. This Interpretation requires that revenue on construction of real estate be recognized only upon completion, except when such contract qualifies as construction contract to be accounted for under PAS 11 or involves rendering of services in which case revenue is recognized based on stage of completion. Contracts involving provision of services with the construction materials and where the risks and reward of ownership are transferred to the buyer on a continuous basis will also be accounted for based on stage of completion. The Group has concluded that this interpretation will have no impact on its financial position or performance as the Group is not in the real estate business.

- IFRIC 17, Distributions of Non-Cash Assets to Owners

  This Interpretation is effective for annual periods beginning on or after July 1, 2009 with early application permitted. It provides guidance on how to account for non-cash distributions to owners. The interpretation clarifies when to recognize a liability, how to measure it and the associated assets, and when to derecognize the asset and liability. The Group does not expect the Interpretation to have an impact on the consolidated financial statements as the Group has not made non-cash distributions to shareholders in the past.

3.5.2 Amendments to Standards

- PAS 39 Amendment - Eligible Hedged Items

  The amendment to PAS 39 effective for annual periods beginning on or after July 1, 2009, clarifies that an entity is permitted to designate a portion of the fair value changes or cash flow variability of a financial instrument as a hedged item. This also covers the designation of inflation as a hedged risk or portion in particular situations. The Group will assess the impact of this amendment on its financial position or performance of the Group upon the effectivity of this amendment.

- PFRS 2 Amendments - Group Cash-settled Share-based Payment Transactions

  The amendments to PFRS 2 effective for annual periods beginning on or after January 1, 2010, clarify the scope and the accounting for group cash-settled share-based payment transactions. The Group will assess the impact of this amendment on its financial position or performance of the Group upon effectivity of this amendment.

3.5.3 Improvements to PFRSs 2009

The omnibus amendments to PFRSs issued in 2009 were issued primarily with a view to removing inconsistencies and clarifying wording. The amendments are effective for annual periods beginning January 1, 2010, except otherwise stated. The Group has not yet adopted the following amendments and anticipates that these changes will have no material effect on the consolidated financial statements, unless otherwise indicated.

- PFRS 2: clarifies that the contribution of a business on formation of a joint venture and combinations under common control are not within the scope of PFRS 2 even though they are out of scope of PFRS 3 (Revised). The amendment is effective for financial years on or after July 1, 2009.

- PFRS 5, Noncurrent Assets Held for Sale and Discontinued Operations: clarifies that the disclosures required in respect of non-current assets and disposal groups classified as held for sale or discontinued operations are only those set out in PFRS 5. The disclosure requirements of other PFRSs only apply if specifically required for such noncurrent assets or discontinued operations.
- PAS 1: clarifies that the terms of a liability that could result, at anytime, in its settlement by the issuance of equity instruments at the option of the counterparty do not affect its classification.
- PAS 7, Statement of Cash Flows: explicitly states that only expenditure that results in a recognized asset can be classified as a cash flow from investing activities.
- PAS 17, Leases: removes the specific guidance on classifying land as a lease. Prior to the amendment, leases of land were classified as operating leases. The amendment now requires that leases of land are classified as either “finance” or “operating” in accordance with the general principles of PAS 17. The amendments will be applied retrospectively. The Group will reassess all its contracts and agreements accounted for under IFRIC 4 when this improvement to the standard becomes effective (see Note 23).
- PAS 36, Impairment of Assets: clarifies that the largest unit permitted for allocating goodwill, acquired in a business combination, is the operating segment as defined in PFRS 8 before aggregation for reporting purposes.
- PAS 38, Intangible Assets: clarifies that if an intangible asset acquired in a business combination is identifiable only with another intangible asset, the acquirer may recognize the group of intangible assets as a single asset provided the individual assets have similar useful lives. Also clarifies that the valuation techniques presented for determining the fair value of intangible assets acquired in a business combination that are not traded in active markets are only examples and are not restrictive on the methods that can be used.
- PAS 39: clarifies the following:
  - that a prepayment option is considered closely related to the host contract when the exercise price of a prepayment option reimburses the lender up to the approximate present value of lost interest for the remaining term of the host contract.
  - that the scope exemption for contracts between an acquirer and a vendor in a business combination to buy or sell an acquiree at a future date applies only to binding forward contracts, and not derivative contracts where further actions by either party are still to be taken.
  - that gains or losses on cash flow hedges of a forecast transaction that subsequently results in the recognition of a financial instrument or on cash flow hedges of recognized financial instruments should be reclassified in the period that the hedged forecast cash flows affect profit or loss.
- IFRIC 9: clarifies that it does not apply to possible reassessment at the date of acquisition, to embedded derivatives in contracts acquired in a business combination between entities or businesses under common control or the formation of joint venture.
- IFRIC 16: states that, in a hedge of a net investment in a foreign operation, qualifying hedging instruments may be held by any entity or entities within the group, including the foreign operation itself, as long as the designation, documentation and effectiveness requirements of PAS 39 that relate to a net investment hedge are satisfied.

The Group will assess the impact of these improvements as they become effective.

4. Business Combinations

The Group, in the process of acquiring new ports, recognizes goodwill from business combination representing the following: (a) going concern element of the acquiree which represents the ability of the acquiree to earn a higher rate of return on an assembled collection of net assets than would be expected from those net assets operating separately; and (b) Expected synergies and other benefits from combining the acquiree's net assets with those of the acquirer.

4.1 Acquisitions Adjusted at Finalized Fair Values

Acquisitions in 2008 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 2009. These are summarized below:

Edanfer S.A. 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 (see Note 23.6). The cost of acquisition is comprised of cash consideration amounting to US$45.0 million and directly attributable costs amounting to US$0.2 million.

The fair value of the identifiable assets and liabilities of Edanfer S.A. and Tecplata 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	US$16,013,222	US$–
Receivables	–	4,742
	16,013,222	4,742
Concession rights payable	1,591,543	–
Deferred tax liability	5,047,588	–
	6,639,131	–
Net assets	9,374,091	US$4,742
Acquired ownership interest	75%	
Net assets acquired	7,030,568	
Goodwill arising from the acquisition (see Note 6)	38,147,780	
Consideration paid in cash	US$45,178,348	

Tecplata had not started development of the container terminal and commercial operations as of December 31, 2008. Tecplata has no contribution to the 2008 consolidated results of 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 fair value of the identifiable assets and liabilities of SCIPSI at the date of acquisition and the corresponding carrying amounts immediately before the acquisition were:

	August 19, 1999		July 7, 2008	
	Fair Value Recognized on Acquisition (As Restated)	Carrying Value	Fair Value Recognized on Acquisition (As Restated)	Carrying Value
Property and equipment	US$101,495	US$101,495	US$381,225	US$381,225
Concession rights	–	–	2,440,851	–
Deferred tax assets	–	–	64,098	–
Other noncurrent assets	–	–	29,519	–
Cash and cash equivalents	100,993	100,993	1,435,134	1,435,134
Trade receivables	41,466	41,466	226,194	226,194
Spare parts and supplies	5,863	5,863	63,841	63,841
Prepaid expenses and other current assets	10,647	10,647	99,639	99,639
	260,464	260,464	4,740,501	2,206,033
Trade and other payable	179,647	179,647	520,184	520,184
Deferred tax liability	–	–	732,255	–
	179,647	179,647	520,184	520,184
Net assets	80,817	80,817	3,488,062	1,685,849
Acquired ownership interest	35.70%		14.38%	
Net assets acquired	28,852		501,583	
Goodwill arising from the acquisition (see Note 6)	236,773		(100,201)	
Consideration paid in cash	US$265,625		US$401,382	

Net cash outflow (inflow) on the acquisitions is computed as follows:

	August 19, 1999	July 7, 2008
Cash paid at acquisition date	US$265,625	US$401,382
Less cash of acquired subsidiary	100,993	1,435,134
Net cash outflow (inflow)	US$164,632	(US$1,033,752)

Negative goodwill arising from the second acquisition of SCIPSI was credited retroactively to the 2008 consolidated statement of income. The Group consolidated the results of operations of SCIPSI for the six months ended December 31, 2008. SCIPSI contributed US$1.9 million (₱83.9 million) and US$0.3 million (₱13.3 million) to the consolidated revenues and net income attributable to equity holders, respectively, in 2008. Prior to consolidation, the investment in SCIPSI was accounted for as an investment in an associate. The Group recognized equity in net earnings of an associate amounting to US$0.1 million (₱5.2 million) for the six months ended June 30, 2008.

4.2 Adjustments on the 2008 Consolidated Financial Statements

The adjustments of the provisional values of Edanfer and Tecplata and SCIPSI at acquisition date resulted in the restatement of the 2008 consolidated balance sheet, consolidated statements of income and comprehensive income as follows: (a) increased concession rights, concession rights payable, deferred tax liabilities, share of minority interest and revaluation reserve amounting to US$18.5 million, US$1.6 million, US$5.8 million, US$3.0 million and US$0.6 million, respectively; and (b) decreased goodwill and net income amounting to US$7.2 million and US$0.1 million, respectively.

These adjustments are summarized below:

	₱ as the Functional Currency (As Previously Reported)	Effect of Finalization of Business Combinations	₱ as the Functional Currency (As Restated)	US$ as the Presentation Currency (As Previously Reported)	Effect of Final Valuation of Business Combinations	US$ as the Presentation Currency (As Restated)
Total assets	₱59,028,236,360	₱521,424,700	₱59,549,661,060	US$1,242,176,691	US$10,972,742	US$1,253,149,433
Total liabilities	37,733,404,689	346,742,795	38,080,147,484	794,053,130	7,296,776	801,349,906
Retained earnings	11,084,896,889	(2,458,211)	11,082,438,678	232,131,827	(55,273)	232,076,554
Other comprehensive income	3,524,714,918	174,681,904	3,699,396,822	2,855,250	3,675,966	6,531,216
Net income attributable to equity holders of the parent	2,858,855,928	(2,458,211)	2,856,397,717	64,281,513	(55,273)	64,226,240

4.3 Acquisitions in 2007

Acquisitions in 2007 were finalized in 2008. These are summarized below:

YRDICTL

As discussed in Note 1.2 to the consolidated financial statements, ICTSI acquired 60% stake in YCT, which managed the Yantai Gangtong Terminal in January 2007.

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	Carrying Value
Property and equipment	US$76,849,538	US$68,193,978
Concession rights	29,359,447	28,442,478
Cash and cash equivalents	61,262	61,262
Trade receivables	1,447,461	1,447,461
Spare parts and supplies	172,972	172,972
Prepaid expenses and other current assets	102,120	102,120
	107,992,800	98,420,271
Loans payable	11,468,207	11,468,207
Trade and other payable	6,584,451	6,584,451
Deferred tax liability	1,455,239	–
	19,507,897	18,052,658
Net assets	88,484,903	US$80,367,613
Acquired ownership interest	60%	
Net assets acquired	53,090,942	
Goodwill arising from the acquisition (see Note 6)	1,106,777	
Consideration paid in cash	US$54,197,719	

Net cash outflow on the acquisition amounting to US$54.1 million is computed as follows:

	Amount
Cash paid at acquisition date	US$54,197,719
Less cash of acquired subsidiary	61,262
Net cash outflow	US$54,136,457

From the date of acquisition to December 31, 2007, YRDICTL has contributed US$3.6 million to the consolidated revenues from port operations and incurred a net loss of US$5.9 million.

SPIA
As also discussed in Note 1.2 to the consolidated financial statements, ICTSI concluded the agreement to commence the construction and development of a container terminal at the Port of Buenaventura in Colombia by acquiring three existing companies to gain control over SPIA in July 2007.

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	Carrying Value
Concession rights	US$48,533,813	US$10,965,521
Property and equipment - net	4,556,024	3,773,893
Deferred tax assets	1,978,514	1,978,514
Other noncurrent assets	5,662	5,662
Cash and cash equivalents	74,280	74,280
Receivables	545,108	545,108
Prepaid expenses and other current assets	1,092	1,092
	55,694,493	17,344,070
Trade and other payables	594,692	594,692
Concession rights payable	10,974,738	10,974,738
Deferred tax liabilities	13,036,010	–
	24,605,440	11,569,430
Net assets	31,089,053	US$5,774,640
Acquired ownership interest	70%	
Net assets acquired	21,762,337	
Goodwill arising from the acquisition (see Note 6)	12,290,469	
Consideration paid in cash	US$34,052,806	

Net cash outflow on the acquisition amounting to US$34.0 million is computed as follows:

	Amount
Cash paid at acquisition date	US$34,052,806
Less cash of acquired subsidiary	74,280
Net cash outflow	US$33,978,526

From the date of acquisition to December 31, 2007, SPIA incurred net loss reducing the consolidated net income by US$1.5 million. Prior to acquisition, SPIA had no operations.

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 14.1).

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.

On the same day, the SEC 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 par value of US$0.048 (₱1) a share. The retirement of common shares resulted in a decrease in common stock by US$7.2 million (₱332.6 million) and in additional paid-in capital by US$27.9 million (₱1,280.2 million). The remaining 38,429,552 ICTSI common shares acquired from IMH, carried at cost of US$4.1 million (₱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 three geographical segments:

- Asia - includes MICT, BIPI, DIPSSCOR, SCIPSI, SBITC and MICTSI in the Philippines, YRDICTL in China, MTS in Indonesia, NICTI in Japan, and NMCTS in Brunei, ICTHI, ICTSI Ltd and holding companies with regional area headquarters in the Philippines (see Note 1.3)
- EMEA - includes BCT in Poland, MICTSL in Madagascar, TICT in Syria, and BICTL in Georgia (see Note 1.3)
- Americas - includes TSSA in Brazil, CGSA in Ecuador, SPIA in Colombia and Tecplata in Argentina (see Note 1.3)

The tables below present financial information on geographical segments as of and for the year ended December 31:

2009	Asia	EMEA	Americas	Consolidated
Gross revenues from port operations	US$213,798,293	US$60,458,585	US$147,394,433	US$421,651,311
Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA)[a]	96,615,123	19,831,713	59,205,869	175,652,705
Net income attributable to equity holders of the parent	30,914,186	730,502	23,266,592	54,911,280
Other information:				
Segment assets[b]	US$568,944,265	US$151,314,918	US$520,171,364	US$1,240,430,547
Segment liabilities[c]	514,896,783	65,306,852	124,048,107	704,251,742

2008 (As Restated - see Note 4.2)	Asia	EMEA	Americas	Consolidated
Gross revenues from port operations	US$219,143,731	US$99,007,123	US$144,966,859	US$463,117,713
EBITDA[a]	96,689,309	37,791,484	61,955,597	196,436,390
Net income attributable to equity holders of the parent	29,878,834	11,208,609	23,138,797	64,226,240
Other information:				
Segment assets[b]	US$893,673,673	US$153,537,656	US$171,921,119	US$1,219,132,448
Segment liabilities[c]	551,669,985	72,304,401	127,289,369	751,263,755

2007	Asia	EMEA	Americas	Consolidated
Gross revenues from port operations	US$173,352,054	US$76,377,771	US$75,203,510	US$324,933,335
EBITDA[a]	72,254,048	34,588,112	22,833,157	129,675,317
Net income attributable to equity holders of the parent	36,426,726	21,954,200	12,876,671	71,257,597
Other information:				
Segment assets[b]	US$441,411,940	US$159,147,303	US$306,879,104	US$907,438,347
Segment liabilities[c]	224,899,190	71,256,568	136,703,420	432,859,178

[a] EBITDA is not a uniform or legally defined financial measure. EBITDA is presented because the Group believes it is an important measure of its performance and liquidity. EBITDA is also frequently used by securities analysts, investors and other interested parties in the evaluation of companies in the industry.

The Group EBITDA figures are not; however, readily comparable with other companies' EBITDA figures as they are calculated differently and thus, must be read in conjunction with related additional explanations. EBITDA has limitations as an analytical tool and should be considered in isolation or as a substitute for analysis of the Group's 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 cash requirements necessary to service interest or principal debt payments;
- 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 the industry may calculate EBITDA differently, which may limit its usefulness as a comparative measure.

Because of these limitations, EBITDA should not be considered as a measure of discretionary cash available to the Group to invest in the growth of the business. The Group compensates for these limitations by relying primarily on the PFRS results and uses EBITDA only as supplementary information.

The following tables show the computation of EBITDA as derived from the consolidated net income attributable to equity holders of the parent for the year ended December 31:

	2009			
	Asia	EMEA	Americas	Consolidated
Net income attributable to equity holders of the parent	US$30,914,186	US$730,502	US$23,266,592	US$54,911,280
Minority interests	(2,441,724)	–	(431,318)	(2,873,042)
Provision for income tax	19,398,470	563,219	8,019,321	27,981,010
Income before income tax	47,870,932	1,293,721	30,854,595	80,019,248
Add (deduct):				
Depreciation and amortization	27,802,486	13,335,521	16,464,929	57,602,936
Interest and other expenses*	59,447,576	9,586,664	9,558,075	78,592,315
Interest and other income**	(38,505,871)	(4,384,193)	2,328,270	(40,561,794)
EBITDA	US$96,615,123	US$19,831,713	US$59,205,869	US$175,652,705

	2008 (As Restated - see Note 4.2)			
	Asia	EMEA	Americas	Consolidated
Net income attributable to equity holders of the parent	US$29,878,834	US$11,208,609	US$23,138,797	US$64,226,240
Minority interests	(2,952,284)	–	(258,666)	(3,210,950)
Provision for income tax	28,219,126	6,574,184	5,149,618	39,942,928
Income before income tax	55,145,676	17,782,793	28,029,749	100,958,218
Add (deduct):				
Depreciation and amortization	26,620,309	11,170,242	12,957,918	50,748,469
Interest and other expenses*	83,463,977	7,922,861	19,837,568	111,224,406
Interest and other income**	(68,540,653)	915,588	1,130,362	(66,494,703)
EBITDA	US$96,689,309	US$37,791,484	US$61,955,597	US$196,436,390

	2007			
	Asia	EMEA	Americas	Consolidated
Net income attributable to equity holders of the parent	US$36,426,726	US$21,954,200	US$12,876,671	US$71,257,597
Minority interests	(1,849,445)	–	(308,727)	(2,158,172)
Provision for income tax	24,622,520	2,814,464	1,601,862	29,038,846
Income before income tax	59,199,801	24,768,664	14,169,806	98,138,271
Add (deduct):				
Depreciation and amortization	21,419,132	7,246,468	7,020,348	35,685,948
Interest and other expenses*	30,126,341	4,507,190	8,292,389	42,925,920
Interest and other income**	(38,491,226)	(1,934,210)	(6,649,386)	(47,074,822)
EBITDA	US$72,254,048	US$34,588,112	US$22,833,157	US$129,675,317

* Interest and other expenses includes the following as shown in the consolidated statement of income: foreign exchange loss; interest on concession rights payable; interest expense and financing charges on borrowings; unrealized mark-to market loss on derivatives; and other expenses.

** Interest and other income includes the following as shown in the consolidated statement of income: foreign exchange gain; interest income; reversal of impairment loss on investment property; unrealized mark-to-market gain on derivates; and other income.

(b) Segment assets do not include deferred tax assets amounting to US$28.1 million, US$34.0 million and US$40.5 million as of December 31, 2009, 2008 and 2007, respectively

(c) Segment liabilities do not include income tax payable amounting toUS$9.5 million , US$11.3 million and US$6.1 million and deferred tax liabilities amounting toUS$37.3 million, US$38.8 million and US$43.3 million as of December 31, 2009, 2008 and 2007, respectively.

EBITDA of each segment does not include inter-segment earnings. All segment revenues are from external customers. Gross revenues from port operations of ICTSI and other Philippine-based subsidiaries comprised 47.0%, 44.9% and 50.8% of the consolidated gross revenues from port operations for the years ended December 31, 2009, 2008 and 2007, respectively.

6. Intangibles

This account consists of:

	2009						
	Concession Rights (see Note 4)						
	Upfront Fees	Fixed Fees	Port Infrastructure	Subtotal	Computer Software	Goodwill (see Note 4)	Total
Cost							
Balance at beginning of year, as previously reported	US$175,956,607	US$175,706,256	US$236,050,286	US$587,713,149	US$10,292,555	US$67,889,277	US$665,894,981
Effect of finalizing business combinations (see Note 4.2)	16,862,530	–	–	16,862,530	–	(7,232,630)	9,629,900
Balance at beginning of year, as restated	192,819,137	175,706,256	236,050,286	604,575,679	10,292,555	60,656,647	675,524,881
Acquisitions or additions	–	–	79,816,149	79,816,149	2,211,810	–	82,027,959
Effect of business combination	–	–	–	–	–	–	–
Translation adjustments	5,464,768	1,997,053	1,076,187	8,538,008	980,047	41,242	9,559,297
Transfers to other accounts	–	–	(13,637,081)	(13,637,081)	–	–	(13,637,081)
Balance at end of year	198,283,905	177,703,309	303,305,541	679,292,755	13,484,412	60,697,889	753,475,056
Accumulated Amortization and Impairment Losses							
Balance at beginning of year	17,929,987	36,350,219	28,332,095	82,612,301	6,034,124	277,080	88,923,505
Amortization for the year	7,685,195	8,844,104	16,760,013	33,289,312	1,177,645	–	34,466,957
Translation adjustments	972,488	(63,226)	109,464	1,018,726	671,787	–	1,690,513
Balance at end of year	26,587,670	45,131,097	45,201,572	116,920,339	7,883,556	277,080	125,080,975
Net Book Value	US$171,696,235	US$132,572,212	US$258,103,969	US$562,372,416	US$5,600,856	US$60,420,809	US$628,394,081

	2008						
	Concession Rights (As Restated - see Note 4.2)						
	Upfront Fees	Fixed Fees	Port Infrastructure	Subtotal	Computer Software	Goodwill (As Restated - see Note 4.2)	Total
Cost							
Balance at beginning of year	US$198,196,823	US$147,422,966	US$127,756,376	US$473,376,165	US$7,528,035	US$19,651,263	US$500,555,463
Acquisitions or additions	172,997	32,579,652	120,535,896	153,288,545	923,577	–	154,212,122
Effect of business combinations (see Note 4)	16,862,530	1,591,543	–	18,454,073	–	38,384,553	56,838,626
Translation adjustments	(22,413,213)	(5,887,905)	(12,241,986)	(40,543,104)	1,840,943	2,620,831	(36,081,330)
Balance at end of year	192,819,137	175,706,256	236,050,286	604,575,679	10,292,555	60,656,647	675,524,881
Accumulated Amortization and Impairment Losses							
Balance at beginning of year	5,863,239	31,046,434	19,323,500	56,233,173	3,943,498	318,964	60,495,635
Amortization for the year	8,263,800	8,637,368	12,124,066	29,025,234	1,155,400	–	30,180,634
Effect of business combination	147,565	–	–	147,565	–	–	147,565
Translation adjustments	3,655,383	(3,333,583)	(3,115,471)	(2,793,671)	935,226	(41,884)	(1,900,329)
Balance at end of year	17,929,987	36,350,219	28,332,095	82,612,301	6,034,124	277,080	88,923,505
Net Book Value	US$174,889,150	US$139,356,037	US$207,718,191	US$521,963,378	US$4,258,431	US$60,379,567	US$586,601,376

	2007						
	Concession Rights						
	Upfront Fees	Fixed Fees	Port Infrastructure	Subtotal	Computer Software	Goodwill	Total
Cost							
Balance at beginning of year	US$38,957,783	US$48,388,986	US$75,965,574	US$163,312,343	US$4,648,496	US$7,366,917	US$175,327,756
Acquisitions or additions	75,897,512	76,548,108	26,345,760	178,791,380	2,406,246	–	181,197,626
Disposal	–	–	–	–	(750,000)	–	(750,000)
Effect of business combinations	77,893,260	–	–	77,893,260	–	13,397,246	91,290,506
Translation adjustments	5,448,268	22,485,872	25,445,042	53,379,182	1,223,293	(1,112,900)	53,489,575
Balance at end of year	198,196,823	147,422,966	127,756,376	473,376,165	7,528,035	19,651,263	500,555,463
Accumulated Amortization and Impairment Losses							
Balance at beginning of year	5,888,603	22,484,371	7,735,152	36,108,126	2,565,407	–	38,673,533
Amortization	4,405,599	4,244,465	9,162,353	17,812,417	1,632,515	–	19,444,932
Disposal	–	–	–	–	(750,000)	–	(750,000)
Impairment loss	–	–	–	–	–	285,206	285,206
Translation adjustments	(4,430,963)	4,317,598	2,425,995	2,312,630	495,576	33,758	2,841,964
Balance at end of year	5,863,239	31,046,434	19,323,500	56,233,173	3,943,498	318,964	60,495,635
Net Book Value	US$192,333,584	US$116,376,532	US$108,432,876	US$417,142,992	US$3,584,537	US$19,332,299	US$440,059,828

Concession rights
Acquisitions of and additions to concession rights include concession of port operations in China, Colombia, Ecuador and Georgia in 2007, and in General Santos City and Subic, Philippines and Argentina in 2008. Additions to concession rights under port infrastructure pertain to acquisitions of port equipment and construction in MICT, MICTSL, CGSA, SBITC, TICT and Tecplata. Adjustments to the beginning balances pertain to the effects of finalizing business combinations made in 2008 (see Note 4.2).

Fully depreciated port infrastructure with cost amounting to US$29.5 million as of December 31, 2009, 2008 and 2007 are still being used in the Group's operations.

Concession rights have remaining amortization periods ranging from 4 to 45 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, 2009 are as follows:

	Amount
2010	US$19,357,079
2011	27,164,141
2012	24,725,338
2013	8,644,255
2014 onwards	124,806,717
Total	US$204,697,530

Interest expense on concession rights payable amounted to US$23.1 million in 2009, US$23.3 million in 2008 and US$17.5 million in 2007.

Borrowing costs capitalized amounted to US$5.2 million in 2009 with capitalization rates ranging from 6.21 % to 7.82 % and US$2.8 million in 2008 with capitalization rates ranging from 6.46 % to 11.91 %. There were no borrowing costs capitalized in 2007.

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

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

Goodwill is not amortized but subject to an annual impairment testing as at December 31 (see Note 10).

7. Property and Equipment

This account consists of:

2009	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	US$25,394,706	US$94,179,597	US$160,653,247	US$22,815,676	US$18,536,562	US$4,454,971	US$1,701,397	US$4,409,620	US$332,145,776
Additions	–	1,053,900	19,375,534	2,764,520	1,983,720	91,169	100,853	11,972,961	37,342,657
Disposals	–	–	(333,461)	(275,412)	(5,554)	(13,487)	(187,701)	(189,645)	(1,005,260)
Translation adjustments	873,725	6,438,730	15,531,140	591,035	394,774	45,672	185,484	1,118,847	25,179,407
Transfers from (to) other accounts	–	6,398,715	1,764,731	18,552,515	282,956	8,810	–	5,129,354	32,137,081
Balance at end of year	26,268,431	108,070,942	196,991,191	44,448,334	21,192,458	4,587,135	1,800,033	22,441,137	425,799,661
Accumulated Depreciation, Amortization and Impairment Losses									
Balance at beginning of year, as previously reported	–	13,002,653	34,715,404	9,353,792	11,271,177	2,578,921	159,627	–	71,081,574
Depreciation and amortization for the year	–	4,485,767	11,046,200	4,231,535	2,460,395	396,580	170,070	–	22,790,547
Disposals	–	–	(199,354)	(234,742)	(4,085)	(12,315)	–	–	(450,496)
Translation adjustments	–	2,310,487	2,753,360	157,358	182,974	104,169	54,296	–	5,562,644
Transfers from (to) other accounts	–	54,842	22,018	2,717	7,351	(86,928)	–	–	–
Balance at end of year	–	19,853,749	48,337,628	13,510,660	13,917,812	2,980,427	383,993	–	98,984,269
Net Book Value	US$26,268,431	US$88,217,193	US$148,653,563	US$30,937,674	US$7,274,646	US$1,606,708	US$1,416,040	US$22,441,137	US$326,815,392

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	US$29,183,922	US$90,026,659	US$136,423,107	US$21,872,369	US$19,287,595	US$13,021,505	US$1,080,853	US$6,490,514	US$317,386,524
Additions	–	1,595,188	22,257,607	2,636,198	3,928,511	332,145	597,390	11,697,216	43,044,255
Disposals	–	(99,847)	(44,467)	(620,641)	(48,886)	(7,936)	(96,523)	(184,016)	(1,102,316)
Translation adjustments	(4,638,000)	(642,555)	(24,736,549)	(3,083,761)	(8,514,517)	(3,696,378)	(202,082)	16,539,455	(28,974,387)
Effect of business combinations (see Note 4.1)	–	248,007	50,352	5,262	63,261	14,343	–	–	381,225
Transfers from (to) other accounts	848,784	3,026,604	25,514,673	1,951,875	3,724,829	(5,254,975)	321,759	(30,133,549)	–
Balance at end of year	25,394,706	94,154,056	159,464,723	22,761,302	18,440,793	4,408,704	1,701,397	4,409,620	330,735,301
Accumulated Depreciation, Amortization and Impairment Losses									
Balance at beginning of year, as restated	–	8,721,132	18,965,734	7,684,611	12,244,113	5,510,432	49,523	–	53,175,545
Depreciation and amortization for the year	–	4,102,392	10,655,033	2,666,997	2,250,819	430,521	89,686	–	20,195,448
Disposals	–	–	(36,698)	(573,998)	(7,240)	(7,694)	–	–	(625,630)
Reversal of impairment	–	(5,063,490)	–	–	(2,371)	(390,787)	–	–	(5,456,648)
Translation adjustments	–	(2,575,432)	(17,645,427)	(972,149)	(7,050,883)	30,605,857	20,418	–	2,382,384
Transfers from (to) other accounts	–	7,792,510	21,588,238	493,957	3,740,970	(33,615,675)	–	–	–
Balance at end of year	–	12,977,112	33,526,880	9,299,418	11,175,408	2,532,654	159,627	–	69,671,099
Net Book Value	US$25,394,706	US$81,176,944	US$125,937,843	US$13,461,884	US$7,265,385	US$1,876,050	US$1,541,770	US$4,409,620	US$261,064,202

2007	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	US$20,435,459	US$26,768,689	US$76,151,854	US$16,004,613	US$11,459,691	US$5,918,026	US$528,276	US$6,950,374	US$164,216,982
Additions	2,015,546	(7,178,114)	23,500,751	2,827,257	2,625,061	5,942,077	257,916	30,621,578	60,612,072
Disposals	–	(228,060)	(190,067)	(465,335)	(420,953)	(4,719)	(54,165)	–	(1,363,299)
Translation adjustments	3,783,120	72,263	(847,182)	2,364,954	1,812,292	861,303	75,790	4,392,667	12,515,207
Effect of business combinations (see Note 4.1)	2,949,797	48,499,355	28,029,033	936,670	677,709	312,998	–	–	81,405,562
Transfers from (to) other accounts	–	22,092,526	9,778,718	204,210	3,133,795	(8,180)	273,036	(35,474,105)	–
Balance at end of year	29,183,922	90,026,659	136,423,107	21,872,369	19,287,595	13,021,505	1,080,853	6,490,514	317,386,524
Accumulated Depreciation, Amortization and Impairment Losses									
Balance at beginning of year	–	3,864,645	10,651,419	4,999,062	9,469,040	4,274,420	–	–	33,258,586
Depreciation and amortization for the year	–	4,056,111	8,597,110	2,261,124	804,518	465,938	45,326	–	16,230,127
Disposals	–	(15,485)	(631,667)	(253,714)	(5,350)	(3,255)	(10,343)	–	(919,814)
Reversal of impairment	–	–	(278,332)	–	–	–	–	–	(278,332)
Translation adjustments	–	815,861	661,653	661,647	1,976,104	773,130	(3,417)	–	4,884,978
Transfers from (to) other accounts	–	–	(34,449)	16,492	(199)	199	17,957	–	–
Balance at end of year	–	8,721,132	18,965,734	7,684,611	12,244,113	5,510,432	49,523	–	53,175,545
Net Book Value	US$29,183,922	US$81,305,527	US$117,457,373	US$14,187,758	US$7,043,482	US$7,511,073	US$1,031,330	US$6,490,514	US$264,210,979

In 2008, ICTSI reversed previously recognized impairment losses, which pertain to land improvements, building and other properties of the inland container depot amounting to US$5.5 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).

Fully depreciated port equipment with cost amounting to US$11.3 million, US$10.3 million and US$10.0 million as of December 31, 2009, 2008 and 2007, respectively, are still being used in the Group's operations.

Port equipment of BCT, TSSA and YRDICTL with a total carrying value of US$97.0 million, US$90.7 million and US$92.7 million as of December 31, 2009, 2008 and 2007, respectively, 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 15.2).

8. Investment Properties

The details of investment properties are as follows:

2009	Land and Improvements	Building and Others	Total
Cost			
Balance at beginning of year	US$31,490,036	US$663,691	US$32,153,727
Translation adjustment	563,891	3,723	567,614
Balance at end of year	32,053,927	667,414	32,721,341

(Forward)

	2009		
	Land and Improvements	Building and Others	Total
Accumulated Depreciation and Amortization			
Balance and beginning of year	2,451,092	188,708	2,639,800
Amortization during the year	–	345,432	345,432
Translation adjustment	–	18,971	18,971
Balance at end of year	2,451,092	553,111	3,004,203
Net Book Value	US$29,602,835	US$114,303	US$29,717,138

	2008		
	Land and Improvements	Building and Others	Total
Cost			
Balance at beginning of year	US$28,336,963	US$153,828	US$28,490,791
Transfer from property and equipment (see Note 7)	7,327,190	566,367	7,893,557
Translation adjustment	(4,174,117)	(56,504)	(4,230,621)
Balance at end of year	31,490,036	663,691	32,153,727
Accumulated Depreciation and Amortization			
Balance and beginning of year	–	12,179	12,179
Amortization during the year	337,566	34,821	372,387
Transfer from property and equipment (see Note 7)	2,281,400	155,508	2,436,908
Translation adjustment	(167,874)	(13,800)	(181,674)
Balance at end of year	2,451,092	188,708	2,639,800
Net Book Value	US$29,038,944	US$474,983	US$29,513,927

	2007		
	Land and Improvements	Building and Others	Total
Cost			
Balance at beginning of year	US$23,857,838	US$129,513	US$23,987,351
Translation adjustment	4,479,125	24,315	4,503,440
Balance at end of year	28,336,963	153,828	28,490,791
Accumulated Depreciation and Amortization			
Amortization during the year	–	10,889	10,889
Translation adjustment	–	1,290	1,290
Balance at end of year	–	12,179	12,179
Net Book Value	US$28,336,963	US$141,649	US$28,478,612

Land and improvements include land held for capital appreciation and land improvements subject to an operating lease with fair values amounting to US$75.8 million as of December 31, 2008. 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. There is no significant change in the fair value of investment properties as of December 31, 2009 from the fair value as of December 31, 2008 based on the valuations performed by an independent appraiser as discussed above.

Rental income derived from rental-earning investment properties amounted to US$0.3 million in 2009, US$0.1 million in 2008 and nil in 2007. There were no significant repairs and maintenance made to maintain the Group's investment properties in 2009, 2008 and 2007. The rent agreement covering rental-earning investment properties is renewable at the option of both parties yearly.

9. Other Noncurrent Assets

This account consists of:

	2009	2008	2007
Restricted cash (see Note 23)	US$12,007,574	US$12,726,776	US$4,423,130
Advances to suppliers and contractors (net of allowance for probable loss of US$3.3 million, US$0.6 million and US$0.6 million as of December 31, 2009, 2008 and 2007, respectively)	14,002,021	37,096,465	9,893,001
Advanced rent and deposits	9,467,211	2,446,248	1,049,538

(Forward)

	2009	2008	2007
AFS investments (see Note 25):			
Unquoted equity shares - at cost	5,217,947	5,219,439	6,287,009
Quoted equity shares - at fair value	950,110	820,435	760,174
Pension assets (see Note 22)	688,039	186,503	248,991
Investment in an associate	–	–	811,364
Prepaid expense and others	3,761,639	1,075,114	1,710,156
	US$46,094,541	US$59,570,980	US$25,183,363

Restricted cash pertains mainly to cash deposits placed by the Group as required by the concession agreements in MICTSL, TICT, SPIA and NICTI (see Note 23).

Advances to suppliers and contractors mainly pertain to advance payments for the acquisition of transportation equipment and construction of port facilities. A portion of these advances amounting to US$18.5 million was transferred to transportation equipment and port facilities in 2009 (see Note 7).

The net movement in unrealized mark-to-market (gain) loss on quoted AFS investments follows:

	2009	2008	2007
Balance at beginning of year	US$9,773	US$97,306	US$207,535
Change in fair value of quoted AFS investments	166,923	(87,533)	(110,229)
Balance at end of year	US$176,696	US$9,773	US$97,306

In 2007, unquoted AFS investments carried at net realizable value of US$3.8 million were sold, resulting to a loss of US$0.5 million which was classified as part of "Other expenses" account in the 2007 consolidated statement of income.

The details and movements of investment in an associate follow:

	2009	2008	2007
Acquisition Cost			
Balance at beginning of year	US$7,474,994	US$8,847,184	US$7,448,741
Cumulative translation adjustment	–	(1,161,751)	1,398,443
Balance at end of year	7,474,994	7,685,433	8,847,184
Less cost of investment in SCIPSI	–	210,439	–
	7,474,994	7,474,994	8,847,184
Accumulated Equity in Net Earnings of an Associate			
Balance at beginning of year	–	569,114	330,586
Equity in net earnings for the period (see Note 19.1)	–	116,917	157,788
Cumulative translation adjustment (see Note 2.3)	–	(82,226)	80,740
Change in accounting treatment for investment in SCIPSI	–	(603,805)	–
Balance at end of year	–	–	569,114
	7,474,994	7,474,994	9,416,298
Allowance for Probable Losses			
Balance at beginning of year	7,474,994	8,604,934	7,244,783
Cumulative translation adjustment	–	(1,129,940)	1,360,151
Balance at end of year	7,474,994	7,474,994	8,604,934
	US$–	US$–	US$811,364

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 Group also has a 49% investment in Asiaview Realty and Development Corporation (ARDC), an associate. ARDC had stopped commercial operations. The investment in ARDC was covered with a full allowance for probable losses amounting to US$7.5 million.

10. Impairment Testing Goodwill, Property and Equipment, and Intangible Assets

The Group reviews all assets annually or more frequently to look for any indication that an asset may be impaired. These assets include property and equipment, intangible assets, investment in an associate carried at cost, investment in subsidiaries, intangible assets not yet available for use and goodwill. If any such indication exists, or when the annual impairment testing for an asset is required, the Group calculates the asset's recoverable amount. Irrespective of whether there is any indication of impairment, intangible assets not yet available for use and goodwill acquired in a business combination are tested for impairment annually. ICTSI and its subsidiaries used a discounted cash flow analysis to determine value in use. Value in use reflects an estimate of the future cash flows the Group expects to derive from the cash-generating unit, expectations about possible variations in the amount or timing of those future cash flows, the time value of money, the price for bearing the uncertainty inherent in the asset and other factors such as illiquidity that market participants would reflect in pricing the future cash flows the Group expects to derive from the cash-generating unit. The calculation of the value in use is based on reasonable and supportable assumptions, the most recent budgets and forecasts and extrapolation for periods beyond budgeted projections. These represent management's best estimate of the economic conditions that will exist over the remaining useful life of the asset.

The recoverable amount of non-financial assets of the Group subject to impairment testing have been determined based on value in use calculation using cash flow projections based on financial budgets approved by senior management covering a five to ten year period. Projections above five years were used for the newly established terminals and/or Greenfield projects.

Key assumptions used to determine the value in use are discount rates including cost of debt and cost of capital, growth rates, EBITDA margins, working capital and capital expenditure.

Discount Rates
The discount rate used is the pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the asset. The Group used discount rates based on the industry's Weighted Average Cost of Capital (WACC). The rates used to discount the future cash flows are based on risk free interest rates in the relevant markets where the subsidiaries are domiciled taken into consideration the debt premium, market risk premium, gearing, corporate tax rate and asset betas of these subsidiaries. Management assumed discount rates of 5.64% to 10.79% in 2009, 9.15% to 22.62% in 2008 and 6.94% to 13.90% in 2007.

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 real GDP of the economy in which the business operates.

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
In computing the value in use, estimates of future cash flows include future cash outflows necessary to maintain the level of economic benefits expected to arise from the asset in its current condition. Capital expenditures that improve or enhance the asset's performance therefore are not included. However, for the newly established terminals and/or Greenfield projects, management takes into consideration the capital expenditures necessary to meet the expected growth in volumes and revenues. These expansionary capital expenditures of which the Group has incurred cash outflows, for the newly established terminals are deducted from the future cash flows.

Management recognized the unfavorable conditions could materially affect the assumptions used in the determination of value in use. An increase of 0.6% to 54.13% in the discount rate or a reduction of growth rate 0.7% to 55.0% would give a value in use equal to the carrying amount of the cash generating units.

The recoverable amount for one of the terminals is based on fair value less cost to sell. The fair values were determined based on valuations performed by a qualified independent appraiser whose report was dated March 26, 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. Estimate of cost to sell was based on historical experience.

11. Cash and Cash Equivalents

This account consists of:

	2009	2008	2007
Cash on hand and in banks	US$30,419,226	US$72,876,752	US$33,919,243
Cash equivalents	94,733,574	141,886,104	52,438,875
	US$125,152,800	US$214,762,856	US$86,358,118

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.

Interest income derived from interest-earning bank deposits and short-term investments amounted to US$3.7 million, US$4.0 million and US$4.2 million for the years ended December 31, 2009, 2008 and 2007, respectively.

12. Receivables

This account consists of:

	2009	2008	2007
Trade	US$36,921,206	US$25,632,987	US$28,271,110
Advances and nontrade (see Note 21.3)	2,667,554	1,142,217	3,046,995
	39,588,760	26,775,204	31,318,105
Less allowance for doubtful accounts	3,030,628	1,495,810	1,634,569
	US$36,558,132	US$25,279,394	US$29,683,536

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:

	2009		
	Trade	Advances and Nontrade	Total
Balance at beginning of year	US$1,220,970	US$274,840	US$1,495,810
Provision	939,365	–	939,365
Translation adjustments	587,378	8,075	595,453
Balance at end of year	US$2,747,713	US$282,915	US$3,030,628

	2008		
	Trade	Advances and Nontrade	Total
Balance at beginning of year	US$1,364,064	US$270,505	US$1,634,569
Provision	138,553	42,586	181,139
Reversal and others	(100,061)	–	(100,061)
Translation adjustments	(181,586)	(38,251)	(219,837)
Balance at end of year	US$1,220,970	US$274,840	US$1,495,810

	2007		
	Trade	Advances and Nontrade	Total
Balance at beginning of year	US$1,169,163	US$227,747	US$1,396,910
Provision	13,545	–	13,545
Reversal and others	(35,542)	–	(35,542)
Translation adjustments	216,898	42,758	259,656
Balance at end of year	US$1,364,064	US$270,505	US$1,634,569

Allowance for doubtful accounts are based on specific and collective assessment by the Group.

13. Prepaid Expenses and Other Current Assets

This account consists of:

	2009	2008	2007
Input tax	US$24,398,055	US$18,619,829	US$4,242,894
Prepaid insurance, bonds and other expenses	3,086,954	6,264,432	5,125,422
Creditable withholding taxes	3,213,754	1,846,066	853,326
Others	1,817,937	1,827,462	1,499,619
	US$32,516,700	US$28,557,789	US$11,721,261

14. Equity

14.1 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		
	2009	2008	2007	2009	2008	2007
Preferred Stock - nonvoting, non-cumulative, US$0.048 (₱1) par value	1,000,000,000	1,000,000,000	1,000,000,000	3,800,000	3,800,000	3,800,000
Common Stock - US$0.048 (₱1) par value						
Balance at beginning 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
Net change during the year (see Note 4.4)	–	–	(332,602,619)	–	–	(332,602,619)
Balance at end of year	4,227,397,381	4,227,397,381	4,227,397,381	1,992,066,860	1,992,066,860	1,992,066,860
Treasury Shares						
Balance at beginning of year				73,009,500	77,000,000	–
Issuance of shares (see Note 18)				(4,878,000)	(3,990,500)	–
Merger with IMH (see Note 4.4)				–	–	38,429,552
Acquisition of own shares from subsidiaries				–	–	38,570,448
Balance at end of year				68,131,500	73,009,500	77,000,000

	Amount		
	2009	2008	2007
Preferred Stock - nonvoting, non-cumulative, US$0.048 (₱1) par value	US$72,492	US$72,492	US$72,492
Common Stock - US$0.048 (₱1) par value			
Balance at beginning of year	US$66,488,812	US$66,488,812	US$73,722,534
Net change during the year	–	–	(7,233,722)
	66,488,812	66,488,812	66,488,812
Subscription Receivable			
Balance at beginning of year	(460,369)	(951,671)	(957,569)
Collections during the year	816	491,302	5,898
	(459,553)	(460,369)	(951,671)
Balance at end of year	US$66,029,259	US$66,028,443	US$65,537,141
Treasury Shares			
Balance at beginning of year	US$5,535,789	US$7,126,323	US$–
Issuance of shares (see Note 18)	(1,658,281)	(1,590,534)	–
Merger with IMH (see Note 4.4)	–	–	4,056,934
Acquisition of own shares from subsidiaries	–	–	3,069,389
Balance at end of year	US$3,877,508	US$5,535,789	US$7,126,323

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 (see Note 14.3). As of December 31, 2009, 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 4.4). 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 US$39.2 million (P1,799.5 million), representing the transfer of the ICTSI shares held by IMH to ICTSI; decrease in common shares by US$7.2 million (P332.6 million) and additional paid-in capital by US$27.9 million (P1,280.5 million), representing the cost of the retired shares; and increase in treasury shares by US$4.1 million (₱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 US$0.048 (₱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 US$3.1 million (P149.7 million).

14.2 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 US$27.9 million (₱1,280.5 million), as discussed in Note 14.1, and the sale of common shares held by subsidiaries resulted in an increase in additional paid-in capital by US$124.2 million (₱6,014.9 million), as discussed in Note 14.3.

14.3 Cost of Shares Held by Subsidiaries

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

	Number of Shares Held by Subsidiaries		
	2009	2008	2007
Preferred Shares	3,800,000	3,800,000	3,800,000
Common shares	33,539,300	16,968,600	696,000
	37,339,300	20,768,600	4,496,000

Details and movements in preferred and common shares held by subsidiaries as of December 31 were as follows:

	2009		2008		2007	
	Number of Shares	Amount	Number of Shares	Amount	Number of Shares	Amount
Preferred Shares	3,800,000	US$72,492,481	3,800,000	US$72,492,481	3,800,000	US$72,492,481
Common Shares						
Balance at beginning of year	16,968,600	US$42,700,602	696,600	US$30,140,903	709,602,619	US$102,640,768
Acquisition of shares by subsidiaries	16,570,700	3,812,279	16,272,000	12,559,699	–	–
Merger with IMH	–	–	–	–	(371,032,171)	(39,169,158)
Sale of shares held by subsidiaries	–	–	–	–	(300,000,000)	(29,665,171)
Acquisition of own shares from subsidiaries	–	–	–	–	(38,570,448)	(3,069,389)
Transfer of shares held by subsidiaries in exchange for minority interest	–	–	–	–	–	–
Others	–	–	–	–	696,600	(596,147)
	16,570,700	3,812,279	16,272,000	12,559,699	(708,906,019)	(US$72,499,865)
Balance at end of year	33,539,300	US$46,512,881	16,968,600	US$42,700,602	696,600	US$30,140,903

Common Shares. In March 2007, ICTSI and IWI sold 300,000,000 ICTSI shares held by IWI (the Offer Shares) through private placements by certain qualified institutional buyers. Total net proceeds from the sale amounted to US$154.9 million (P7.5 billion). The sale of shares resulted in a decrease in common shares held by subsidiaries by US$29.7 million (P1,494.1 million), representing the cost of the 300,000,000 shares, and an increase in additional paid-in capital by US$124.2 million (P6,014.9 million). In 2009 and 2008, IWI acquired 16,570,000 and 16,272,000 ICTSI shares for US$3.8 million (P182.2 million) and US$12.6 million (P517.2 million), respectively.

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.

14.4 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 US$28.5 million (₱1,232.0 million). The carrying value of the increase in ownership amounted to US$21.6 million (₱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 US$6.9 million (₱157.5 million) in the 2008 consolidated balance sheet.

In 2007, AHI acquired additional 6.25% interest in DIPSSCOR from the latter's individual stockholders' for US$0.6 million (₱24.1 million). The carrying value of the additional interest acquired amounted to US$0.1 million (₱5.2 million) as of the acquisition date. The excess of the cash paid over the carrying value of the interest acquired was recorded as excess of acquisition cost over the carrying value of minority interest amounting to US$0.6 million (₱18.9 million) in the 2007 consolidated balance sheet.

14.5 Retained Earnings

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

	2009	2008	2007
Date of BOD approval	April 16, 2009	April 17, 2008	April 19, 2007
Cash dividends per share	US$0.008 (₱0.40)	US$0.008 (₱0.35)	US$0.006 (₱0.30)
Record date	May 7, 2009	May 8, 2008	May 7, 2007
Payment date	May 18, 2009	May 19, 2008	May 14, 2007
Portion of cash dividends declared pertaining to common shares held by subsidiaries and thus reverted to retained earnings	US$3.2 million (₱31.4 million)	US$0.1 million (₱5.3 million)	US$2.4 million (₱111.5 million)

Of the total retained earnings of US$271.1 million US$232.1 million (₱11.1 billion), US$184.1 million (₱8.9 billion), as of December 31, 2009, 2008 and 2007, respectively, undistributed earnings of subsidiaries and associates amounting to US$210.7 million, US$182.5 million (₱8.4 billion) and US$152.5 million (₱7.4 billion) as of December 31, 2009, 2008 and 2007, respectively, were not available for dividend distribution.

14.6 Other Comprehensive Loss

The details of other comprehensive loss as of December 31 are as follows:

	2009	2008 (As Restated - see Note 4.2)	2007
Cumulative translation adjustments arising from:			
Change in functional currency of the parent company	(US$45,930,598)	(US$45,930,598)	(US$40,907,949)
Translation of foreign operations	117,841	(20,603,173)	27,349,809
Unrealized mark-to-market gain (loss) on derivatives	(2,097,717)	(3,374,670)	1,867,159
Unrealized mark-to-market gain on AFS investments	176,696	9,773	97,306
Business combination revaluation reserve	609,969	609,969	–
	(US$47,123,809)	(US$69,288,699)	(US$11,593,675)

15. Long-term Debt

15.1 Outstanding Balance

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

	2009	2008	2007
ICTSI - US dollar-denominated term loans (net of unamortized debt issuance cost of US$3.9 million in 2009)	US$211,056,286	US$–	US$–
ICTSI - Philippine peso-denominated term loans [net of unamortized debt issuance cost of US$2.0 million, US$2.5 million (₱121.1 million) and US$0.1 million (₱2.2 million) in 2009, 2008 and 2007, respectively]	153,719,389	116,635,322	10,795,277
YRDICTL - RMB-denominated loan	35,886,920	40,277,107	37,686,204
BCT - US dollar-denominated loan (net of unamortized debt issuance cost of US$0.2 million in 2009, US$0.3 million in 2008 and in 2007)	12,894,688	15,472,928	18,051,168
TSSA - US dollar-denominated loan (net of unamortized debt issuance cost of US$0.1 million in 2009, 2008 and 2007)	9,641,160	11,324,987	12,616,629
ICTSI Capital BV - US dollar-denominated loan (net of unamortized debt issuance cost of US$3.0 million in 2008 and 2007)	–	247,019,265	67,027,500
	423,198,443	430,729,609	146,176,778
Less current portion	7,398,583	9,629,689	4,078,062
	US$415,799,860	US$421,099,920	US$142,098,716

Principal maturities of long-term debt (gross of unamortized debt issuance cost) as of December 31, 2009 are as follows:

	Amount
2010	US$9,961,231
2011	108,323,849
2012	143,472,802
2013	91,101,678
2014 onwards	76,581,320
	US$429,440,880

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

	2009	2008	2007
Balance at beginning of year	US$5,894,812	US$3,481,414	US$1,397,182
Debt issuance cost during the year	4,880,152	3,133,971	2,610,497
Write-off due to prepayment of long-term debt	(2,225,505)	–	–
Translation adjustments	67,747	41,190	455,134
Amortization during the year	(2,374,769)	(761,763)	(981,399)
Balance at end of year	US$6,242,437	US$5,894,812	US$3,481,414

15.2 Details and Description

ICTSI

BDO Term Loan Facility Agreement (BDO Term Loan Facility). In December 2009, ICTSI signed a five-year unsecured BDO Term Loan Facility for US$100.0 million with Banco de Oro Unibank, Inc. for general corporate requirements. The loan bears an interest of 2.5%over the London Interbank Offered Rate (LIBOR) and the principal is payable in 20 quarterly installments. Drawdown from the facility amounted to US$25.0 million, gross of debt issuance cost, as of December 31, 2009. The facility expired on January 24, 2010.

Term Loan Facility Agreement (Term Loan Facility). In May 2009, ICTSI signed a three-year unsecured Term Loan Facility with a consortium of seven international banks for US$150.0 million to partly refinance ICTSI Capital BV's US$250.0 million Revolving and Term Loan Facility, which then had an outstanding balance of US$176.0 million. The loan bears an interest of 3.80%over the LIBOR and the principal is payable in six quarterly installments starting on the seventh quarter. The Term Loan Facility was fully drawn in June 2009.

MBTC Term Loan Facility Agreement (MBTC Term Loan Facility). In April 2009, ICTSI signed a five-year unsecured MBTC Term Loan Facility for US$40.0 million with Metropolitan Bank and Trust Company for the financing of capital expenditures and general corporate purposes including the refinancing of existing obligations. The loan bears an interest of 3.5%over the LIBOR and principal is payable in quarterly installments commencing on the ninth quarter. The facility was fully drawn in April 2009.

DBP-LBP Term Loan Facility Agreement (DBP-LBP Term Loan Facility). In November 2008, ICTSI signed a five-year US$124.7 million (₱6.0 billion) Term Loan Facility with DBP and LBP for the financing of capital expenditures of the Group including the construction of Berth 6 of MICT and refinancing of existing loan obligations. Interest on the loan is the higher of (1) the sum of three months PDST-F Rate and 1.75% per annum (p.a.) or (2) the BSP Reverse Repo Rate. Principal is payable in quarterly installments starting on the ninth quarter. The DBP-LBP Term Loan Facility is unsecured. Drawdowns from the facility have aggregated to US$84.2 million (₱4.0 billion) as of December 31, 2008, gross of debt issuance cost. The Term Loan Facility was fully availed of in March 2009.

Corporate Notes Facility Agreement (FXCN Note). In November 2008, ICTSI completed an FXCN Note for US$18.4 million (₱855.0 million), which amount was increased by an Accession Agreement up to US$25.0 million (₱1.2 billion), with several institutions arranged by The Hongkong and Shanghai Banking Corporation Limited, Manila (HSBC). The net proceeds of the FXCN Note were used for capital expenditures and working capital requirements. The FXCN Note is unsecured and has maturities of five and a half, and seven years. Interest rate is at 9.5% p.a. for the five and a half-year FXCN Note and 10.25%p.a. for the seven-year FXCN Note. One percent of principal is payable every year and the remaining balance is due in 2014 for the five and a half-year FXCN and in 2015 for the seven-year FXCN. The entire facility was fully drawn in 2008.

Other Philippine-based Commercial Banks. The Philippine peso-denominated term loans were obtained by ICTSI from Philippine-based commercial banks and are payable quarterly or annually with final installments originally due between 2010 and 2011. Interest rates on the term loans were fixed at 14% and 15%. As of December 31, 2009, these loans were fully paid after prepayments of US$0.2 million (₱10.0 million) in September 2009 and US$0.1 million (₱4.0 million) in November 2009.

In 2009, the Parent Company entered into cross-currency swap transactions to hedge both the foreign currency and interest rate risks exposures on Philippine peso-denominated term loan facilities (see Note 25.4).

YRDICTL

In July 2007, YRDICTL entered into a loan agreement with the Industrial and Commercial Bank of China for RMB275.0 million (equivalent to US$40.3 million, US$40.3 million and US$37.7 million as of December 31, 2009, 2008 and 2007, respectively) 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 semi-annually beginning 2009 up to 2017. Port equipment, together with other assets of YRDICTL, with a total carrying value of up to US$57.9 million (RMB395.3), US$61.3 million (RMB418.9 million) and US$60.6 million (RMB442.4 million) as of December 31, 2009, 2008 and 2007, respectively, were used to secure the loan (see Note 7). The facility is without recourse to ICTSI. The loan is guaranteed by Yantai Port Group (YPG), a minority shareholder, up to RMB55.0 million (equivalent to US$8.1 million, US$8.1 million and US$7.5 million as of December 31, 2009, 2008 and 2007, respectively). Outstanding balance of the loan was US$35.9 million (RMB245 million), US$40.3 million (RMB275.0 million) and US$37.7 million (RMB275.0 million) as of December 31, 2009, 2008 and 2007.

BCT

In November 2004, BCT entered into a loan agreement for US$36.0 million 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$36.7 million, US$38.5 million and US$37.4 million as of December 31, 2009, 2008, and 2007, were used to secure the loan (see Note 7). The facility is without recourse to ICTSI. Outstanding balance of the loan amounted to US$12.9 million, US$15.5 million and US$18.1 million as of December 31, 2009, 2008 and 2007, respectively.

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 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 US$29.7 million (R$51.8 million), US$19.1 million (R$44.2 million) and US$22.0 million (R$39.2 million) as of December 31, 2009, 2008 and 2007, respectively, were used to secure the loan (see Note 7). The facility is without recourse to ICTSI. Outstanding balance of the loan amounted to US$9.6 million, US$11.3 million and US$12.6 million as of December 31, 2009, 2008 and 2007, respectively.

ICTSI Capital B.V.

In December 2007, ICTSI Capital B.V. 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 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 LIBOR, subject to increase depending on the Debt to EBITDA ratio for the relevant period, and maturing in December 2010.

Drawdowns from the facility have aggregated US$250.0 million (₱11.9 billion) as of December 31, 2008, gross of debt issuance cost. In March 2009, ICTSI Capital B.V. prepaid US$74.0 million of the facility reducing the outstanding balance to US$176.0 million. In June 2009, the facility was fully paid, partly from Parent Company's proceeds of the Term Loan Facility for US$150.0 million as discussed above.

The related unamortized debt issuance costs upon prepayment of the facility amounting to US$2.2 million was written-off and was recognized as part of “Other expenses” account in the 2009 consolidated statement of income.

15.3 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 B.V. 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, 2009, 2008, and 2007, ICTSI, YRDICTL, BCT, TSSA, and ICTSI Capital B.V. are in compliance with the loan covenants.

Interest expense, excluding amount capitalized to intangible assets in 2009 and 2008, amounted to US$20.0 million, US$13.3 million and US$15.2 million in 2009, 2008 and 2007, respectively (see Note 6). There was no capitalized borrowing cost in 2007.

16. Loans Payable

Loans payable are unsecured loans obtained by various subsidiaries of ICTSI. In 2009, this account includes RMB-denominated loans obtained from YPG by YRDICTL with outstanding balance of US$10.7 million (RMB73.0 million) as of December 31, 2009 (see Note 21.3). In 2008, this account includes Philippine peso, RMB and US dollar-denominated loans obtained from local banks by ICTSI, YRDICTL and BCT, respectively, with outstanding balance aggregating US$27.3 million as of December 31, 2008. These loans were obtained at an interest of 5.31% p.a. in 2009 and 3.5% to 8.5% p.a. in 2008. Interest expense incurred related to these loans payable amounted to US$1.8 million in 2009, US$3.1 million in 2008 and nil in 2007.

17. Accounts Payable and Other Current Liabilities

This account consists of:

	2009	2008	2007
Trade	US$32,698,085	US$28,415,814	US$32,790,711
Accrued expenses:			
Output and other taxes	7,595,244	6,461,377	1,777,066
Salaries and benefits	4,658,704	5,880,027	4,589,175
Interest (see Notes 15.3 and 16)	1,680,330	4,307,159	2,196,148
Others (see Note 21.3)	9,034,572	5,459,343	6,071,823
Provisions for claims and losses	3,291,252	1,024,770	1,177,964
Customers' deposits	1,452,396	1,655,858	1,307,882
Others	4,361,691	4,766,845	4,633,399
	US$64,772,274	US$57,971,193	US$54,544,168

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.

18. 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 Parent Company equity 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 from the grant date. 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 employees 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 employees of ICTSI and ICTSI Ltd. are shown below:

Grant Date	Number of Shares Granted	Fair value per Share at Grant Date
March 10, 2007	7,481,000	US$0.577 (₱28.00)
March 10, 2008	3,125,000	US$0.802 (₱33.00)
March 9, 2009	12,770,000	US$0.216 (₱10.50)

Fair value per share was determined based on the market price of stock at the date of grant.

Movements in the stock awards (number of shares) in 2009, 2008 and 2007 follow:

	2009	2008	2007
Balance at beginning of year	6,490,500	7,481,000	–
Stock awards granted	12,770,000	3,125,000	7,481,000
Stock awards vested and issued	(4,878,000)	(3,990,500)	–
Stock awards cancelled	(50,000)	(125,000)	–
Balance at end of year	14,332,500	6,490,500	7,481,000

In December 2009, the BOD approved the vesting in 2010 of 3,925,000 shares granted in 2009. These shares were originally scheduled to vest in 2011.

Total compensation expense recognized on the vesting of the fair value of stock awards amounted to US$2.8 million, US$3.0 million and US$2.7 million in 2009, 2008 and 2007, respectively, under the SIP. A corresponding increase in additional paid-in capital was also recognized for the same amount.

19. Income and Expenses

19.1 Other Income

This account consists of:

	2009	2008	2007
Rental income (see Note 8)	US$317,620	US$511,828	US$499,245
Dividend income	234,438	47,597	226,621
Gain on sale of property and equipment	111,633	410,753	1,053,029
Equity in net earnings of an associate (see Note 9)	–	116,917	157,788
Others (see Note 21.2)	768,536	409,553	391,147
	US$1,432,227	US$1,496,648	US$2,327,830

19.1 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 23). Port Authorities' share in gross revenues includes variable fees aggregating US$60.8 million in 2009, US$62.9 million in 2008 and US$45.4 million in 2007.

19.2 Other Expenses

This account mainly includes write-off of unamortized debt issuance costs from prepayment of long-term debt amounting to US$2.2 million in 2009 (see Note 15.2) and loss on sale of AFS investments carried at net realizable value amounting to US$0.5 million in 2007 (see Note 9).

20. Income Tax

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

	2009	2008 (As Restated - see Note 4.2)	2007
Deferred tax assets - net:			
Intangible assets and concession rights payable under IFRIC 12	US$19,027,774	US$10,002,508	US$10,708,964
Pre-operating expense of a subsidiary	4,422,471	3,551,523	2,819,721
Share-based payments	1,276,735	273,372	709,984
Allowance for doubtful accounts and other provisions	1,139,934	464,174	545,632
NOLCO	973,372	941,916	808,595
Allowance for obsolescence	111,332	90,234	106,737
Unamortized past service cost	64,023	45,214	79,536
Impairment loss	46,000	76,518	2,102,329
Unrealized foreign exchange losses	26,140	16,589,760	21,274,073
Accrued retirement cost and other expenses	16,862	409,292	727,027
Unrealized market valuation loss on derivatives	–	1,366,035	–
Others	959,855	206,439	659,575
	US$28,064,498	US$34,016,985	US$40,542,173
Deferred tax liabilities:			
Excess of fair value over book value of net assets of BCT, MTS, YRDICTL, DIPSSCOR, SPIA, SCIPSI and Tecplata	US$24,185,099	US$23,757,945	US$23,741,627
Difference in depreciation and amortization periods of port infrastructure classified as concession rights	3,787,855	2,412,284	1,337,065
Accelerated depreciation and translation difference between functional and local currency	3,625,398	3,205,020	1,527,875
Unrealized foreign exchange gain	2,799,505	8,298,358	11,875,054
Capitalized borrowing costs	1,713,493	947,370	–
Unrealized mark-to-market gain on derivatives	778,720	–	4,572,051
Others	440,085	206,909	257,772
	US$37,330,155	US$38,827,886	US$43,311,444

Deferred tax assets on NOLCO of certain subsidiaries amounting to US$10.3 million, US$7.0 million and US$2.7 million as of December 31, 2009, 2008 and 2007, respectively, were not recognized, as management believes that these subsidiaries may not have sufficient future taxable profits against which the deferred tax assets can be utilized.

As of December 31, 2009, 2008 and 2007, deferred income tax liability has not been recognized on undistributed earnings of subsidiaries amounting to US$210.7 million, US$182.5 million and US$152.5 million, respectively, because the Parent Company has control over such earnings, which have been earmarked for reinvestment in foreign port projects.

In 2009, ICTSI recognized deferred tax liability amounting to US$0.7 million on unrealized mark-to-market gain arising from cross-currency swap transactions (see Notes 25.4 and 25.6) and deferred tax asset amounting to US$0.6 million on the excess of the tax deduction (or estimated future deduction) on stock awards over the related cumulative compensation expense (see Note 18). The related deferred tax asset and liability were taken to equity.

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:

	2009	2008 (As Restated - see Note 4.2)	2007
Income tax expense computed at statutory tax rates	US$29,257,302	US$37,844,370	US$31,548,661
Add (deduct):			
Interest income already subjected to final tax	(454,501)	(323,076)	(841,960)
Change in statutory tax rate	160,247	222,233	–
Unallowable interest expense	158,071	126,240	286,810
Tax losses (nontaxable income) of subsidiaries - net	93,496	2,357,955	(1,661,631)
Equity in net earnings of an associate	–	40,921	(55,226)
Others - net	(1,233,605)	(325,715)	(237,808)
	US$27,981,010	US$39,942,928	US$29,038,846

Effective January 1, 2009, the corporate income tax rate of the Philippine entities is reduced from 35% to 30% in accordance with Republic Act No. 9337 resulting in a reduction of effective income tax rate from 39.56% in 2008 to 34.97% in 2009.

The statutory tax rates applicable to each subsidiary are as follows:

Name of Company	Tax Rate
Tecplata[a]	35.0%
TSSA[b]	34.0%
SPIA	33.0%
NICTI	30.0%
MTS, PT CTSSI and TICT[c]	28.0%
NMCTS	25.5%
CGSA and YRDICTL[d]	25.0%
MICTSL[e]	24.0%
BCT	19.0%
BICTL	15.0%
SBITC[f]	5.0%on gross revenues less allowable deductions

[a] Tecplata's nominal tax rate is 35%. However, companies domiciled in Argentina are required to pay Tax on Minimum Presumed Income (TMPI). TMPI is payable to the extent it exceeds the regular corporate income tax for the year. The standard rate is 1% but special rates apply to certain types of companies.

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

[c] TICT was granted a five-year tax exemption period in accordance with Syrian investment law up to 2012.

[d] Registered as a Sino-foreign joint venture in China, YRDICTL is entitled to a full tax holiday in the first two years and 50% exemption in the subsequent three years.

[e] Incorporated in Madagascar in 2005. Under the local fiscal law of 2005, MICTSL has a tax holiday for the first two financial periods ending December 31, 2006, and 50% for the third year up to 2008. The tax holiday was not extended as from that date. The statutory tax rate of Madagascar was gradually reduced from 25% to 24% effective 2008.

[f] Registered as a Subic Bay Free Port Zone Enterprise and subject to special tax rates imposed by the Subic Metropolitan Authority.

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 currently under construction and is expected to start full commercial operations in July 2011. 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.

21. Related Party Transactions

21.1 Transactions with Subsidiaries

IWI acquired 16,570,700 and 16,272,000 ICTSI shares in 2009 and 2008, respectively. The acquisitions of ICTSI shares increased common shares held by subsidiary by US$3.8 million (₱182.2 million) and US$12.6 million (₱517.2 million) in 2009 and 2008, respectively (see Note 14.3).

In July 2007, the SEC approved the merger of ICTSI and IMH, with ICTSI as the surviving company (see Note 14.1).

In March 2007, ICTSI and IWI sold 300,000,000 ICTSI shares held by IWI through private placements. Net proceeds from the sale amounted to US$154.9 million (₱7.5 billion). The sale of shares resulted in a decrease in common shares held by subsidiaries by US$30.9 million (₱1,494.1 million) and an increase in additional paid-in capital by US$124.2 million (₱6,014.9 million) (see Note 14.4).

In March 2007, ICTSI also 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 US$3.1 million (₱149.7 million) (see Note 14.1).

21.2 Compensation of Key Management Personnel

Compensation of key management personnel consists of:

	2009	2008	2007
Short-term employee benefits	US$2,294,319	US$2,959,524	US$2,893,085
Post-employment pension	14,775	50,829	16,437
Share-based payments	840,086	1,896,305	1,813,835
Total compensation to key management personnel	US$3,149,180	US$4,906,658	US$4,723,357

21.3 Other Related Party Transactions

21.3.1 Parent Company

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 2009, 2008 and 2007, ICTSI paid Cruz Durian legal fees, presented under "Administrative and other operating expenses" account amounting to US$9 thousand (₱0.4 million), US$9 thousand (₱0.4 million) and US$9 thousand (₱0.4 million), respectively, which the Parent Company believes to be reasonable for the services rendered. There is no outstanding balance payable to Cruz Durian as of December 31, 2009, 2008 and 2007.

The Parent Company likewise transacts with Anscor Casto Travel Corporation, an entity which shares a common director with ICTSI, for travel services. Total payments for airfare cost and other travel services amounted to US$0.7 million, US$0.9 million and US$0.6 million in 2009, 2008 and 2007, respectively. Related payable, presented under "Accounts payable and other current liabilities" account, amounted to US$0.1 million as of December 31, 2008 and 2007. There is no outstanding payable as of December 31, 2009.

21.3.2 YRDICTL

YRDICTL obtains unsecured and interest-bearing short-term loans from YPG, a stockholder, to finance its currently maturing obligations and support its working capital requirements. Total short-term loans obtained from YPG amounted to RMB76.0 million in 2009 and RMB15.0 million in 2008. These short-term loans are payable on demand and the interest rate is fixed at annual rates ranging from 5.31% in 2009 and 4.65% to 4.2% in 2008. Outstanding balance of the short-term loans amounted to US$10.7 million (RMB73.0 million) and US$2.2 million (RMB15.0 million) as of December 31, 2009 and 2008, respectively. Interest expense related to these short-term borrowings amounted to US$0.1 million (RMB0.8 million) and US$0.05 million (RMB0.3 million) in 2009 and 2008, respectively. There was no outstanding accrued interest expense as of December 31, 2009, 2008 and 2007.

YRDICTL is authorized under the joint venture agreement with YPG and SDIC Communications, Co. to collect port charges levied on cargoes, port construction fees and facility security fee in accordance with government regulations. Total fees remitted by YRDICTL for YPG amounted to US$0.9 million (RMB6.3 million) and US$0.8 million (RMB5.4 million) in 2009 and 2008, respectively. Outstanding payable to YPG related to these port charges amounted to US$0.1 million (RMB0.5 million) and US$0.2 million (RMB1.2 million) as of December 31, 2009 and 2008, respectively.

21.3.3 ICTSI Foundation, Inc.

In 2009, ICTSI, BIPI, DIPSSCOR, SCIPSI and SBITC made donations to ICTSI Foundation, Inc. amounting to US$0.2 million. ICTSI and ICTSI Foundation, Inc. have common members of the Board of Trustees and Board of Directors.

21.3.4 Tecplata

Loginter, S.A. (Loginter), a minority stockholder of Tecplata, guaranteed the work completion bond and performance bond required by the concession agreement between Tecplata and La Plata (see Note 23.6). These bonds were secured through Fianzas y Crédito S.A. Compañía de Seguros for a sum of US$3.5 million.

Also, Loginter rendered temporary services in relation to the construction and development of the terminal in 2009. The amount of these services is not material and there was no outstanding balance as of December 31, 2009.

22. Pension Plans

Defined Benefit Pension Plans

The Parent Company, BCT, BIPI, DIPSSCOR, SBITC, PT MTS and SCIPSI 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 US$0.2 million in 2009, US$0.6 million in 2008 and US$0.4 million in 2007.

Pension Liabilities. The following tables summarize the components of SBITC's, PT MTS', 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.

	2009	2008	2007
Net pension expense:			
Current service cost	US$21,224	US$45,961	US$56,939
Interest cost	8,101	35,657	24,095
Expected return on plan assets	(1,630)	(39,737)	(30,330)
Net actuarial loss (gain) recognized	(1,281)	7,417	–
Effect of asset limit	–	(546)	–
	US$26,414	US$48,752	US$50,704
Pension liabilities:			
Present value of defined benefit obligation	US$1,084,191	US$1,174,143	US$1,693,937
Less fair value of plan assets	433,947	419,784	416,335
Unfunded status	650,244	754,359	1,277,602
Unrecognized actuarial gain (loss)	261,273	332,210	(4,582)
	US$911,517	US$1,086,569	US$1,273,020
Changes in the present value of the defined benefit obligation:			
Balance at beginning of year	US$1,174,143	US$1,693,937	US$1,538,281
Current service cost	21,224	45,961	56,939
Interest cost	8,101	35,657	24,095
Actuarial loss (gain) on obligations – net	23,524	(365,278)	–
Benefits paid	(758)	(8,470)	–
Translation adjustment	(142,043)	(227,664)	74,622
Balance at end of year	US$1,084,191	US$1,174,143	US$1,693,937
Changes in fair value of plan assets:			
Balance at beginning of year	US$419,784	US$416,335	US$285,585
Expected return	1,630	39,737	30,330
Actual contributions	–	44,970	43,322
Actuarial gain (loss) on plan assets	473	(22,608)	(4,682)
Benefits paid	–	–	–
Translation adjustment	12,060	(58,650)	61,780
Balance at end of year	US$433,947	US$419,784	US$416,335

Pension Assets. The following tables summarize the components of Parent Company's, SCIPSI'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.

	2009	2008	2007
Net pension expense:			
Current service cost	US$334,267	US$614,528	US$614,597
Interest cost	639,765	584,854	445,998
Expected return on plan assets	(570,129)	(611,757)	(690,690)
Actuarial loss (gain) recognized for the year	(236,475)	7,176	6,808
Effect of asset limit	–	–	(309)
Balance at end of year	US$167,428	US$594,801	US$376,404
Net plan assets (shown under "Other noncurrent assets" account):			
Fair value of plan assets	US$9,548,795	US$7,913,449	US$8,208,033
Present value of defined benefit obligation	6,668,646	4,193,900	7,578,508
Funded status	2,880,149	3,719,549	629,525
Unrecognized actuarial loss	(2,192,110)	(3,533,046)	(380,534)
Net plan assets	US$688,039	US$186,503	US$248,991
Changes in the present value of the defined benefit obligation:			
Balance at beginning of year	US$4,193,900	US$7,578,508	US$6,246,183
Current service cost	334,267	614,528	614,597
Interest cost	639,765	584,854	445,998
Actuarial loss (gain) on obligations – net	1,309,803	(3,512,014)	(455,303)
Benefits paid	–	(240,471)	(462,537)
Translation adjustment	190,911	(831,505)	1,189,570
Balance at end of year	US$6,668,646	US$4,193,900	US$7,578,508
Changes in fair value of plan assets:			
Balance at beginning of year	US$7,913,449	US$8,208,033	US$6,458,353
Expected return on plan assets	570,129	611,757	690,690
Actual contributions	681,437	575,496	472,324
Benefits paid	–	(240,471)	(462,537)
Actuarial gain (loss) on plan assets	115,142	(109,900)	(220,155)
Translation adjustment	268,639	(1,131,466)	1,269,358
Balance at end of year	US$9,548,796	US$7,913,449	US$8,208,033

The Group does not expect significant contributions to the retirement plans of the Parent Company and its subsidiaries in 2010.

The principal assumptions used in determining pension benefits obligation of the Parent Company, BIPI, SBITC, DIPSSCOR and SCIPSI are shown below:

	2009	2008	2007
Discount rate	9%–24%	9%–17%	8%–24%
Future salary increases	6%–10%	6%–8%	5%–8%
Expected return on plan assets	4%–7%	4%–7%	7%–10%

The principal assumptions used in determining pension benefits obligation of BCT as of December 31, 2009, 2008 and 2007 are a range of discount rate of 3.8% to 5.5% and a range of salary increases 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.

Amounts for the current and previous four periods are as follows:

	2009	2008	2007	2006	2005
Defined benefit obligation	US$7,752,837	US$5,368,043	US$9,272,445	US$7,784,464	US$5,396,738
Plan assets	(9,982,742)	(8,333,233)	(8,624,368)	(6,743,938)	(4,996,129)
	(US$2,229,905)	(US$2,965,190)	US$648,077	US$1,040,526	US$400,609

The amount of experience adjustments on pension obligations amounted to US$0.7 million in 2009, US$0.3 million in 2008 and US$8.7 thousand in 2007. The amount of experience adjustments on plan assets amounted to US$3 thousand in 2008 and nil in 2009.

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

	2009	2008	2007
Investment in debt securities	89%	83%	94%
Investment in equity securities	3%	4%	2%
Others	8%	13%	4%

Other entities have no plan asset.

Defined Contribution Pension Plan

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 US$0.2 million in 2009, US$0.2 million in 2008 and US$0.1 million in 2007.

23. 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 as follows:

Agreements within the Scope of IFRIC 12

A service concession agreement 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.

23.1 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 US$10.0 million in 2009, US$11.1 million in 2008 and US$9.2 million in 2007.

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 shown as part of "Port Authorities' share in gross revenues" account in the consolidated statements of income amounted to US$35.2 million in 2009, US$38.5 million in 2008 and US$30.8 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 amounted to US$50.8 million, US$63.7 million and US$72.2 million as of December 31, 2009, 2008 and 2007, respectively. The current portion amounting to US$10.2 million , US$10.3 million and US$8.0 million is presented as "Current portion of concession rights payable" and the noncurrent portion amounting to US$40.6 million, US$53.4 million and US$64.2 million is presented as "Concession rights payable - net of current portion" in the consolidated balance sheets as of December 31, 2009, 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 (equivalent to US$1.2 million as of December 31, 2009) 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 (equivalent to US$5.9 million as of December 31, 2009) generated from the operation of the storage facilities. This contract has since been renewed on June 11, 2008 and was made co-terminus with the MICT Management Contract, or up to May 18, 2038.

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. Such contract was renewed on June 11, 2008 and was made co-terminus with the 1988 MICT Management Contract, or up to May 18, 2038. 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.

23.2 Agreement for Public Concession with Societe de Gestion du Port Autonome de Toamasina (SPAT)

On June 16, 2005, the Parent Company and SPAT signed a 20-year concession agreement for a Public Service Concession for the operation of a container terminal in the Port of Toamasina. 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 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. Fixed fees paid in 2005 to 2007 amounted to Euro1.0 million per year; for the years 2008 to 2010, the fixed fee is Euro1.5 million per year; for 2011 to 2015, Euro2 million per year; and for 2016 to 2024, Euro2.5 million per year. 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 semi-annual 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 US$6.7 million in 2009, US$7.7 million (MGA13.1 billion) in 2008 and US$5.6 million (MGA11.3 billion) 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 amounted to US$23.4 million (Euro16.4 million), US$22.6 million (Euro16.2 million) and US$23.1 million (Euro16.0 million), as of December 31, 2009, 2008 and 2007, respectively.

23.3 Concession Agreement with APG

In May 2007, ICTSI, through CGSA, signed the contract with APG for a 20-year Public Service Concession of the Container and Multipurpose Terminal at the Port of Guayaquil in Ecuador. The concession period is until 2027 and renewable for another 20 years.

CGSA took over the terminal operations on August 1, 2007. The terminal handles containerized bulk cargo. ICTSI's 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's development plan covers a period of 5 to 7 years for the terminal to reach the said capacities.

Under the concession agreement, CGSA shall pay APG the following: (i) upfront fee totaling US$30.0 million payable over five years; (ii) fixed fees of US$2.1 million payable quarterly; and (iii) variable fees of US$10.4 per TEU for containers handled and US$0.50 per ton for noncontainerized general cargo handled payable monthly. The upfront fee, recorded as concession rights and concession rights payable at inception, is subject to interest based on three-month LIBOR rate. As of December 31, 2009, 2008 and 2007, unpaid obligation pertaining to upfront fee amounted to US$12.0 million, US$18.0 million and US$24.0 million, respectively, of which US$6.0 million is presented as "Current portion of concession rights payable" and the remaining balance of US$6.0 million, US$12.0 million and US$18.0 million is presented as "Concession rights payable - net of current portion," 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 US$8.5 million in 2009, US$7.2 million in 2008 and 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 amounted to US$69.2 million, US$70.6 million and US$71.9 million as of December 31, 2009, 2008, and 2007, respectively. The current portion amounting to US$1.5 million, US$1.4 million and US$1.3 million is presented as "Current portion of concession rights payable" and the noncurrent portion amounting to US$67.7 million, US$69.2 million and US$70.6 million is presented as "Concession rights payable - net of current portion" in the consolidated balance sheets as of December 31, 2009, 2008 and 2007, respectively.

23.4 Contract with 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 Waterfront 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. The concession rights were terminated upon the award to SBITC of the operation and management of the New Container Terminal 1 (NCT-1) pursuant to the Contract for the Operation and Management of the NCT-1 dated February 20, 2007 by and between SBMA and SBITC (the "NCT-1 Contract"), since SBITC's container operations, by virtue of the NCT-1 Contract, have transferred to NCT-1 from NSD. To address conflicts of interest that exist and/or might be perceived to exist owing to SBMA's role as regulator of SBITC, SBMA, in 2008, returned all its shareholdings in SBITC to SBITHI. The transaction was treated as an acquisition of treasury share at book value and effectively increased the ownership of SBITHI over SBITC from 70.83% to 83.33%.

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: (i) base rent of US$0.70 per square meter per month with 6% escalation on the 5th year and every three years thereafter; (ii) fixed fee of US$500,000 every year except for the first two years of the contract; and, (iii) variable fee of 12% to 16% of SBITC's gross revenue based on the volume containers handled at the terminal.

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 US$0.2 million in 2009, US$0.2 million in 2008 and US$0.2 million in 2007. Fixed fees pertaining to the contract to operate NCT-1 formed part of the capitalized concession rights which are being amortized over the concession period. Related concession rights payable amounted to US$20.5 million and US$20.1 million as of December 31, 2009 and 2008, respectively.

23.5 Concession Agreement with Tartous Port General Co. (TPGC)

On March 24,2007, ICTSI, through TICT entered into a ten-year investment agreement with the TPGC to manage, operate, maintain, finance, rehabilitate, develop and optimize the Tartous port in Syria with an option to extend it for five additional years. An entry fee of US$5.0 million was made upon the approval of the agreement which will be amortized over the period of the concession. Under the 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.

Pursuant to the agreement, TICT was granted the rights to Tartous port. 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 US$0.6 million in 2009, US$0.3 million in 2008 and US$0.1 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 amounted to US$16.2 million, US$17.5 million and US$18.7 million as of December 31, 2009, 2008 and 2007, respectively. The current portion amounting to US$1.4 million, US$1.3 million and US$1.2 million is presented as "Current portion of concession rights payable" and the noncurrent portion amounting to US$14.8 million, US$16.2 million and US$17.5 million is presented as "Concession rights payable - net of current portion" in the consolidated balance sheets as of December 31, 2009, 2008 and 2007, respectively.

23.6 Concession Agreement with La Plata

ICTSI, through Tecplata, entered into a concession agreement with La Plata on October 16, 2008. The concession is for 30 years starting from taking bare possession of the terminal for the following considerations: (i) fixed rent fee - payable on a monthly basis and in advance for US$0.1290/square meter (sqm) or US$38,133 per month during the first twenty-four months of the construction period, US$0.2574/sqm or US$76,266 per month starting from the 25th month of the construction period until start of commercial operations, and US$0.4120/sqm or US$121,850 per month at the start of commercial operations; (ii) variable royalty - payable monthly and based on annual traffic volume at the start of commercial operations; and (iii) assured royalty - payable annually once the terminal becomes operative to cover fixed rent fee, variable royalty, tariff for the use of waterways and port and service of containerized cargoes for the amount of US$4.0 million. The port of La Plata shall be operated by ICTSI through Tecplata. Tecplata took over bare possession of the terminal on November 10, 2008 and pre-construction activities are ongoing.

As of December 31, 2009, Tecplata has paid La Plata fixed rent fee amounting to US$0.4 million. Fixed fees formed part of the capitalized concession rights which are being amortized over the period of the concession. Concession rights payable amounted to US$1.3 million and US$1.6 million as of December 31, 2009 and 2008, respectively.

The contract contains commitments and restrictions which include works and investments to be completed at different stages of the concession, to wit:, among others: (i) First Stage - construction of a dock with a length of 500 meters, a yard for handling and storage with an area of 227,600 square meters, access pavements and parking lots for trucks, service facilities and internal parking lots, margins protection to avoid erosion, and a 600-meter secondary road for access to the terminal; (ii) Second stage - extension of the main dock by 300 meters, expansion of the yard by 31,000 square meters; (iii) Third stage - expansion of the yard for handling and storage by 44,000 square meters and construction of CFS facilities with an area of 10,000 square meters; and (iv) work completion and performance bonds amounting to US$1.0 million and US$2.5 million, respectively.

Agreements outside the Scope of IFRIC 12 and Accounted by the Group in Accordance with IFRIC 4

Agreements outside the scope of IFRIC 12 are assessed in accordance with IFRIC 4. An arrangement is within the scope of IFRIC 4 if: (a) the fulfillment of the arrangement is dependent on the use of a specific asset or assets (the asset); and (b) the arrangement conveys a right to use the asset.

23.7 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$78.0 million is the estimated investment for terminal improvements over the life of the concession, of which US$20.0 million is necessary within the first eight-year period. As of December 31, 2009, BCT invested EUR32.8m thus exceeding minimum level required. As new container terminal opened in Gdynia (Hutchinson) and a new deepwater container terminal opened in Gdansk (DCT), BCT does not have any penalties regarding TEU volume level since 2006.

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 PLN2.8 million annually effective January 1, 2005. This amount has been translated into US dollar using the average exchange rate of US dollar effective in the National Bank of Poland as at December 31, 2004, and deducted from the existing rental rate in US dollar. 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 US$6.6 million in 2009, US$7.0 million in 2008 and US$6.8 million in 2007.

Minimum lease payments relating to this agreement are as follows: due in 2010 amounted to US$6.5 million; due starting January 2011 up to December 2015 amounted to US$32.6 million; and due starting January 2016 onwards amounted to US$48.4 million.

23.8 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 on 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 ¥100.0 million as required by NPA. NICTI deposited ¥50.0 million to guarantee the performance bond. Such performance bond is classified as restricted cash and is presented under "Other noncurrent assets" account in the consolidated balance sheets. 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. In 2009, NPA and NICTI agreed to reduce the annual fixed fees as follows: ¥42.9 million for the period starting April 1, 2009 until March 30, 2010; and ¥43.08 million for the period starting April 1, 2010 until the end of the lease term. Variable fees paid to NPA, shown as part of "Port Authorities' share in gross revenues" account in the consolidated statements of income, amounted to US$0.3 million (¥30.7 million) in 2009, US$0.3 million (¥29.7 million) in 2008 and US$0.2 million (¥26.1 million) in 2007.

Minimum lease payments relating to this agreement are as follows: due in 2010 amounted to US$0.5 million (¥42.8 million); due starting January 2011 up to December 2015 amounted to US$2.8 million (¥257.7 million); and due starting January 2016 onwards amounted to US$0.5 million (¥43.1 million).

23.9 Concession Agreement with Colombian National Concessions Institute

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 three existing companies and gain control over SPIA.

SPIA has the right to develop, construct and operate a new container terminal in the Aguadulce Peninsula under a concession granted by the Colombian National Concessions Institute for a period of 30 years until 2037, which is renewable for another 30 years. The port will handle containerized cargo, bulk liquids, bulk solids and petroleum products. Investments in the Port of Buenaventura include development of (i) a multi-purpose port and special terminals, (ii) an industrial complex, and (iii) a support zone to provide the port and the industrial park with services. Total investments and works are estimated at US$116.2 million. SPIA shall pay the Columbian National Concessions Institute annual license fee of US$1.3 million over the 30-year concession period.

As of December 31, 2009, 2008 and 2007, SPIA's unpaid obligation on the acquisition of the concession right amounted to US$11.3 million, US$11.8 million and US$10.6 million discounted at present value, respectively. The current portion amounting to US$0.1 million is presented as "Current portion of concession rights payable" and the noncurrent portion amounting to US$11.2 million, US$11.7 million and US$10.5 million is presented as "Concession rights payable - net of current portion" in the consolidated balance sheets as of December 31, 2009, 2008 and 2007, respectively.

Minimum lease payments relating to this agreement are as follows: due in 2010 amounted to US$1.4 million; due starting January 2011 up to December 2015 amounted to US$7.1 million; and due starting January 2016 onwards amounted to US$31.3 million.

23.10 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, through BPHL, entered into a lease and operating agreement with Batumi Port for a 48-year lease over a total area of 13.6 hectares 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. The lease and operating agreement will expire on June 30, 2055. BICTL paid BPHL US$31.0 million in consideration of the latter procuring for the lease between BICTL and BPHL. Under the lease and operating agreement between BICTL and BPHL, BICTL shall pay BPHL an annual rent as stipulated in the agreement. Minimum lease payments relating to this agreement are as follows: due in 2010 amounted to US$0.5 million; due starting January 2011 up to December 2015 amounted to US$3.7 million; and due starting January 2016 onwards amounted to US$30.8 million.

Total fixed fees are shown as part of "Equipment and facilities-related expenses" account in the consolidated statements of income amounted to US$0.8 million in 2009, US$1.3 million in 2008 and US$0.03 million in 2007.

23.11 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: (i) R$8.2 million, payable within 30 days from the date of agreement; (ii) R$3.1 million, payable in quarterly installments; and (iii) 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 US$5.3 million (R$10.6 million) in 2009, US$5.7 million (R$10.5 million) in 2008 and US$4.0 million (R$7.8 million) in 2007. Total fixed fees paid to Suape, shown as part of "Equipment and facilities-related expenses" account in the consolidated statements of income amounted to US$3.1 million (R$6.1 million) in 2009, US$3.1 million (R$5.7 million) in 2008 and US$2.7 million (R$5.3 million) in 2007.

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.

Minimum lease payments relating to this agreement are as follows: due in 2010 amounted to US$3.5 million (R$6.2 million); due starting January 2011 up to December 2015 amounted to US$17.7 million (R$30.8 million); and due starting January 2016 onwards amounted to US$54.8 million (R$95.6 million).

23.12 Concession Contract for the Management and Operation of the MCT

On April 25, 2008, PIA awarded the management and operation of MCT in Misamis Oriental, in the Philippines to ICTSI. 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 ₱2,230.0 million (equivalent to US$46.9 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 US$0.8 million (₱16.7 million) in 2009 and US$0.4 million (₱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 US$0.8 million in 2009 (₱36.5 million) and US$0.4 million (₱18.0 million) in 2008.

Minimum lease payments relating to this agreement are as follows: due in 2010 amounted to US$0.8 million (₱35.0 million); due starting January 2011 up to December 2015 amounted to US$4.6 million (₱212.5 million); and due starting January 2016 onwards amounted to US$41.8 million (P1,930.0 million).

23.13 Deed of Usufruct between Tecplata and Compañia Fluvial del Sud, S.A.

In 2008, Tecplata entered into an operating lease agreement with Compañia Fluvial del Sud, S.A. for the use of land and real property in relation to Tecplata's contract to operate the port of La Plata in Argentina. The lease agreement is for 20 years with monthly rental of US$35,000 starting January 1, 2010. This agreement is accounted for as an operating lease. Consequently, Tecplata will capitalize the related rental expense as part of the cost of port facilities to be recognized under "Intangibles" account in the consolidated balance sheet during the period of construction until such time that the port facilities will be available for use. Construction and development in the area covered by the lease agreement have not yet started as of December 31, 2009. Lease payments in 2010 aggregate to US$420,000.

23.14 Finance Lease Agreements between SPIA and BanColombia, S.A. (BanColombia) and BanColombia (Panamá) S.A. (BanColombia Panamá)

On December 24, 2009, SPIA entered into finance lease agreements with BanColombia and BanColombia (Panamá) for the amount of US$217.0 million (COP434.1 million) and US$52.3 million, respectively. These finance leases shall be used as facilities to acquire port facilities and equipment. As of December 31, 2009, these facilities were not yet availed by SPIA. Correspondingly, there is no finance lease obligation yet as of December 31, 2009.

Agreements outside the Scope of IFRIC 12 and IFRIC 4

23.15 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 US$1.7 million (₱69.4 million) in 2009, US$1.6 million (₱69.4 million) in 2008 and US$1.2 million (₱53.2 million) in 2007.

23.16 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 US$0.6 million (P29.5 million) in 2009 and US$0.3 million (₱12.1 million) in 2008.

23.17 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.

23.18 Cooperation Agreement for the Procurement, Installation and Operation of Container Handling Equipment under a Revenue Sharing Scheme at the Makassar Container Terminal Port of Makassar, South Sulawesi, Indonesia

MTS has an existing agreement with PT (Persero) Pelabuhan Indonesia IV (Pelindo IV), the Indonesian government-owned corporation that owns and operates the Makassar Container Terminal, for the procurement, installation and operation of Container Handling Equipment (CHE) at the Makassar Container Terminal under a revenue sharing scheme for ten years until August 2013, renewable for another 10 years by mutual agreement. Under the agreement, MTS provides and operates CHE at the Port of Makassar. For the services provided, MTS is paid by Pelindo IV 60% of the gross revenue based on the published tariff for the operation of CHE owned by MTS, with a minimum guaranteed revenue equivalent to 50,000 TEUs production annually. MTS' share in gross revenues included under "Gross revenues" account in the consolidated statements of income amounted to US$3.8 million (IDR37.9 billion) in 2009, US$3.7 million (IDR33.7 billion) in 2008 and US$3.7 million (IDR33.8 billion) in 2007.

23.19 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 (YPG) and SDIC Communications, Co. 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 may be 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 YPG for a period of 30 years.

Other Contracts and Agreements

23.20 Shareholders' Agreement with Loginter, S.A. (Loginter)

In July 2008, ICTSI, through ICTSI Ltd., acquired 100% interest in Edanfer S.A. from Loginter, a company organized in Argentina. Edanfer was subsequently renamed as the International Ports of South America and Logistics S.A. ("IPSAL" for brevity). IPSAL 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 (see Note 23.6).

23.21 Memorandum of Understanding (MOU) with the BEDB

On September 23, 2008, the Brunei Economic Development Board (BEDB) awarded to ICTSI the container handling operations at Pulau Muara Besar (PMB), Brunei Darussalam. A binding Memorandum of Understanding was executed by ICTSI and BEDB on October 28, 2008 which embodies the intention of the parties to enter into a concession agreement in respect of the development, operation, and management of the PMB Container Terminal for a period of 20 years (see Note 23.21). The concession agreement will be executed once the development of the island of PMB is completed. The purpose of the MOU is to bind the parties to their respective commitments and for the provision for the assistance by ICTSI in advance of execution of the concession documents. 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.

23.22 Services Agreement ("Agreement") with the Government of His Majesty the Sultan and Yang Di-Pertuan of Brunei Darussalam (the Government)

On May 21, 2009, ICTSI entered into an Agreement with the Government for the operation and maintenance of the Muara Container Terminal in Brunei Darussalam. The Agreement is valid for a period of 4 years from commencement date or May 21, 2009. The term may be extended for a period of 12 months at a time, for a maximum of two (2) years subject to the mutual agreement of the parties. In consideration for the services, the Government shall pay the operator US$7.0 million for the first year, US$6.9 million for the second year, US$7.3 million for the third year, and US$7.7 million for the fourth year. On the optional fifth and sixth years, the operation fees shall be US$8.1 million and US$8.5 million, respectively. The operation fees for each year shall be paid in 12 equal monthly installments.

The contract contains commitments and restrictions which include, among others, accomplishment of service levels consisting of crane productivity, haulage turnaround time, equipment availability, reefer services and submission of calculation and documents for billing. Failure to accomplish the service levels will result in penalties.

23.23 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.

23.24 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 at the MICT, including associated back-up area, dredging and filling works for US$ 59.8 (₱2,842 million). The civil works are expected to be completed by the end of 2010.

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, submission of performance bonds, noncompete arrangements, and other related matters.

24. Contingencies

The Group is a defendant to a number of cases involving claims and disputes mainly related to cargo and labor and has existing 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.

25. Financial Instruments

25.1 Fair Values

Set out below is a comparison of carrying amounts and fair values of all of the Group's financial instruments by category as of December 31:

	2009		2008		2007	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Financial Assets						
Loans and receivables:						
Cash and cash equivalents:						
Cash on hand and in banks	US$30,419,226	US$30,419,226	US$72,876,752	US$72,876,752	US$33,919,243	US$33,919,243
Cash equivalents	94,733,574	94,733,574	141,886,104	141,886,104	52,438,875	52,438,875
Receivables:						
Trade	34,173,493	34,173,493	24,412,017	24,412,017	26,907,046	26,907,046
Advances and nontrade	2,384,639	2,384,639	867,377	867,377	2,776,490	2,776,490
	161,710,932	161,710,932	240,042,250	240,042,250	116,041,654	116,041,654
AFS financial assets:						
Unquoted equity shares	5,217,947	5,217,947	5,219,439	5,219,439	6,287,009	6,287,009
Quoted equity shares	950,110	950,110	820,435	820,435	760,174	760,174
	6,168,057	6,168,057	6,039,874	6,039,874	7,047,183	7,047,183
Financial assets at FVPL -						
Derivative assets	2,593,095	2,593,095	3,765,690	3,765,690	13,203,142	13,203,142
	US$170,0472,084	US$170,472,084	US$249,847,814	US$249,847,814	US$136,291,979	US$136,291,979
Financial Liabilities						
Other financial liabilities:						
Long-term debt	US$423,198,443	US$423,290,003	US$430,729,609	US$432,314,990	US$146,176,778	US$149,637,325
Loans payable	10,692,837	10,692,837	27,314,030	27,314,030	–	–
Accounts payable and other current liabilities	64,772,274	64,772,274	57,971,193	57,971,193	54,544,168	54,544,168
Concession rights payable	204,697,530	245,967,756	225,843,215	290,029,205	230,725,071	251,939,987
	703,361,084	744,722,870	741,858,047	807,629,418	431,446,017	456,121,480
Financial Liabilities at FVPL -						
Derivative liabilities	29,141	29,141	8,319,139	8,319,139	140,141	140,141
	US$703,390,225	US$744,752,011	US$750,177,186	US$815,948,557	US$431,586,158	US$456,261,621

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 due to unavailability of required information for valuation. These are presented based on cost less allowance for impairment losses. The unquoted equity securities pertain mainly to an investment in a company engaged in shipping-related services.

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 1.15% to 7.32% in 2009, 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.

The 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. For cross-currency swaps, range options and other structured derivatives, fair values are determined using counterparty bank confirmation.

25.2 Fair Value Hierarchy

As of December 31, 2009, the Group held the following financial instruments measured at fair value and the Group uses the following hierarchy for determining and disclosing the fair value of such instruments by source of inputs:

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

	Amount	Level 1	Level 2	Level 3	At Cost
AFS financial assets:					
Unquoted equity shares	US$5,217,947	US$–	US$–	US$–	US$5,217,947
Quoted equity shares	950,110	950,110	–	–	–
Financial assets at FVPL -					
Derivative assets	2,593,095	–	2,593,095	–	–
Financial liabilities at FVPL					
Derivative	29,141		29,141		

In 2009, there were no transfers between Level 1 and Level 2 fair value measurements and no transfers into and out of Level 3 fair value measurements.

25.3 Derivative Financial Instruments

ICTSI enters into derivatives instruments as economic hedges of certain underlying exposures arising from its foreign currency-denominated loans and revenues. Such derivatives, which include cross-currency swaps, interest rate swaps, and currency forwards, are accounted for either as cash flow hedges or transactions not designated as hedges.

25.4 Derivative Instruments Accounted for as Cash Flow Hedges

Cross currency Swaps. In 2009, ICTSI entered into cross-currency swap transactions to hedge both the foreign currency and interest rate exposures on the Group's foreign currency-denominated term loan facilities with details as follow:

Counterparty	Outstanding Principal Balance		Interest Rate	Maturity Date
	(In US Dollar)	(In Philippine Peso)		
DBP-LBP	US$129,870,130	₱6,000,000,000	3M PDSTF + 175 bps	December 5, 2013
HSBC	15,321,429	707,850,000	9.50%	May 28, 2014
HSBC	10,500,000	485,100,000	10.25%	November 28, 2015
	US$155,691,559	₱7,192,950,000		

The table below provides the details of ICTSI's outstanding cross-currency swaps of December 31, 2009:

Counterparty	Amounts		Receive	Pay	US$:₱ Rate	Maturity	Fair Value Gain (Loss)
	(In US Dollar)	(In Philippine Peso)					
Floating-to-Fixed							
HSBC	US$21,070,375	₱1,000,000,000	3M PDSTF + 175 bps	5.92%	47.46	2013	US$196,636
HSBC	10,488,777	500,000,000	3M PDSTF + 175 bps	5.97%	47.67	2013	113,780
HSBC	10,397,172	500,000,000	3M PDSTF + 175 bps	5.35%	48.09	2013	111,345
HSBC	10,377,750	500,000,000	3M PDSTF + 175 bps	5.90%	48.18	2013	(29,141)
HSBC	10,364,842	500,000,000	3M PDSTF + 175 bps	5.19%	48.24	2013	196,668
HSBC	10,645,093	500,000,000	3M PDSTF + 175 bps	4.50%	46.97	2013	96,893
HSBC	10,354,111	500,000,000	3M PDSTF + 175 bps	5.23%	48.29	2013	193,689
Deutsche Bank	10,559,662	500,000,000	3M PDSTF + 175 bps	4.55%	47.35	2013	128,784
Deutsche Bank	10,444,955	500,000,000	3M PDSTF + 175 bps	5.39%	47.87	2013	4,197
Citibank	10,351,967	500,000,000	3M PDSTF + 175 bps	4.65%	48.30	2013	318,443
Citibank	10,559,662	500,000,000	3M PDSTF + 175 bps	4.55%	47.35	2013	148,357
	125,614,366	6,000,000,000					1,501,651
Fixed-to-Fixed							
Deutsche Bank	14,640,124	707,850,000	9.50%	7.25%	48.35	2014	720,401
Deutsche Bank	10,006,188	485,100,000	10.25%	8.00%	48.48	2015	140,786
	24,646,312	1,192,950,000					861,187
Total	US$150,260,678	₱7,192,950,000					US$2,362,838

Under the floating-to-fixed cross-currency swaps, ICTSI pays fixed interest on the US$ notional amount and receives floating rate on the Philippine peso notional amount, on a quarterly basis simultaneous with the interest payments on the term loan facilities. In addition, ICTSI pays periodic US$ principal payments and receives Philippine peso principal payments based on a given swap rate, equal to and simultaneous with the principal payments on the term loan facilities.

Under the fixed-to-fixed cross-currency swaps, ICTSI pays and receives fixed interest rates on the US$ and Philippine peso notional amounts on a semi-annual basis, respectively. ICTSI also pays periodic US$ principal payments and receives Philippine peso principal payments based on a given swap rate, equal to and simultaneous with the principal payments on the term loan facilities.

As of December 31 2009, the market valuation gains on these cross-currency swaps amounted to US$2.4 million. The effective portion of the change in fair values of these cross-currency swaps amounting to US$1.7 million (net of US$0.7 million deferred tax) are taken to equity under other comprehensive income. The ineffective portion of the hedge is not material.

Interest Rate Swap. In 2009, ICTSI prepaid the underlying US$50.0 million loan as part of the US$176.0 million prepayment in June 2009 (see Note 15.2). Simultaneous with the prepayment, ICTSI unwound the underlying swap. The amount deferred in equity representing the effective portion of the change in fair value of the swap amounting to US$1.7 million at the time of prepayment was transferred to the 2009 consolidated statement of income under "Other expenses" account.

As of December 31, 2009, ICTSI does not have any outstanding interest rate swap transaction.

On October 20, 2008, ICTSI entered into a pay-fixed, receive-floating interest rate swap contract 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 15.2). 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 indicated a market valuation loss of US$1.0 million, of which US$0.7 million is reported in equity (net of US$0.3 million deferred tax asset). The ineffective portion of the hedge is not material.

Currency Forwards. Prior to the change in its functional currency to USD, ICTSI was exposed to changes in the USD/PHP exchange rate on its USD-denominated revenues. As such, ICTSI entered into short-term forward contracts to sell US$ for 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 2009 and 2008.

In 2009, ICTSI changed its functional currency from Philippine peso to US$. Its foreign currency risk now arises from forecasted Philippine peso and other foreign currency-denominated revenues and expenses as well as monetary assets and liabilities. Consequently, ICTSI revoked its hedge designation on the non-deliverable currency forwards sell US$ and buy Philippine peso and subsequently accounted for these forwards as non-hedge transactions. In 2009, ICTSI recognized loss on settlement of these non-deliverable currency forwards amounting to US$3.1 million, presented as part of "Foreign exchange loss" account in the consolidated statement of income.

In 2008, ICTSI unwound a total of US$30 million forward sale contracts entered in 2007 and maturing through the first quarter of 2009. The loss on settlement of the unwound contracts amounted to US$1.5 million for the year ended December 31, 2008.

As of December 31, 2008, the aggregate notional amount of ICTSI's outstanding non-deliverable currency forwards was US$26.0 million with a weighted average forward rate of ₱42.19 per US$1. These forwards have various maturities in 2009. The market valuation loss on the forwards amounted to US$3.5 million, of which US$2.4 million (net of US$1.1 million deferred tax) is reported in equity. The ineffective portion amounting to US$45.0 thousand was recognized in the 2008 consolidated statement of income.

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 matured on various dates in 2009 and 2008. The fair value of these forwards amounted to US$3.4 million gain. The effective fair value changes, net of tax, that were deferred in equity as of December 31, 2007 amounted to US$2.1 million while total ineffectiveness recognized immediately in the consolidated statement of income amounted to US$0.2 million. The gains and losses deferred in equity are expected to be recognized in the consolidated statement of income upon occurrence of the US$ revenues hedged.

25.5 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 (forward purchases) and US$45.0 million (forward sales) with a weighted average forward rate of ₱52.20 per US$1 for the forward purchases and ₱51.28 per US$1 for the forward sales. These forward contracts matured at various dates in 2009. In 2008, these currency forward contracts indicated a market valuation loss of US$3.9 million on the forward purchases and US$3.5 million gain on the forward sales.

As of December 31, 2007, the aggregate notional amount of the outstanding non-deliverable forward sale contracts amounted to US$224.7 million with a weighted average forward rate of ₱43.25 per US$1. These forward contracts matured on various dates in 2009 and 2008. As of December 31, 2007, these currency forwards indicated a market valuation gain of US$8.9 million.

Structured Currency Forwards. As of December 31, 2007, the Group 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$0.4 million. Under the contracts, the Group has agreed to sell US$ 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 Group 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 US$0.7 million gain. These structured forwards matured in 2008 and the gain was recognized in the 2008 consolidated financial statements under "Foreign exchange gain" account.

Currency Options. In 2008, ICTSI entered into a range option contract giving the Parent 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 had a notional amount of US$5.0 million, which expired in January 2009. As of December 31, 2008, the currency option indicated a market valuation loss of US$7.0 thousand.

These currency options and currency forwards discussed above matured at various dates in 2009 resulting in a net realized gain of US$3.9 million, presented under "Foreign exchange gain" account in the 2009 consolidated statement of income.

Embedded Prepayment Options. As of December 31, 2008, the outstanding notional amounts of the prepayment options embedded in ICTSI's two loan contracts with HSBC are US$15.0 million (₱715.0 million) and US$10.3 million (see Note 15.2). The loan contracts will mature on May 28, 2014 and November 28, 2015 for the 5.5-year loan and 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 can be preterminated 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 can be preterminated 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 US$0.2 million was recorded as a derivative asset and a corresponding amount was recorded as a 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 amounted to US$0.2 million and US$0.3 million gain as of December 31, 2009 and 2008, respectively.

25.6 Fair Value Changes on Derivatives

The net movements in fair value changes of ICTSI's derivative instruments (both freestanding and embedded derivatives) are as follows:

	2009	2008	2007
Balance at beginning of year	(US$4,553,449)	US$13,063,001	US$–
Balance at inception	–	226,386	–
Net changes in fair value of derivatives:			
Designated as accounting hedges (includes ineffective portion of US$44,551 loss in 2008 and US$172,068 gain in 2007)	3,194,028	(4,504,112)	3,044,619
Not designated as accounting hedges	4,438,219	(11,681,407)	10,305,018
Translation adjustment	–	(677,862)	1,580,095
	3,078,798	(3,573,994)	14,929,732
Less fair value of settled instruments	514,844	979,455	1,866,731
Balance at end of year	US$2,563,954	(US$4,553,449)	US$13,063,001

The net movement in fair value changes of embedded prepayment option for the year ended December 31 is as follows:

	2009	2008	2007
Balance at beginning of year	(US$4,719,479)	US$2,872,552	US$–
Changes in fair value of cash flow hedges	3,194,028	(4,287,494)	2,872,552
Transferred to consolidated statements of income	(1,471,287)	(3,420,369)	–
Translation Adjustment	–	115,832	–
	(2,996,738)	(4,719,479)	2,872,552
Tax effects of items taken directly to (transferred from) equity	899,021	1,415,844	(1,005,393)
Balance at end of year	(US$2,097,717)	(US$3,303,635)	US$1,867,159

The net changes in fair value of the derivatives not designated as accounting hedges and the change in fair value of cash flow hedges transferred to profit or loss are presented in the consolidated statement of income under the following accounts:

	2009	2008	2007
Foreign exchange gain (loss)	US$7,342,192	(US$8,328,119)	US$10,305,018
Interest expense	355,065	–	–
Other expense	(1,787,751)	67,081	–
	US$5,909,506	(US$8,261,038)	US$10,305,018

Fair value changes on derivatives as of December 31 are presented as follows:

	2009	2008	2007
Derivative assets:			
Freestanding	US$2,391,978	US$3,452,123	US$13,203,142
Embedded	201,117	313,567	–
Subtotal	2,593,095	3,765,690	13,203,142
Derivative liabilities – freestanding	(29,141)	(8,319,139)	(140,141)
Total	US$2,563,954	(US$4,553,449)	US$13,063,001

26. Financial Risk Management Objectives and Policies

The principal financial instruments of the 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 13 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 rates 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.

<u>Working Capital Management</u>
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.

<u>Interest Rate Risk</u>
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.

<u>Interest Rate Risk</u>
The following table sets out the carrying amount, by maturity, of the Group's financial instruments that are exposed to interest rate risk for the year ended December 31:

2009	1 Year	2 Years	3 Years	4 Years	Over 5 Years	Total (In Original Currency)	Total (In US Dollar)	Net Debt*
Liabilities								
Long-term Debt								
Floating Rate:								
US$ Loan	US$3,677,632	US$68,677,632	US$103,677,632	US$18,677,632	US$33,414,472	US$228,125,000	US$228,125,000	US$223,950,973
Interest rate	LIBOR + 1.10% to 3.80% spread	LIBOR + 1.10% to 3.80% spread	LIBOR + 1.10% to 3.80% spread	LIBOR + 1.10% to 3.80% spread	LIBOR + 1.10% to 3.80% spread			
RMB loan	RMB30,000,000	RMB35,000,000	RMB35,000,000	RMB35,000,000	RMB110,000,000	RMB245,000,000	35,886,920	35,886,920
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

2008	1 Year	2 Years	3 Years	4 Years	Over 5 Years	Total (In Original Currency)	Total (In US Dollar)	Net Debt*
Liabilities								
Long-term Debt								
Floating Rate:								
Philippine peso	₱–	₱–	₱1,000,000,000	₱1,000,000,000	₱2,000,000,000	₱4,000,000,000	US$96,899,225	US$96,899,225
Interest rate			8.57%	8.57%	8.57%			
US$ Loan	US$2,625,000	US$252,625,000	US$2,625,000	US$2,625,000	US$5,250,000	US$265,750,000	265,750,000	262,492,194
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	46,365,506	46,365,506
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%			

* Net of Debt Issuance Costs and Premium on Prepayment Option

2007	1 Year	2 Years	3 Years	4 Years	Over 5 Years	Total (In Original Currency)	Total (In US Dollar)	Net Debt*
Liabilities								
Long-term Debt								
Floating Rate:								
US$ Loan	US$2,625,000	US$72,625,000	US$2,625,000	US$2,625,000	US$5,250,000	US$85,750,000	US$85,750,000	US$85,078,668
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	46,365,506	46,365,506
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%			

* Net of Debt Issuance Costs and Premium on Prepayment Option

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).

In 2009, the Group was able to convert its outstanding Philippine peso-denominated long-term loan to US dollar fixed rate borrowing through cross-currency swaps (see Note 25.3).

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 unless otherwise indicated):

2009	Increase/Decrease in Interest Rates (%)	Effect on Profit Before Tax	Effect on Equity
US dollar-denominated loans	+1.0	(US$2.3)	US$3.3
	-1.0	2.3	(3.3)
RMB-denominated loans	+1.5	(0.4)	–
	-1.5	0.4	–

2008	Increase/Decrease in Interest Rates (%)	Effect on Profit Before Tax	Effect on Equity
Philippine peso-denominated loans	+1.0	(US$0.9)	US$–
	-1.0	0.9	–
US dollar-denominated loans	+1.0	(2.7)	–
	-1.0	2.7	–
RMB-denominated loans	+1.5	(0.6)	–
	-1.5	0.6	–

	2007		
	Increase/Decrease in Interest Rates (%)	Effect on Profit Before Tax	Effect on Equity
US dollar-denominated loans	+1.0	(US$0.9)	US$–
	-1.0	0.9	–
RMB-denominated loans	+1.5	(0.5)	–
	-1.5	0.5	–

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 9%, 10% and 2% of the total borrowings as of December 31, 2009, 2008 and 2007, respectively.

The tables below summarize the maturity profile of the Group's financial liabilities as of December 31 based on contractual undiscounted payments (amounts in millions of US dollars unless otherwise indicated).

2009	Less than 3 Months	3 to 6 Months	6 to 12 Months	1 to 5 Years	More than 5 Years	Total
Long-term debt	US$1.1	US$3.9	US$5.0	US$413.5	US$5.9	US$429.4
Accounts payable and other current liabilities	62.8	0.2	0.6	1.0	0.2	64.8
Derivative financial instruments	–	–	0.1	–	–	0.1
Concession rights payable	9.9	9.9	19.8	145.5	200.8	385.9
Total	US$73.8	US$14.0	US$25.5	US$560.0	US$206.9	US$880.2

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	US$–	US$–	US$11.9	US$327.4	US$97.3	US$436.6
Accounts payable and other current liabilities	58.0	–	–	–	–	58.0
Derivative financial instruments	3.9	–	4.4	–	–	8.3
Concession rights payable	9.3	9.3	18.6	159.0	213.6	409.8
Total	US$71.2	US$9.3	US$34.9	US$486.4	US$310.9	US$912.7

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	US$–	US$–	US$4.1	US$102.8	US$39.3	US$146.2
Accounts payable and other current liabilities	54.5	–	–	–	–	54.5
Derivative financial instruments	–	–	–	0.1	–	0.1
Concession rights payable	8.7	8.7	17.4	172.7	232.6	440.1
Total	US$63.2	US$8.7	US$21.5	US$275.6	US$271.9	US$640.9

Foreign Currency Risk

As a result of operations in Poland, Brazil, Madagascar, Indonesia, Japan, Syria, China, Ecuador, Colombia, Argentina 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.

In 2009, the Group recognized in the consolidated statement of income net foreign exchange gain amounting to US$7.4 million arising from net foreign-currency denominated financial assets and liabilities as of December 31, 2009, which resulted mainly from the movements of Philippine peso, Brazilian real, Syrian pound and Colombian peso against the US dollar and Malagasy ariary against Euro.The Group has recognized in the consolidated statements of income net foreign exchange gain (loss) amounting to (US$13.5 million) (P599.6 million) in 2008 and US$31.5 million (P1,047.4 million) in 2007 on its net foreign currency-denominated financial assets and liabilities as of December 31, 2008 and 2007, respectively. This resulted mainly from the movements of the Philippine peso against the US dollar.

The following table shows the Group's significant foreign currency-denominated monetary assets and liabilities and their US Dollar equivalents at December 31:

	2009		2008		2007	
	Foreign Currency	US Dollar	Foreign Currency	US Dollar	Foreign Currency	US Dollar
Current Financial Assets						
Cash and cash equivalents:						
Philippine peso	1,848,115,637	US$40,002,503	–	US$–	–	US$–
BRL	11,276,762	6,464,180	13,903,966	6,007,330	9,463,980	5,319,831
BND	6,920,397	4,925,900	–	–	–	–
COP	8,897,295,892	4,353,353	24,181,713,362	10,754,215	6,844,741,310	3,391,844
MGA	6,036,689,327	3,064,309	3,112,346,112	1,664,356	5,028,806,209	2,790,680
JPY	50,251,645	1,615,262	113,890,742	1,256,517	92,986,001	832,387
PLN	3,009,234	1,051,114	3,114,251	1,048,711	5,743,830	2,324,779
IDR	9,756,793,060	1,037,515	2,026,237,991	182,216	3,616,910,994	384,778
RMB	6,299,405	922,719	5,335,941	781,514	703,123	96,357
Euro	606,044	867,915	11,187,261	15,629,723	7,599,259	11,087,319
US dollar	566,365	566,365	107,057,487	107,057,487	41,605,418	41,605,418
Receivable:						
BRL	14,854,851	8,515,249	10,401,050	4,493,865	9,505,256	5,343,033
Philippine peso	150,622,556	3,260,228	–	–	–	–
MGA	3,733,736,659	1,895,298	2,940,805,794	1,572,623	3,055,938,573	1,695,859
RMB	8,111,248	1,188,113	4,791,630	701,793	5,090,745	697,639
PLN	2,794,542	976,123	7,218,575	2,430,824	12,574,434	5,089,422
BND	782,365	556,883	–	–	–	–
IDR	3,894,153,390	414,095	3,357,363,171	301,921	3,431,009,578	365,001
US dollar	158,104	158,104	13,346,849	13,346,849	12,954,962	12,954,962
Derivative assets	–	–	3,765,689	3,765,689	13,203,142	13,203,142
		81,835,228		170,995,633		107,182,451
Current Financial Liabilities						
Accounts payable and other current liabilities:						
Philippine peso	507,951,470	10,994,621	–	–	–	–
BRL	14,935,870	8,561,691	12,392,566	5,354,317	11,838,419	6,654,536
PLN	13,184,723	4,605,373	14,385,375	4,844,213	11,908,149	4,819,747
MGA	8,991,465,699	4,564,196	11,496,294,508	6,147,751	10,711,697,921	5,944,338
JPY	158,417,199	1,703,044	172,293,567	1,900,856	171,360,475	1,533,976
US dollar	1,210,322	1,210,322	15,126,956	15,126,956	20,708,850	20,708,850
IDR	6,276,537,021	667,433	1,621,628,672	145,830	367,701,135	39,117
RMB	4,489,744	657,645	19,287,701	2,824,919	16,786,776	2,300,472
BND	767,756	546,485	–	–	–	–
SYP	19,474,132	426,823	10,738,211	227,825	–	–
COP	344,136,090	168,382	780,881,314	347,278	2,367,080,342	1,172,983
Euro	62,763	89,884	13,431	18,765	1,690,221	2,466,034
Derivative liabilities	–	–	8,319,139	8,319,139	140,141	140,141
Noncurrent Financial Liabilities						
Concession rights payable						
US dollar	–	–	201,674,870	201,674,870	207,651,239	207,651,239
Euro	16,368,472	23,441,289	16,159,760	22,576,801	15,814,827	23,073,832
		57,637,188		269,509,520		276,505,265
Net foreign currency-denominated financial assets (liabilities)		US$24,198,040		(US$98,513,887)		(US$169,322,814)

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 US dollar unless otherwise indicated):

	2009	
	Effect on Profit Before Tax	Effect on Equity
Change in US dollar to other foreign currency exchange rate:		
5% appreciation	(US$1.4)	US$3.4
5% depreciation	1.6	(3.8)

	2008	
	Effect on Profit Before Tax	Effect on Equity
Change in peso to US dollar exchange rate:		
5% appreciation	US$3.1	US$9.2
5% depreciation	(2.8)	(1.6)

	2007	
	Effect on Profit Before Tax	Effect on Equity
Change in peso to US dollar exchange rate:		
5% appreciation	US$6.1	US$11.5
5% depreciation	(11.1)	(14.7)

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, 2009.

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, 2009, 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 unless otherwise indicated):

	2009			
	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	US$30.4	US$–	US$–	US$30.4
Cash equivalents	94.7	–	–	94.7
Receivables				
Trade	23.8	10.4	2.7	36.9
Advances and nontrade	2.0	0.4	0.3	2.7
AFS Financial Assets				
Unquoted equity shares	5.2	–	–	5.2
Quoted equity shares	1.0	–	–	1.0
Derivative Assets	2.6	–	–	2.6
	US$159.7	US$10.8	US$3.0	US$173.5

	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	US$72.9	US$–	US$–	US$72.9
Cash equivalents	141.9	–	–	141.9
Receivables				
Trade	17.7	6.7	1.2	25.6
Advances and nontrade	0.7	0.2	0.3	1.2
AFS Financial Assets				
Unquoted equity shares	5.2	–	–	5.2
Quoted equity shares	0.8	–	–	0.8
Derivative Assets	3.8	–	–	3.8
	US$243.0	US$6.9	US$1.5	US$251.4

	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	US$33.9	US$–	US$–	US$33.9
Cash equivalents	52.4	–	–	52.4
Receivables				
Trade	19.8	7.1	1.4	28.3
Advances and nontrade	1.4	1.4	0.2	3.0
AFS Financial Assets				
Unquoted equity shares	6.3	–	–	6.3
Quoted equity shares	0.8	–	–	0.8
Derivative Assets	13.2	–	–	13.2
	US$127.8	US$8.5	US$1.6	US$137.9

At December 31, the credit quality per class of financial assets that were neither past due nor impaired follow (amounts in millions unless otherwise indicated):

	2009			
	Neither Past Due nor Impaired			
	Grade A	Grade B	Grade C	Total
Loans and Receivables				
Cash and cash equivalents:				
Cash on hand and in banks	US$30.4	US$–	US$–	US$30.4
Cash equivalents	94.7	–	–	94.7
Receivables				
Trade	20.6	1.7	1.5	23.8
Advances and nontrade	2.0	–	–	2.0
AFS Financial Assets				
Unquoted equity shares	5.2	–	–	5.2
Quoted equity shares	1.0	–	–	1.0
Derivative Assets	2.6	–	–	2.6
	US$156.5	US$1.7	US$1.5	US$159.7

	2008			
	Neither Past Due nor Impaired			
	Grade A	Grade B	Grade C	Total
Loans and Receivables				
Cash and cash equivalents:				
Cash on hand and in banks	US$72.9	US$–	US$–	US$72.9
Cash equivalents	141.9	–	–	141.9

(Forward)

	2008			
	Neither Past Due nor Impaired			
	Grade A	Grade B	Grade C	Total
Receivables				
Trade	12.4	1.9	3.4	17.7
Advances and nontrade	0.7	–	–	0.7
AFS Financial Assets				
Unquoted equity shares	–	5.2	–	5.2
Quoted equity shares	0.8	–	–	0.8
Derivative Assets	3.8	–	–	3.8
	US$232.5	US$7.1	US$3.4	US$243.0

	2007			
	Neither Past Due nor Impaired			
	Grade A	Grade B	Grade C	Total
Loans and Receivables				
Cash and cash equivalents:				
Cash on hand and in banks	US$33.9	US$–	US$–	US$33.9
Cash equivalents	52.4	–	–	52.4
Receivables				
Trade	13.2	4.8	1.8	19.8
Advances and nontrade	1.4	–	–	1.4
AFS Financial Assets				
Unquoted equity shares	–	6.3	–	6.3
Quoted equity shares	0.8	–	–	0.8
Derivative Assets	13.2	–	–	13.2
	US$114.9	US$11.1	US$1.8	US$127.8

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 dollars unless otherwise indicated):

	2009				
	Past Due but Not Impaired				
	30 Days	60 Days	120 Days	More than 120 Days	Total
Trade	US$7.4	US$1.4	US$0.8	US$0.8	US$10.4
Advances and nontrade	0.3	–	–	0.1	0.4
	US$7.7	US$1.4	US$0.8	US$0.9	US$10.8

	2008				
	Past Due but Not Impaired				
	30 Days	60 Days	120 Days	More than 120 Days	Total
Trade	US$3.9	US$1.0	US$0.2	US$1.6	US$6.7
Advances and nontrade	–	–	–	0.2	0.2
	US$3.9	US$1.0	US$0.2	US$1.8	US$6.9

	2007				
	Past Due but Not Impaired				
	30 Days	60 Days	120 Days	More than 120 Days	Total
Trade	US$5.5	US$1.1	US$0.5	US$–	US$7.1
Advances and nontrade	–	–	1.3	–	1.3
	US$5.5	US$1.1	US$1.8	US$–	US$8.4

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, 2009, 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.

	2009	2008 (As Restated - see Note 4.2)	2007
Long-term debt	US$423,198,443	US$430,729,609	US$146,176,778
Loans payable	10,692,837	27,314,030	–
Total debt (a)	433,891,280	458,043,639	146,176,778
Less cash and cash equivalents	125,152,800	214,762,856	86,358,118
Net debt	308,738,480	243,280,783	59,818,660
Net worth (b)	517,353,235	451,799,527	465,710,669
EBITDA (see Note 5) (c)	175,652,705	196,436,390	129,675,317
Gearing ratio (a/b)	0.84 times	1.01 times	0.31 times
Debt cover ratio (a/c)	2.47 times	2.33 times	1.13 times

*Gearing ratio and debt cover ratios were presented at 1.02 times and 2.49 times, and 0.31 times and 1.01 times in 2008 and 2007 consolidated financial statements, respectively (see Note 2.3).

27. Earnings Per Share Computation

The following table presents information necessary to calculate earnings per share:

	2009	2008 (As Restated - see Note 4.2)	2007
Net income attributable to Equity Holders of the Parent (a)	US$54,911,280	US$64,226,240	US$71,257,597
Common shares outstanding at beginning of year	1,992,066,860	1,992,066,860	2,324,669,479
Weighted shares issued/cancelled during the year	–	–	(166,301,310)
Weighted shares held by subsidiaries	(34,415,867)	(17,048,425)	(267,466,944)
Weighted treasury shares	(69,351,000)	(74,007,125)	(51,356,816)
Weighted average shares outstanding (b)	1,888,299,993	1,901,011,310	1,839,544,409
Effect of dilutive stock grants	68,060,424	80,830,424	83,823,299]
Weighted average shares outstanding adjusted for potential common shares (c)	1,956,360,417	1,981,841,734	1,923,367,708
Basic earnings per share (a/b)	US$0.029	US$0.034	US$0.039
Diluted earnings per share (a/c)	US$0.028	US$0.032	US$0.037

All preferred shares are anti-dilutive since these are held by a subsidiary.

28. Other Matters

On March 4, 2009, the BOD approved the issuance, offering and sale (the "Offering") by ICTSI to both the local and international capital markets of US$-denominated corporate notes with a maturity date of up to 10 years from and after the date of the issuance thereof, and which will bear interest reflective of market rates for similar notes issue. The proceeds of the Offering issue will be used to fund ICTSI's investments in existing and new terminal construction activities, refinance some of its existing debt and for other general corporate purposes.

Board of Directors

Enrique K. Razon Jr.
Chairman

Jon Ramon Aboitiz
Director

Octavio Victor R. Espiritu
Director*

Joseph R. Higdon
Director*

Jose C. Ibazeta
Director

Stephen A. Paradies
Director

Andres Soriano III
Director

Atty. Rafael T. Durian
Corporate Secretary

* Independent Director

Officers

ICTSI

Enrique K. Razon Jr.
ICTSI President
ICTSI Ltd. President

Edgardo Q. Abesamis
ICTSI Executive Vice President
Bauan International Port, Inc. President
Davao Integrated Port Services and Stevedoring Corp. President
South Cotabato Integrated Port Services, Inc. President
Subic Bay International Terminal Corp. President
Naha International Container Terminal, Inc. President

Fernando L. Gaspar
ICTSI Senior Vice President and Chief Administration Officer
ICTSI Ltd. Senior Vice President and Chief Administration Officer

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

Rafael J. Consing Jr.
ICTSI Vice President and Treasurer
ICTSI Ltd. Vice President and Treasurer

Susan S. Domingo
ICTSI Vice President, Audit and Compliance
ICTSI Ltd. Vice President, Audit and Compliance

Earl Eric Nestor H. Ferrer
ICTSI Vice President, Global IT

Christian R. Gonzalez
ICTSI Vice President
MICT General Manager

Jose Manuel M. de Jesus
ICTSI Vice President, Business Development
Davao Integrated Port Services and Stevedoring Corp. General Manager
Mindanao Container Terminal Services Inc. President and General Manager
New Muara Container Terminal Services Sdn. Bhd. Managing Director

Brian Oakley
ICTSI Vice President, Global Engineering

Joel M. Sebastian
ICTSI Vice President and Controller
ICTSI Ltd. Vice President and Controller

ICTSI Ltd.

Manuel Fernandez
ICTSI Ltd. Senior Vice President, EMEA

Paul P.L. Lo
ICTSI Ltd. Senior Vice President, Greater China Area

Marcelo J. Suarez
ICTSI Ltd. Senior Vice President, Americas

Harsh Khare
ICTSI Ltd. Vice President, Europe, Middle East, Africa and Indian Subcontinent

Terminal Heads

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Bauan International Port, Inc. General Manager

Gabriel D. Muñasque
South Cotabato Integrated Port Services, Inc. General Manager

Reimond Linus B. Silvestre
Subic Bay International Terminal Corp. Acting General Manager
(Effective April 2009)

Lasmar L. Edullantes
PT Makassar Terminal Services President Director and Chief Executive Officer

Capt. Naoki Yamauchi
Naha International Container Terminal, Inc. General Manager

Apollo Zhou
Yantai Rising Dragon International Container Terminals Ltd. General Manager

Miguel Arturo Abisambra
Sociedad Puerto Industrial de Aguadulce, S. A. General Manager
(Effective January 2010)

Luis Cao
Contecon Guayaquil SA Chief Executive Officer

Sergio Kano
Tecon Suape, S. A. Chief Executive Officer

Frank Carter
Batumi International Container Terminal LLC Chief Executive Officer and General Manager

Gassen C. Dorsamy
Madagascar International Container Terminal Services Ltd. Chief Operating Officer and General Manager

Romeo A. Salvador
Tartous International Container Terminal jsc Chief Executive Officer and General Manager

Krzysztof Szymborski
Baltic Container Terminal Ltd. Chief Executive Officer and General Manager
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