International Container Terminal Services, Inc.

ICTSI

Annual Report 2010

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The Chairman's Report

Two years after the crash of financial markets in 2008, global financial recovery continued through 2010, and this was reflected in improving global trade and enhanced revenues for our Company. But recovery, let alone growth, was uneven across regional markets worldwide. In its World Economic Outlook update for the third quarter of 2010, the International Monetary Fund reported that in "advanced economies…growth remains subdued," while in emerging economies, "activity remains buoyant, inflation pressures are emerging, and there are now signs of overheating, driven in part by strong capital inflows."

International Container Terminal Services, Inc.'s (ICTSI) global operations in diverse markets, both emerging and advanced, enabled the Group to cushion the impact of an imbalanced global economy. We won here and won less there, losing nowhere. Overall, the Group came out ahead over the previous year.

During the year in review, we took advantage of growth wherever it happened, but kept cautious in our capital and operating expenditures and other investments. In general, the economic situation remained volatile. To keep the Company on top, we pursued fund-generating activities – basically shedding non-core businesses and moderating expenses – to finance existing projects and operations, and to pay maturing debts and other obligations.

2010 Volumes

After a five percent decrease in 2009, the ICTSI Group posted an 18 percent increase in consolidated volumes in 2010, from 3,557,256 twenty-foot equivalent units (TEU) to 4,202,574 TEUs.

Volume from Asia increased by 18 percent, from 2,250,924 TEUs to 2,652,328 TEUs. Europe, Middle East and Africa (EMEA) volume was up 17 percent, from 430,132 TEUs to 501,275 TEUs. The Americas volume grew 20 percent, from 876,200 TEUs to 1,048,971 TEUs.

Our Asian operations contributed most to consolidated volumes, putting in 63 percent. Our flagship terminal, the Manila International Container Terminal (MICT) remained the Group's largest contributor, bringing in 1,608,569 TEUs or over one-third of total volumes. Volume from EMEA accounted for 12 percent, while the Americas put in 25 percent.

The volume drivers in Asian operations were Manila, up by 15 percent; Yantai, China, up 16 percent; and Davao, Philippines up 27 percent. In EMEA, Gdynia, Poland operations posted a 24 percent volume increase. In the Americas, volume in Suape, Brazil went up 35 percent and in Guayaquil, Ecuador volume was up 13 percent.

The only way out to global recovery is through more global trade. And that is where we come in.

Latest Acquisitions

In May, ICTSI acquired its first terminal in the United States: Terminal 6 in the Port of Portland, Oregon. ICTSI signed a 25-year lease agreement with the Port of Portland Commission to operate its container terminal and break bulk facility. The agreement is considered the largest financial transaction in the history of the city's maritime port. Subsidiary ICTSI Oregon, Inc. took over operations in February 2011.

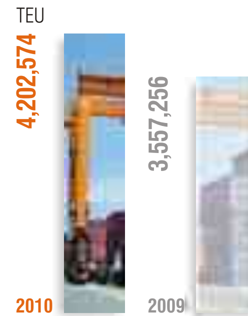
In June, ICTSI and the Administracion Portuaria Integral de Manzanillo S.A. signed a 34-year concession for the development and operation of the second Specialized Container Terminal in Manzanillo, Colima in Mexico. ICTSI was declared the winning bidder in November 2009. ICTSI subsidiary Contecon Manzanillo S.A. de C.V. was set up for the port project, which is expected to be completed and operational by 2013.

Towards the end of 2010, ICTSI was selected as the preferred bidder for the 30-year strategic partnership of the Adriatic Gate Container Terminal (AGCT) in Rijeka, Croatia. AGCT is a unit of Luka Rijeka d.d., operator of the Brajdica Container Terminal. As part of the deal, ICTSI, through its wholly owned subsidiary, ICTSI Capital B.V., will purchase 51 percent of AGCT. Agreements were signed in March 2011.

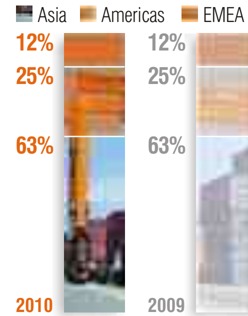
As of 31 December 2010, ICTSI is involved in 20 terminal operating concessions and port development projects in 15 countries worldwide. These are six operating terminals in the Philippines and one each in Indonesia, Brunei, Japan, China, the United States, Ecuador, Brazil, Poland, Georgia, Syria and Madagascar. It has greenfield projects each in Mexico, Colombia and Argentina.

Consolidated Volume

TEU



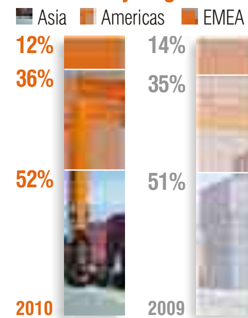
Volume by Segment



Consolidated Revenues

USD'000

Revenue by Segment



Fund generation

In 2010, a capital management exercise was successfully implemented with the issuance of 10-year USD-denominated senior notes by ICTSI. This exercise raised for the Company a total of US$455 million. The proceeds of the senior notes were used to refinance debt, fund investments in existing and new terminal construction activities, and for general corporate purposes.

We generated more funds by divesting of shares in assets that are not part of our core businesses. In August, we sold our shareholdings representing 9.54 percent of the outstanding capital stock of Subic Shipyard and Engineering, Inc. (SSEI) to Keppel Philippines Marine, Inc. The sale yielded PhP636.8 million. In addition, we sold our shares in SSEI's land holding affiliate Consort Land, Inc. (CLI) to SSEI and Goodsoil Marine Realty, Inc., a subsidiary of Keppel Philippines Holdings, Inc. The shares, equivalent to 8.56 percent of CLI's outstanding capital stock, were sold for PhP119.6 million. Both transactions were paid in September.

Consolidated Audited Financial Results

Full-year revenue from port operations was at US$527.1 million. This is an increase of 25 percent over the US$421.7 million reported in 2009. Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA) of US$247.7 million is up 41 percent, from the US$175.7 million earned in 2009. Net income attributable to equity holders of US$98.3 million is 79 percent higher than the US$54.9 million earned in the previous year.

The higher net income attributable to equity holders came mostly from the recovery in global trade resulting in an upsurge in revenues, combined with only a modest increase in cash operating expenses, and a lower effective tax rate for the period. There was also a one-time gain on sales of non-core assets.

After adjusting for the effect of non-recurring income related to the sale of ICTSI's 9.54 percent stake in SSEI and its 8.56 percent stake in CLI, along with a write-down of the carrying value of certain property assets related to the Company's project in Buenaventura, Colombia, net income attributable to equity holders for the period would have been US$88.9 million, still 62 percent higher than the net income in 2009.

Full year gross revenues from port operations increased by 25 percent to US$527.1 million, from the US$421.7 million reported in 2009. This came largely from the higher volume brought about by global trade recovery mentioned earlier. Compared to the US$463.1 million of revenues booked in 2008, the revenues for 2010 represent a 14 percent increase.

Increased revenue in 2010 was mainly due to the increased volumes handled in all of the Company's container terminals as well as a more favorable volume mix. Additionally, revenue contribution from the Group's six key terminal operations in Manila, Brazil, Poland, Ecuador, Madagascar and China – accounting for 90 percent of the Group's consolidated revenue – increased 24 percent, from US$384.9 million in 2009 to US$476.5 million in 2010.

Revenue contribution from container terminal operations in Asia increased 28 percent, from US$213.8 million in 2009 to US$273.6 million in 2010. The improvement in gross revenue was mainly due to the stellar performance of our container terminal in Yantai, China, which posted a 49 percent improvement year-on-year; the MICT in Manila, which grew 24 percent; and our three container terminal operations in southern Philippines: Mindanao International Container Terminal Services Inc., Davao Integrated Port and Stevedoring Services Corp., South Cotabao Integrated Port Services, Inc., which registered increases of 62 percent, 40 percent, and 13 percent, respectively. Asian port operations contributed 52 percent to ICTSI's full year consolidated gross revenues. We were doing the right thing in the right place and at the right time to avoid the worst effects of the global crisis and to gain from it.

Full year revenue contribution from container terminal operations in the Americas was 30 percent higher in 2010 at US$192.1 million compared to US$147.4 million in 2009. The increase in gross revenue in the Americas came mainly from the exceptional performance of our container terminal operation in Brazil, which posted a 75 percent increase in 2010. Revenue contribution from our ports in the Americas increased, from 35 percent in 2009 to 36 percent in 2010.

The Group's EMEA operations accounted for 12 percent of the Company's revenue for the year. It grew by two percent, from US$60.5 million in 2009 to US$61.5 million in 2010. This improved revenue contribution from EMEA came mainly from higher revenues from our terminals in Poland and Georgia, though the gain was partially offset by lower revenues in Madagascar and in Syria.

Total consolidated cash operating expenses for the year increased 10 percent to US$203 million, from US$185.2 million in the same period in 2009, mainly due to the 23 percent rise in equipment and facilities-related expenses brought about by the significant upswing in volume.

Consolidated EBITDA was 41 percent higher in 2010 at US$247.7 million compared to US$175.7million in 2009 mainly due to the strong growth in volume and revenues across all geographic segments of the Group, along with only a modest and unavoidable increase in operating expense. Consolidated EBITDA margin for the full year 2010 improved by five percentage points to 47 percent against 42 percent in the same period in 2009.

Consolidated interest expense and financing charges for the full year 2010 increased 77 percent to US$48.5 million, from US$27.4 million in 2009. The increase came mainly from higher debt level and higher interest rate associated with the issuance of the 10-year US$450 million senior notes.

The Company accelerated the amortization of debt issue costs associated with loans at the parent level. These loans were refinanced to lengthen their duration thereby avoiding substantial loan repayments until 2020. Additionally, a one-time prepayment cost of US$0.8 million was booked as a result of the prepayment of Tecon Suape, S. A.'s (TSSA) US dollar project finance loans from the International Finance Corporation and the Netherlands Development Finance Company.

Cash Operating Expenses
USD'000

EBITDA
USD'000

Net Income Attributable to Equity Holders
USD'000

The effective tax rate for the full year 2010 fell 29 percent compared to 35 percent in 2009. The decrease was mainly attributable to lower operating losses at terminals in the early stages of operation in 2010 compared to 2009, and the lower capital gains tax rate on the one-time gain on sale of non-core assets.

In 2010, ICTSI's capital expenditure totaled US$125 million mainly for from TSSA's acquisition of container handling equipment, Contecon Guayaquil SA's civil works to expand handling capacity and improve operating efficiency, Sociedad Puerto Industrial Aguadulce's pre-development civil works, and the MICT's spending on Berth 6.

For 2011, the total estimated consolidated capital expenditure is approximately US$356 million, US$214 million of which is for projects in Argentina, Mexico and Colombia. The balance will be mainly for civil works, systems improvement, and purchase of major cargo handling equipment for our operations in Manila, Brazil and Ecuador.

The Future

The biggest imponderable the global economy faces are the economic effects in Japan and the financial impact on global finance of the unfortunate incidents in that country. On the one hand, there is the country's massive national debt and the temporary immobilization of key manufacturing plants for some of Japan's most desired products. On the other hand, there is the prospect of massive infrastructure rebuilding that should pump prime its economy. We hesitate to speculate, but the Company's globally diverse presence had such situations in view.

Citations

ICTSI retained its position as a leading and well-managed company in the Philippines and in the region. It ranked third in *FinanceAsia*'s annual poll for best Philippine mid cap companies. New York-based consulting firm Stern Stewart and Co. again included ICTSI in its 2010 Top 25 Wealth-Added Index for the Philippines. Hong Kong-based *AsiaMoney* also ranked ICTSI second among Philippine companies with the most convincing and coherent strategy.

CSR Efforts

A milestone for 2010 was the first full year operation of ICTSI Foundation, Inc., the corporate social responsibility arm of the ICTSI Group. The Foundation made great strides with programs supporting the youth and indigent communities where ICTSI operates in the Philippines. Plans are underway to firm up CSR programs among subsidiaries. Over the long term, our CSR efforts will extend wherever ICTSI operates in the world. We are going to help wherever we do well.

Thank you. We do our best to return your faith in the Company.

Enrique K. Razon Jr.
Chairman and President

Review of Operations

International Container Terminal Services, Inc.

After experiencing a five percent decrease in 2009, International Container Terminal Services, Inc. (ICTSI) posted an 18 percent increase in consolidated volumes in 2010, from 3,557,256 twenty-foot equivalent units (TEU) to 4,202,574 TEUs. Volume from Asia increased by 18 percent from 2,250,924 TEUs to 2,652,328 TEUs, while volume from Europe, Middle East and Africa (EMEA) up by 17 percent from 430,132 TEUs to 501,275 TEUs. Volume from the Americas grew by 20 percent from 876,200 TEUs to 1,048,971 TEUs.

Operations in Asia contributed the most to consolidated volumes at 63 percent with flagship terminal Manila International Container Terminal (MICT) remaining as the Group's largest contributor, bringing in 1,608,569 TEUs or over one-third of the total volume. On the other hand, volume from EMEA accounted for 12 percent, while the Americas put in 25 percent.

In May, ICTSI acquired its first terminal in the United States: Terminal 6 in the Port of Portland, Oregon. ICTSI signed a 25-year lease agreement with the Port of Portland Commission for the operation of the 78-hectare container terminal and break bulk facility. The agreement is considered as the largest financial transaction in the history of the city's maritime port. ICTSI's wholly-owned subsidiary, ICTSI Oregon, Inc., took over operations in February 2011.

In June, ICTSI and the Administracion Portuaria Integral de Manzanillo S.A. signed a 34-year concession for the development and operation of the second Specialized Container Terminal in Manzanillo, Colima in Mexico. ICTSI was declared the winning bidder for the project in November 2009. A wholly-owned subsidiary, Contecon Manzanillo S.A. de C.V., was established for the port project, which is expected to be completed and operational by 2013.

Towards the end of 2010, ICTSI was chosen as the preferred bidder for the 30-year strategic partnership for the Adriatic Gate Container Terminal (AGCT) in Rijeka, Croatia. AGCT is a unit of Luka Rijeka d.d., operator of the Brajdica Container Terminal. As part of the transaction, ICTSI, through its wholly owned subsidiary, ICTSI Capital B.V., will purchase 51 percent shareholdings of the AGCT. Agreements were signed in March 2011.

As of December 31, 2010, ICTSI is involved in 20 terminal operating concessions and port development projects in 15 countries worldwide: six operating terminals in the Philippines and one each in Indonesia, Brunei, Japan, China, the United States, Ecuador, Brazil, Poland, Georgia, Syria and Madagascar; and greenfield projects in Mexico, Colombia and Argentina.

Marketing and networking activities were held year round as business development and terminal operating units participated in major maritime and logistics events in 2010: the Fourth Indian Ocean Ports and Logistics in Mauritius in March; Intermodal South America in Sao Paulo, Brazil in April; Eighth ASEAN Ports and Shipping in Ho Chi Minh City, Vietnam in May; and the Footwear Traffic Distribution Customs Conference in Portland in October.

A capital management exercise was successfully implemented in 2010 with the issuance of 10-year USD-denominated senior bonds by ICTSI. This exercise raised for the Company a total of US$456 million. The proceeds of the senior bonds issue were used to refinance debt, fund investments in existing and new terminal construction activities, and for general corporate purposes. More funds were generated when ICTSI divested its shares in none-core assets. In August, ICTSI sold its shareholdings in Subic Shipyard and Engineering, Inc. (SSEI) to Keppel Philippines Marine, Inc. The Company divested its shares representing 9.54 percent of SSEI's outstanding capital stock. The sale amounted to PHP 636.8 million. Also, ICTSI shares in SSEI's land holding affiliate Consort Land, Inc. (CLI) equivalent to 8.56 percent of CLI's outstanding capital stock, were sold to SSEI and Goodsoil Marine Realty, Inc., a subsidiary of Keppel Philippines Holdings, Inc. The latter shares were sold for PHP 119.6 million. Both transactions were paid in September.

The Board of Directors improved the participation of foreign investors in ICTSI's stock trading in the Philippine Stock Exchange, while remaining compliant with Philippine regulations on company ownership. The 1987 MICT contract between ICTSI and the Philippine Ports Authority requires Filipino control and ownership of ICTSI under the Razon Group. A class of voting, low par value preferred shares was created to increase the effective participation of foreign investors in listed common shares without affecting beneficial ownership and the economic interest of existing shareholders. The creation of the new shares is common practice by heavily traded, publicly listed companies in the Philippines. It will only be issued to Philippine nationals, not earn dividends, and is not convertible to common shares. With the approval of ICTSI stockholders in a special meeting in August and of the Securities and Exchange Commission in October, ICTSI's Articles of Incorporation were amended to reclassify the Company's authorized 1,000,000,000 Preferred Shares with a par value of PHP 1.00 per share as follows: 993,000,000 Preferred Shares were renamed Preferred A Shares with par value of PHP 1.00 per share, inclusive of the outstanding Preferred Shares with par value of PHP 0.01 per share. The new Preferred B Shares were issued to Achillion Holdings, Inc. (Achillion) in November 2010.

ICTSI remained among the leading and well-managed companies in the Philippines and in the region when it ranked third in FinanceAsia's best mid cap companies in the country in the Hong Kong-based magazine's annual poll. New York-based consulting firm Stern Stewart and Co. again included ICTSI in its 2010 Top 25 Wealth-Added Index list for the Philippines. ICTSI was also cited as the county's best mid cap company by Hong Kong-based AsiaMoney based on its annual survey, and was ranked second as the best company with the most convincing and coherent strategy in the Philippines by London-based *EuroMoney*.

OPERATIONS IN ASIA

Manila International Container Terminal

The MICT maintained its market leadership in the Port of Manila.

Volume at ICTSI's flagship, Manila International Container Terminal (MICT), surged to a record high in 2010 after stalled growth in 2009. Throughput at yearend, the highest since 1988, was 1,608,569 TEUs, a 15 percent increase from 1,395,529 TEUs in 2009.

During the year in review, *APL Bahrain*, the largest vessel to dock in the Philippines, called for the first time at the MICT in January. The 4,330-TEU capacity vessel, owned and operated by American President Lines, made special calls to the country. *APL Bahrain* was newly built by Korean shipbuilder Hanjin Heavy Industries and Construction Co. Ltd. in its shipyard facility at the Subic Bay Freeport Zone in Zambales.

A new terminal operating system, Navis SPARCS N4, went live in August. The new terminal operating system features gates in / out process, vessel planning, yard management, CFS operations, and billing process, among others. MICT's current operations platform is user-friendly, facilitates running of reports, and is adaptable to in-house programs.

In November, the Purchasing Department held the fifth ICTSI Supplier Quality Awards to fete top suppliers of the year. A new award category was introduced, the Global Excellence Award, which is given to the ICTSI Group's global suppliers who have serviced at least two ICTSI subsidiaries: the MICT or a Philippine subsidiary and one foreign subsidiary; or two foreign subsidiaries.

Meanwhile, members of the MICT Emergency Response Team honed and advanced their skills by taking part in emergency drills and readiness exercises, as well as attending lectures and workshops on first aid, port safety, and occupational health standards.

A benchmark for world-class container terminal operations, the MICT welcomed port authority officials of the United States, Indonesia, Kenya, Cambodia, Japan, Maldives, Syria, China, Colombia, Brunei, and Nigeria, among others, who visited the terminal to observe port operations. Aside from foreign port authorities, regular MICT visitors were shipping lines and their clients as well as several Philippine government agencies and maritime schools.

With the Philippine and global economy showing positive signs towards sustained growth, the MICT, as the Philippines leading international trading gateway, will continue to help the country achieve economic gains.

January – ICTSI launched the ICTSI Foundation, Inc., the Group's corporate social responsibility arm. The Foundation's office was opened in April.

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 a total of 32,380 TEUs in 2010, a 24 percent increase from the 26,026 TEUs handled in 2009. The increase was a result of improving global economy and the combined volume surge from key consignees such as TIPCO, Yokohama Tires, Hitachi Air, Petron and Juken Sangyo, most of which are industrial locators in TECO special economic zone and Clark and Subic Freeports. During the third quarter, imports by Philip Morris contributed to the increase when its tobacco leaf warehouse opened in Subic. NCT-1 also facilitated cargo of the Philippine-US Balikatan joint military exercises.

Before docking in Manila, the 4,330-TEU capacity *APL Bahrain*, the largest vessel to dock in the Philippines, had its maiden call as a newly built vessel at NCT-1 in January. The vessel, built by Korean shipbuilder Hanjin Heavy Industries and Construction Co. Ltd. in its shipyard in Subic, made a special call at the terminal.

SBITC opened a one-stop-shop office for the Bureau of Customs (BoC), Subic Bay Metropolitan Authority (SBMA) and the SBITC Billing Section. The one-stop-shop reduced import / export documentation transaction time by having government agencies and the billing section housed in one office. This also resulted in faster processing of payments and documents by the BoC and SBMA.

During the year in review, a new reach stacker was purchased in view of increasing volumes in the terminal. The mobile equipment, manufactured by Kalmar, has a maximum lifting capacity of 45 tons.

On the IT front, new software and systems were rolled out: the ICAM, a business software application for purchasing and inventory management; and the BMS Payroll System used for organizational management and payroll activities.

Marketing efforts continued in partnership with Subic Bay Metropolitan Authority. A market survey for potential customers in Subic's industrial hinterland was conducted, including road shows and networking activities promoting the NCT-1 with shipping lines, freight forwarders and customs brokers. A common feeder shipping line with co-loading services has expressed interest in calling at the terminal by the second quarter of 2011. Bi-weekly calls will be launched, providing additional shipping routes to and from Singapore and Malaysia.

Aside from facilitating international trade for northern and central Luzon, the NCT-1 is being primed for a greater role in the region as an alternative logistics center and transshipment hub in Southeast Asia. Subic is well positioned in the China-ASEAN transport corridor to open hub services as cargo congestion continues in Asian hub ports. Likewise, the region's key ports are facing shortage of land in expanding capacity and developing facilities, giving Subic the window of opportunity to open intra-Asia transshipment.

Bauan International Port, Inc.

Bauan International Port Inc. (BIPI), manager and operator of the Bauan Terminal in Batangas, Philippines, achieved a milestone in 2010 when it posted the biggest yearend volume handled since it started operations in 1999. The terminal handled 816,562 billable tonnage (BT) in 2010, a 97 percent increase in total BT, from 414,453 BT in 2009. The increase was a result of the sustained rise in roll on, roll off cargo and project cargo.

BIPI serviced a total of 44,819 completely built-up units (CBU), up 58 percent, from 28,364 CBUs last year. Imports grew by 66 percent, most of which were vehicles manufactured by Mitsubishi. Exports meanwhile increased by 34 percent as Ford continued its vehicle deliveries out of the Philippines. In June, Suzuki's compact vehicles assembled in India marked their debut in the country when the initial shipment rolled into the terminal.

In October, the terminal's car compound was extended to add more capacity. Block D of the compound was paved, increasing storage capacity by 504 CBUs to enable the terminal to accommodate over 2,000 CBUs at any one time. Construction is underway to further increase capacity by another 561 CBUs with the paving of another block in the southern portion of the terminal.

BIPI expects strong market demand for vehicles, especially sports utility vehicles and pick-up models, in 2011. More project cargo is scheduled for load-out in 2011. These are industrial components fabricated by Atlantic, Gulf & Pacific Company of Manila, Inc., and boiler component materials fabricated by Babcock Hitachi Philippines, Inc.

BIPI continues to improve services and facilities with the view of handling all kinds of cargo. Industries in southern Luzon are one the most diverse in the country, and the Bauan Terminal is poised to accommodate customer requirements regardless of the type of shipment.

Davao Integrated Port Services & Stevedoring Corp.

Davao Integrated Port and Stevedoring Services Corp. (DIPSSCOR), cargo handler at Sasa Wharf, International Port of Davao in southern Philippines, posted a 27 percent increase in volume handled, from 284,237 TEUs in 2009 to 359,561 TEUs in 2010 an all time high in the Company's 26-year history. The growth in volumes was a result of the expanding global banana trade, wherein the Philippines is a major producer. Banana exports from the Philippines are mostly produced in Mindanao with Sasa Wharf as the key port handling the delicate commodity.

During the year in review, traders continued their shift of shipping bananas from reefer ships to reefer containers, a more cost-efficient and safer way of transporting the fruit. Joining Mindanao's banana trade was DIPSSCOR's newest shipping line client, Swire Shipping.

To improve the handling of bananas, the Philippine Ports Authority (PPA) installed new reefer facilities in the terminal. PPA selected DIPSSCOR to operate, manage and maintain the facility, and a 10-year contract was signed in April. The new infrastructure has a capacity to accommodate 144 reefer containers at six designated rows at a maximum of four tiers.

As part of its commitment to the PPA, DIPSSCOR commissioned three rubbertired gantries (RTG) at the container yard. The RTGs are key in the safe handling of reefers and in optimizing container yard space. DIPSSCOR plans to double the terminal's reefer capacity from 144 to 288 in 2011.

Aside from RTGs, new container handling equipment commissioned included a 40-ton capacity reach stacker, a 20-foot spreader, and two 40-foot spreaders. On the other hand, existing equipment were upgraded. Average productivity of each reach stacker improved to 21 moves per hour.

In September, DIPSSCOR opened an engineering and maintenance workshop to improve equipment repairs and maintenance. The workshop has a climate-controlled storage facility, tire changing area, lube area, maintenance pit and washing area, and additional space for training and meetings.

To support the terminal's new facilities, the Integrated Computer Aided Maintenance (ICAM) system for equipment maintenance and parts inventory was rolled out. Wireless point-to-point devices were also installed to provide real-time information on container yard operations and engineering maintenance.

In November, DIPSSCOR successfully renewed its ISO 9001:2008 quality management system certification after a re-accreditation audit by Societe Generale de Surveillance (SGS) Philippines, Inc. The Company was given a zero non-conformance rating by SGS.

Industrial peace between DIPSSCOR management and workers was further cemented when the 2010-2015 collective bargaining agreement was renewed and signed in June. Various technical, administrative and leadership trainings were implemented year round. Incentives and awards were also given to deserving employees.

DIPSSCOR is committed to further develop Sasa Wharf's capabilities to advance the increasing role of the International Port of Davao, the island of Mindanao and the Philippines as a whole in the global banana trade. Aside from being southern Philippines' leading international gateway, the terminal is being considered to be the country's fruit hub for global markets with the cooperation of the local and national government.

11 April – ICTSI ranked third in *FinanceAsia*'s Best Mid-Cap category of companies in the Philippines. *FinanceAsia* is a Hong Kong-based financial magazine established in 1996.

South Cotabato Integrated Port Services, Inc.

South Cotabato Integrated Port Services, Inc. (SCIPSI), cargo handler at the Makar Wharf in General Santos City, southern Philippines, posted a 10 percent increase in containers handled from 130,806 TEUs in 2009 to 143,875 TEUs in 2010.

Brisk foreign trade in southern Mindanao was the main driver for the rise in box volumes, especially improving exports from local manufacturers.

With improving container volumes, SCIPSI acquired a reach stacker, a prime mover and a chassis.

SCIPSI continued with its training programs and employee welfare activities, most of which were extended to family members. The Company's scholarship program for deserving children of employees was also carried on during the year. In October, the Philippine Department of Labor and Employment cited SCIPSI for having the best family welfare program in the workplace among Region 12 companies in the medium-size category. In September, the Social Security System also named the Company as Employer of the Year for the Saranggani-General Santos area.

The Makar Wharf, which faces the country's neighbors in the four-nation East Asia Growth Area, remains untapped as a conduit for trade between Brunei, Indonesia, Malaysia and the Philippines. Marketing activities are in the pipeline to promote the terminal with the aim of improving direct routes linking the Port of Gen. Santos with key ports in the region.

Mindanao International Container Terminal Services Inc.

Mindanao International Container Terminal Services Inc. (MICTSI), operator of the Mindanao Container Terminal (MCT) at the Phividec Industrial Estate in Misamis Oriental, southern Philippines, handled a total of 180,700 TEUs in 2010, a 52 percent increase from the 118,684 TEUs handled in 2009. The increase in volumes was attributed to growing exports in Northern Mindanao: 50 percent and 27 percent of which came from the provinces of Misamis Oriental and Lanao Del Norte, respectively. American President Line's increasing services to the MCT and transshipment cargo from Mariana Express Lines, which started in the middle of the year, also contributed to the surge in volume.

During the year in review, vessel operations improved as net crane productivity reached an average of 27 moves per hour per crane. The productivity record was a result of the cohesive and well-coordinated execution of discharging and loading plans resulting in improved efficiency. Truck dwell time average is at 34 minutes per truck visit. The improved productivity was attributed to human resource development through various training programs on container handling operations, equipment maintenance and work attitude of employees.

As one of the more modern port installations in the country, the MCT is ready to facilitate increasing trade in the northern region of the island. The terminal's industrial hinterland, the Cagayan de Oro-Iligan economic corridor, is one of the progressive economic areas in the Philippines. MICTSI plans to further market the terminal and tap more businesses and industrial locators to use MCT for their shipping requirements.

PTMTS

P.T. Makassar Terminal Services

P.T. Makassar Terminal Services (PTMTS), co-operator of the Makassar Container Terminal (MCT) in South Sulawesi, Indonesia, handled 140,885 TEUs in 2010, a modest four percent increase from the 135,108 TEUs in 2009.

During the year in review, PTMTS acquired two reach stackers, and upgraded its two quay cranes and three rubber tired gantries to further boost terminal operations.

Plans to expand PTMTS's business and services in central Sulawesi are underway, which include container handling operations in Makassar's outports. The Company is set to re-negotiate for the extension of its operations cooperation agreement for another 10 years with its government partner, PT Pelabuhan Indonesia IV, port manager of eastern Indonesia's marine terminals.

12 May – ICTSI signed a 25-year lease with the Port of Portland Commission for the operation of the 77.7-hectare Terminal 6, a container and breakbulk handling facility in Portland, Oregon. The agreement is the largest financial transaction in the history of the city's maritime port, and is ICTSI's first venture in the United States.

YRDICTL

Yantai Rising Dragon International Container Terminals Ltd.

Yantai Rising Dragon International Container Terminals Ltd. (YRDICTL), container terminal operator at the Port of Yantai, Shandong in China, posted a 16 percent increase in volume handled from 160,138 TEUs in 2009 to 186,358 TEUs in 2010. The surge in volume was a result of growing foreign feeder services and increasing foreign volume from neighboring Japan and South Korea.

YRDICTL serviced a total of 609 vessels, a seven percent increase from the 567 vessels in 2009. In October, the Company serviced the largest vessel to call in the terminal, COSCO's 5,089-TEU *Tian Li He*. The highest number of container moves done on a single vessel was recorded during this call: a total of 1,102 moves for 1,238 TEUs wherein 309 moves were made for 358 TEUs for imports and 793 moves for 880 TEUs for exports. New shipping services, the Yantai-Qingdao feeder of CML and the Yantai-Busan line of EAS, were launched in the terminal.

During the year in review, the terminal was able to renew its Certificate of Accreditation for Port Operations of Dangerous Goods, and the Integrated Management Systems (IMS): ISO 9001 Quality Management System, ISO 14001 Environmental Management System and OHSAS 18001 Occupational Health and Safety.

New programs and systems were implemented: the Operation Data Management System, which can generate revenue and cost analysis reports per container; the Driver Dispatching System for the planning, management and monitoring of driver activity in the terminal; and the Web Transact System, an online one-stop service for shipping agencies. The latter system simplifies transaction processes as well as reduces transaction time and costs.

Human resources development continued with training programs on workforce efficiency, which included seminars and workshops on finance, safety and security, and information technology. YRDICTL is geared to better serve the growing economy of the industrial province of Shandong. As ICTSI's foothold in the Chinese market, Yantai is the Group's gateway to the economic powerhouse that is China.

COSCO

Naha International Container Terminal, Inc.

Naha International Container Terminal, Inc. (NICTI), manager of the Naha International Container Terminal (NICT) in Okinawa, Japan, posted a four percent increase in container volumes, from 82,304 TEUs in 2009 to 85,228 in 2010. The modest increase was due to the resumption of the US West Coast direct service of American President Lines and the second loop of the China coastal service of Marianas Express Lines.

To further enhance safety and security, NICTI conducted training programs, drills and exercises on safety awareness.

Marketing activities continued during the year to promote the NICT to potential shipping line clients, freight and logistics companies, and industrial consignees. The promotion met success in expanding the usage of the terminal's reefer facilities.

The NICT is prepared to complement logistics centers in the region as trade activities advance between Japan, China, South Korea and the United States.

NMCTS

New Muara Container Terminal Services Sdn. Bhd.

In its first full year of operation, New Muara Container Terminal Services Sdn. Bhd. (NMCTS), operator of the Muara Container Terminal in Brunei Darussalam, handled 93,230 TEUs in 2010, up by nine percent from the 85,577 TEUs in 2009. The 2010 volume was the highest recorded throughput in the last three years. The increase was a result of growing import and export traffic, which improved by eight and 10 percent, respectively.

Despite the increasing volumes, productivity at the Muara Container Terminal significantly improved: average truck turnaround time improved by 85 percent, which is within the 20-minute benchmark from gate-in to gate-out; while average vessel turnaround time decreased to 10 hours in 2010 from 40 hours in 2009, a 75 percent improvement. With these productivity breakthroughs, the terminal achieved the standard norm for the container ports industry in less than two years.

At yearend, the Ministry of Communications, led by Minister Pehin Dato Abdullah Bakar, visited the terminal to observe port operations, terminal procedures and working conditions under a new operator.

NMCTS is one with the Brunei Government in optimizing Muara Port's service delivery and operations with the end view of transforming the port into a competitive trading gateway not only for Brunei but also for the ASEAN. A modernization program is in the pipeline that would further upgrade terminal equipment and facilities, introduce the latest IT systems, and fortify safety and security.

15 June – ICTSI signed a 34-year concession with the Administracion Portuaria Integral de Manzanillo S.A. for the development and operation of the second Specialized Container Terminal of the Port of Manzanillo in Colima, Mexico.

TSSA

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, handled 340,396 TEUs in 2010, a significant 35 percent increase over the 251,417 TEUs it handled in 2009. A milestone for the year was when the terminal serviced its 300,000th TEU in November. The increase in volume was driven by the economic and industrial resurgence in Pernambuco. By yearend, the SCT held 45 percent of the container market share in Pernambuco, which is located in northeastern Brazil.

In April, TSSA acquired eight new rubber tired gantries (RTG) as part of its three-year US$ 45 million capital investment to improve capacity and operations in the terminal. In October, construction of a three-hectare extension of the container yard began after TSSA received authorization from the government to develop and occupy the remaining area of SCT.

Along the year, with focus to obtain its OHSAS 18001 Occupational Health and Safety Management System certification, TSSA installed an oil and water separator with coalescing plates at the maintenance area, designated a central area for flammable waste in the container freight station and implanted a filter system. TSSA was re-certified compliant with ISO 9001 Quality Management System and ISO 14001 Environment Management System.

TSSA continued with its IT enhancements including automation of several areas in terminal operations. Through REFCON, a reefer monitoring system, reefer containers are automatically processed and temperature-controlled once connected to an outlet. The latest version of SPARCS was also rolled out to improve operational efficiency. The new version allowed the generation of records for damaged containers and temperatures of reefer containers. TSSA automated timekeeping and several other terminal procedures. This enabled TSSA to monitor real time productivity and terminal departure reports including electronic invoicing for customers. On the other hand, online client transactions improved with the introduction of new processes on service requests and the accessibility of information such as shipping schedules. A help desk management system, SysAid, was implemented for IT backroom support.

On the human resources front, TSSA concluded labor agreements with SINDAGE, the workers union of the terminal, for the regularization of all employees. Training programs were conducted for container equipment operation, quality management service, Basic English courses, and port workforce development. Together with consultants Ernst & Young and Terco, TSSA designed an organizational development plan that would advance the career pathing of all employees, re-structure the organization, improve salaries, and develop performance evaluation guidelines for training and variable compensation.

The ongoing development in the terminal's container yard is targeted for completion by the end of 2011. As part of the expansion program and to better facilitate increasing volumes, orders have been made to add two new quay cranes, four RTGs, and 12 prime movers and chassis to its equipment fleet.

TSSA will continue with its programs in maintaining SCT's market lead in the region by further developing terminal infrastructure, operations and service. With Brazil taking on a larger role in the global economy, the SCT is expecting higher volumes once sea-lanes between the east coast of South America and the west coast of Africa open up for brisker trade.

Contecon Guayaquil SA

Contecon Guayaquil SA (CGSA), manager and operator of the Guayaquil Container and Multipurpose Terminals (GCMT) in Guayaquil, Ecuador, posted a 13 percent increase in volume handled, from 624,783 TEUs in 2009 to 708,575 in 2010. CGSA also reached its 700,000th TEU mark in December. Improving banana trade primarily drove the increase. The terminal consolidated 20,000 FEUs of banana cargo, a 100 percent increase from 10,000 FEUs in 2009. The lifting of quota for imports in the country also contributed to the surge in volume.

CGSA kept its market share to close to 65 percent market share and maintained its position as Ecuador's leading international trading gateway.

CGSA serviced a total of 1,065 containerships, five of which were new vessels: *Hanjin Palermo*, *Hanjin Lima*, *Dakota Princess* of TBS, *Baltic Klipper* of Baltic Shipping and *El Toro* of CMA CGM.

CGSA further enhanced its engineering facilities to efficiently maintain container-handling equipment, while audio-visual rooms were constructed for employee training programs.

During the year in review, CGSA was re-certified compliant with various international management systems: ISO 9001 Quality Management, ISO 14001 Environmental Management, OHSAS 18001 Occupational Health and Safety, and ISO 28000 Supply Chain Security.

CGSA continued with its technical and behavioral training programs, and conferred commendations to 68 employees from its finance, operations, IT and maintenance departments. Union officers were also elected who will represent the terminal's ranks in the negotiating table for the collective bargaining agreement with CGSA management.

In May, CGSA hosted the Guayaquil leg of the Sails of South America, an international regatta commemorating the bicentennial anniversary of the first national governing board of South American nations, which fought colonial rule 200 years ago. During the regatta, Ecuador President Rafael Correa visited the terminal and was impressed with CGSA's performance at GCMT.

In November, CGSA participated in the World Business Forum organized by the Latin American Association of Industries. Held in Guayaquil, the international forum focused on public-private partnerships for sustainable development. Outside Guayaquil, CGSA participated for the third time in Intermodal South America in San Paulo, Brazil in April.

CGSA continued receiving recognition from peers and local media. The Company ranked 88th in the list of 100 large corporations in Ecuador by *Vistazo Magazine*. In July, business magazine Ekos placed CGSA 114th among 400 companies with thriving businesses. In October, the Company received a citation from the City of Guayaquil after it vied for the city's Eco-Efficiency Award.

In 2011, CGSA will receive the replacement of a post Panamax quay crane, which suffered an accident in 2010. Four rubber tired gantries will also be delivered.

With growing trade in Ecuador and strong global demand for bananas, CGSA plans to further improve operations, services and productivity at GCMT. Aside from strengthening its position as Ecuador's international trading gateway, CGSA is ready to bolster GCMT as a potential logistics center in the west coast of Latin America.

ICTSI OREGON

ICTSI Oregon, Inc.

ICTSI signed a 25-year lease agreement with the Port of Portland Commission to manage and operate Terminal 6, a container and break bulk marine terminal in Portland, Oregon. As part of the agreement, ICTSI paid US$2 million in May and US$6 million in August, and for the period of the contract, an annual lease fee of US$4.5 million plus incremental revenue per container moved as volumes increase over time.

ICTSI established a US-based subsidiary, ICTSI Oregon, Inc., (ICTSI Oregon) to operate the terminal. ICTSI Oregon officially took over Terminal 6 in February 2011. Overall security of the terminal remains with the Port of Portland. Port security of all marine terminals in the country is under the jurisdiction of the US Government.

In 2010, the Port of Portland handled 181,100 TEUs.

A well developed, fully equipped marine terminal, Terminal 6 has a total area of 78 hectares, which can handle 700,000 TEUs in annual capacity or up to 1,000,000 TEUs when entirely developed to include expansion areas. Its 869-meter berth has a controlling depth of 13.1 meters, capable of serving three to four vessels at one time. The berth is equipped with nine quay cranes, four of which are post Panamax cranes. The yard has a reefer facility with 620 reefer plugs at 480 volts each. Nine inbound gates and four outbound gates regulate truck movement. Six of the inbound gates are equipped with 50-ton capacity truck scales.

The terminal also has facilities for intermodal operations. Eight rail tracks totaling 6,125 meters can accommodate three trains at one time. The rail facility has direct access by the BNSF and Union Pacific Railroads. Its 21-hectare intermodal yard area is adjacent to the container yard. Terminal 6 also has facilities for general and roll on-roll off cargo for vehicles, and cargo distribution and consolidation / deconsolidation.

ICTSI committed to the Port that Terminal 6 would be the Company's focus in the US West Coast. Plans are underway to increase the Port's client base, streamline operations, and introduce a one-stop-shop system in client transaction in the terminal.

25 August – ICTSI, for the second time, is included in Stern Stewart and Co.'s 2010 Top 25 Wealth-Added Index among Philippine companies. Stern Stewart & Co. is a New York-based management consulting firm.

SPIA

Sociedad Puerto Industrial de Aguadulce, S.A.

Sociedad Puerto Industrial de Aguadulce S.A. (SPIA) started constructing a 21.3-kilometer access road that will link the planned container terminal to the inner part of Colombia. After the completion of the road, SPIA will proceed with the first phase development of the terminal at the Aguadulce Peninsula in Buenaventura, Colombia.

The future 240-hectare terminal will have a 900-meter berth. During the first phase, 720 meters will be developed with the remainder to be completed during the second phase. Initially, 7.5 hectares will be utilized for the terminal's yard, which will include storage for reefer and empty containers.

Three quay cranes and eight rubber-tired gantries will be commissioned for the operating start-up. Additional equipment will be added as the port develops.

A six-lane automated gate will be constructed equipped with a SAIC automation system, which will feature an imaging system, truck plate recognition system, security cameras, and driver registration station. Three gates will be designated for incoming trucks and the other three for outgoing trucks.

Upon completion, the first phase of terminal development will have a handling capacity of 450,000 TEUs annually. Over the medium term, capacity is expected to reach 750,00 TEUs.

Within the SPIA property, a grain and coal terminal will also be built consisting of a 250-meter berth, fully equipped to handle this type of cargo. The coal terminal will handle Colombian coal exports mainly to India and to China.

TecPlata

TecPlata, S.A.

TecPlata, S.A. continued with the first phase development of its new container terminal project in the Port of La Plata, Buenos Aires, Argentina.

The terminal, which is located on the eastern bank of the Santiago River, is expected to operate in July 2012 with a capacity of 450,000 TEUs. The terminal will have an annual capacity of 1,000,000 TEUs when all three phases of development are completed.

During the first phase, the river will be dredged to 11 meters and widened to 50 meters to accommodate bigger vessels coming into to the terminal. A 600-meter quay will be constructed with two to three berthing positions, and may be extended to 250 meters during the second phase. Some 20 hectares of land will be allotted for the container yard.

Equipment to be acquired include four quay cranes and nine rubber tired gantries, while five gates will be installed for truck entry and exit.

TecPlata expects brisk trade in Argentina in the coming years as the country becomes a G-20 economy, a group of developed and developing economies, which are seen to advance and re-shape the course of global trade. The Company's La Plata terminal is well positioned in the Port of Buenos Aires to serve the country's growing trade as well as trade in neighboring Uruguay.

CMSA

Contecon Manzanillo S.A. de C.V.

Contecon Manzanillo S.A. de C.V. (CMSA) started laying the groundwork for the second specialized container terminal in the Port of Manzanillo, Colima state in Mexico. A US$550 million investment plan was drawn for the development of the 77-hectare container handling facility located at the northern portion of the port.

Initial capacity is targeted at 450,000 TEUs annually. When all construction phases have been completed, the terminal will have an annual capacity of 1,700,000 TEUs.

During the initial phase, CMSA will construct a 720-meter berth, which can accommodate two vessels at one time. To accommodate super post Panamax vessels, the berth will have a controlling depth of 16 meters. Areas will be assigned for full, empty and reefer containers in the terminal's eight-hectare container yard including an area for intermodal operations.

Manzanillo is Mexico's largest seaport located at the Pacific coast of the country. The port is the gateway for Mexican trade between the US West Coast and the Asia-Pacific, and the nearest port to the country's capital, Mexico City. The Mexican economy has been experiencing robust growth, and is expected to sustain the growth momentum in the coming years.

BCT

November – UBS Investment Research cites ICTSI for its increasing container throughput. ICTSI's volumes reached 3.07 million TEUs in the first nine months.

OPERATIONS IN EUROPE, MIDDLE EAST & AFRICA

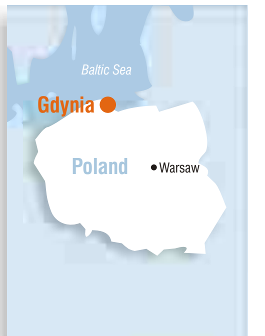
Baltic Container Terminal Ltd.

Baltic Container Terminal Ltd. (BCT), operator and manager of the container terminal at the Port of Gdynia in Poland, posted a 24 percent increase in container volumes after a decline in 2009.

BCT handled 281,142 TEUs during the year in review, from 226,742 TEUs in 2009. Aside from improving trade, the increase was driven by the addition of OOCL's Scan-Baltic Express service, which calls at the terminal twice a week and Unifeeder's short sea service to Russia with one call a week.

A total of 551 vessels were serviced, three of which were maiden calls by OOCL vessels *Nevski*, *St. Petersburg* and *Finland*.

Security was improved with the roll out of the Access Control System, which monitors and records human movement inside the terminal. Scanning systems and laser detectors were also deployed to monitor containers.



On the IT front, BCT introduced a CRM system to improve service requests and provide information on customers, contacts, actions and other activities. A new data back-up facility was also installed.

BCT was re-certified by Lloyds Register Quality Assurance as compliant with the ISO certifications: 9001:2008 Quality Management System and 22000:2005 Food Safety Management System, while a new system was introduced: ISO 14001:2004 Environment Management System.

On the manpower front, various training programs were implemented on leadership and motivation, customer service, claims management, project management and process management, accounting, sales and purchasing.

The Polish economy is expected to further recover in 2011 with GDP growth targeted at four percent. BCT is drawing up a marketing plan to boost its container market share in Poland and to further increase volumes and vessel calls in the terminal.

BICT

Batumi International Container Terminal LLC

Batumi International Container Terminal LLC (BICT), manager and operator of the multipurpose container terminal in Batumi Port, Adjara in Georgia, handled 16,318 TEUs in 2010, up 85 percent from 8,813 TEUs in 2009.

Aside from containerized cargo, BICT handled general cargo of key commodities such as cotton, cement, oil, textile and potatoes as well as electrical cargo and heavy equipment.

In December, BICT signed agreements with shipping line Mediterranean Shipping Co. S.A. on tariffs and streamlined terms of business, which aim to promote synergy and mutual cooperation between the two companies.

BICT constructed a 900-square meter customs warehouse equipped with CCTV cameras for cargo storage to beef terminal security.

The Company also launched its website, www.bict.ge, which includes a page on container tracking, allowing clients to track down containers passing through the terminal.

In 2011, BICT plans to bolster marketing activities to optimize the terminal's potential as a trading gateway for containerized and non-containerized cargo. Steadily, BICT has been improving Batumi Port's container and cargo handling capabilities.

TICT

Tartous International Container Terminal jsc

Tartous International Container Terminal jsc (TICT), manager and operator of the container terminal in the Port of Tartous in Syria, posted a one percent increase in container volume handled, from 62,299 TEUs in 2009 to 62,722 in 2010.

TICT welcomed a new client, Oman Container Line, and serviced the largest vessel to call at the terminal, the 1,094 TEU-capacity *Suderoog Maersk*, in September. The terminal also serviced shipment of the UN World Food Program. A total of 241 vessels berthed in the terminal, 16 of which were maiden calls.

Two new quay cranes were commissioned in inaugural ceremonies led by Syrian Prime Minister Mohammad Naji Ottari in March.

The two cranes significantly sped up container handling at the port, decreased vessel dwell time and made the TICT more efficient than competition.

In January, TICT was named the best container terminal in Syria by *World Finance* Syria Economic Reform Awards held in London. The awards, spearheaded by the London-based finance magazine, were given to companies that weathered the social and economic problems of the country.

TICT continues to market the terminal as the best trading gateway in the eastern Mediterranean for the economies in the Middle East, North Africa and Europe. Plans are underway to further enhance TICT's marketing efforts to increase volumes and vessel calls in the terminal.

Madagascar International Container Terminal Services Ltd.

Madagascar International Container Terminal Services Ltd. (MICTSL), manager and operator of the Madagascar International Container Terminal (MICT) in Toamasina, Madagascar, posted a seven percent increase in container volume handled, from 132,278 TEUs in 2009 to 141,093 TEUs in 2010. The increase was a result of an improving economy brought about by a stabilizing political climate in the country.

In August, MICTSL commissioned a brand new mobile harbor crane (MHC). Manufactured by Gottwald, the MHC has a capacity of 41 tons for single lift and 50 tons for twin lift. The crane has a maximum outreach of 51 meters, allowing the terminal to service bigger vessels. MICTSL now has four MHCs.

At the labor front, MICTSL maintained industrial peace in the terminal with the signing of a new collective bargaining agreement in October. Various training programs on technical skills and work attitudes were implemented throughout the year.

MICTSL was recognized by the World Customs Organization for its important role in the reformation of Malagasy Customs in March. The Company has been involved in improving customs control and monitoring at the Port of Toamasina while paving the way for hassle-free customer transactions.

In March, MICTSL participated in the Fourth Indian Ocean Ports and Logistics held in Mauritius. MICTSL showcased the benefits of the privatization in the Port of Toamasina during the international conference and exhibition. In March 2011, MICTSL hosted the fifth edition of this international event.

MICTSL is committed to further improve service delivery and terminal infrastructure as volume increases and thriving trade in Madagascar continues. In the pipeline is the construction of an expanded container yard to increase the terminal's capacity.

Corporate Social Responsibility in ICTSI

ICTSI Group

On top of the corporate social responsibility (CSR) programs of the ICTSI Foundation, Inc., ICTSI continued to support other foundations and non-government organizations whose thrusts are poverty alleviation, and social support for indigent communities. These were the Bukas Loob sa Diyos Foundation, Sagip Foundation, Mission Communication Foundation, Alab Katipunan and the Beloved of the Lord Catholic Community. In Davao, DIPSSCOR conducted outreach activities for the elderly at the Cosugian Home in Davao City; while in Brazil, TSSA spearheaded a food donation drive for the victims of flash floods, which left thousands homeless in Pernambuco in June.

In January, The ICTSI Mountaineering Club trooped to Los Baños, Laguna south of Manila to participate in *Manila Standard Today*'s annual Adopt-a-Tree Program. Hundreds of tree seedlings were planted in an effort to restore ecological balance in the area, and to help alleviate the effects of climate change. Two Philippine subsidiaries participated in coastal clean up activities: SCIPSI for the clean up of the coastal area of Saranggani Bay in March; and BIPI for the 25th International Coastal Clean Up Day along the shoreline of barangay San Andres and the banks of the Tabok River in September. In July, MICTSI captured an endangered variety of a python inside the Mindanao Container Terminal. The python was immediately turned over to environment authorities.

ICTSI Foundation, Inc.

ICTSI Foundation, Inc. (ICTSI-FI) had its first full year of operation in 2010. At the core of the Foundation is its key thrust: optimizing the growth potentials of the youth in communities where ICTSI operates. ICTSI-FI provided support mechanisms initially in education and community welfare. During the year in review, the Foundation implemented projects mostly in communities and public schools situated near the six ports operated by ICTSI in the Philippines.

Education

ICTSI-FI officially took over an existing scholarship program supervised by the ICTSI Public Relations Office and implemented by the Philippine Business for Social Progress (PBSP). Now on its fourth year, the program has 34 scholars, 29 of whom are graduating high school students in 2011. The scholarship covers provisions for uniform, shoes and socks, food and transportation, school fees, books, school supplies, and project and miscellaneous expenses. The scholars are from Tondo High School in Manila, Bauan Technical High School in Batangas, Olongapo City National High School near Subic, Gen. Santos City National High School, Davao City National High School and Misamis Oriental General Comprehensive High School.

The Foundation established mini-libraries and reading corners in four public schools: Rosauro Almario Elementary School-Isla Puting Bato Annex in Tondo, Manila, F. Bangoy Central Elementary School in Sasa, Davao City, Gracia Elementary School in Tagoloan, Misamis Oriental, and Labangal National High School in Gen. Santos City. Storybooks were provided, while teachers were given storytelling workshops to enhance teaching capabilities on reading.

In partnership with Synergeia Foundation, ICTSI-FI implemented a three-year reading proficiency program for select students of the Rosauro Almario Elementary School Annex. The project covered teachers' training, and the provision of manuals for teachers and workbooks for students. The program also involved parents, community leaders and local government units.

Together with Philippine Business for Social Progress, the Foundation launched a project that would improve the technology and livelihood education curriculum of two public high schools in Manila: Tondo High School and J.G. Nolasco High School. The project aims to strengthen the livelihood skills of students, enabling them to possess employable skills in the event that students dropped out of school or could not pursue a college education and has to join the workforce. ICTSI-FI worked on improving the cosmetology and electronics / electrical departments of the schools by upgrading their equipment and providing training to teachers and parents.

Computers were donated to the Sinag Center of Kalalake Elementary School in Olongapo City. Sinag Center caters to special children with visual, hearing and speech impairment, intellectual disability and autism.

Community Welfare

In July, ICTSI-FI launched a six-month supplemental feeding program for malnourished children, which includes capability-building seminars for mothers on responsible parenting, maternal and child care, nutrition, and financial and microfinance literacy. The program was rolled out in the neighboring communities of ICTSI operations in Manila, Batangas and Davao. In Manila, there were 803 children in three daycare centers in Parola, Tondo and annex schools of the Rosauro Almario Elementary School in Parola and Isla Puting Bato. In Batangas, beneficiaries were 123 children from daycare centers in San Andres and San Andres Uno, and grade 1 students of the San Andres Elementary School. In Davao, 70 grade 1 students of the F. Bangoy Central Elementary School benefited from the program. The Foundation tapped local government offices, especially offices on social welfare and health and nutrition, and the National AntiPoverty Commission to assist in the implementation of the program. To further improve the program, livelihood seminars were implemented year round. Conducted in partnership with the Manila Manpower Development Center, the livelihood training aims to provide the mothers of the feeding program with skills and knowledge on home-based enterprises. Seminars included candle making, meat processing and the preparation of dishwashing liquid, perfume, cologne and herbal soap. The participants were given starter kits to practice their newly acquired skills. To date, a total of 196 residents of Parola and Isla Puting Bato in Manila and 65 in Batangas have availed of the seminars.

ICTSI continued with its free medical and dental clinics at Manila International Container Terminal's (MICT) immediate communities of Parola and Isla Puting Bato in Tondo, Manila. The Foundation coordinated these quarterly free clinics in cooperation with the Company's Human Resources (HR) and Community Relations departments. Plans are underway to fully turn over the management of the free clinics program from the HR to the Foundation. Likewise, ICTSI-FI organized a free clinic for Bauan International Port, Inc. benefiting 100 residents of San Andres and San Andres I in Bauan, Batangas.

In December, ICTSI-FI sponsored a leadership seminar for local leaders of communities near the Bauan Terminal. The Proactive Barangay Leadership and Governance Seminar Workshop was held at the BIPI conference room.

In March, the Foundation sponsored a seminar on financial literacy for pedestrian cab drivers and operators plying the South Access Road at MICT. The Colayco Foundation conducted the seminar wherein participants were given tips and strategies on how to manage, spend, save, and invest their money.

Aside from implementing various projects, the Foundation granted sponsorships, provided financial assistance, and made donations to various groups. Among them were the Hydrocephalus Foundation, Tahanan ni Maria, a home for the elderly, Manila Youth and Reception Center, Children's Joy Foundation, World Food Program and the Philippine Tuberculosis Society.

ICTSI-FI donated computers to the Manila Social Welfare Department, the Foundation's partner for projects in Isla Puting Bato and Parola in Tondo, Manila.

ICTSI Golf Program

Philippine golf continued to be vibrant with ICTSI's sustained support for junior, amateur and professional golfers through its homegrown golf development program. To date, ICTSI remains the country's leading corporate benefactor of the sport.

Together with the Junior Golf Foundation of the Philippines, ICTSI launched a junior golf circuit for young golfers ages nine to 17. A total of 34 club, inter-club, and inter-school tournaments were held throughout the year in courses within and nearby Metro Manila. Some 150 jungolf players participated in these tournaments. The top players of the circuit were later on recruited for the ICTSI Amateur Golf Program.

ICTSI supported 35 amateur golfers, composed of two teams for men, and a women's team. In October, the women's team finished eighth in the World Amateurs held in Argentina, the best placing made by the Philippines in a major international amateur tournament to date. The men's team, on the other hand, won the silver medal in the individual category of the Asian Games' golf competition in China. The amateur teams of the program remained the country's top teams winning major local, regional and international tournaments.

For its professional golf program, ICTSI supported 13 of the country's top professional golfers, helping them in managing their professional careers, including assistance in their campaigns in regional and international tournaments. A number of these pros won championships and had good placements in local, international and regional tournaments and circuits.

Aside from the support extended to the country's top golfers, ICTSI continued its sponsorships to major tournaments and circuits in the country and in the region.

Management's Discussion & Analysis

The following discussion and analysis relate to the consolidated financial condition and results of operations of ICTSI and its wholly and 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, 2010. 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, 2010, 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 existing Muara Container Terminal (Muara Terminal) and design, construct and develop the new Pulau Mauara Besar Container Terminal in Brunei; acquired and was awarded the concessions to develop and manage the container terminals in the Port of Buenventura in Colombia, Port of La Plata in Argentina and Port of Manzanillo in Mexico; and signed a 25-year lease with the Port of Portland in Oregon in the United States of America for the container/break-bulk facility at Terminal 6.

ICTSI was established in 1987 in connection with the privatization of Manila International Container Terminal (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, Ecuador, and recently, China, substantially contributed to the growth in volume, 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)
  - Argentina – Port of La Plata (Tecplata)
  - Oregon, USA – Port of Portland, Oregon, USA (ICTSI Oregon)
  - Mexico – Port of Manzanillo, Mexico (CMSA)
  - Colombia – Sociedad Puerto Industrial de Aguadulce SA (SPIA)

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 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 the Philippine Ports Authority (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.

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 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, 2010.

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. (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 is under development and has not yet started commercial operations as of December 31, 2010.

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 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 November 2009, ICTSI was declared by the *Administracion Portuaria Integral de Manzanillo, S.A., de C.V.* (API) the winner of a 34-year concession for the development and operation of the second Specialized Container Terminal (TEC-II) at the Port of Manzanillo. ICTSI established Contecon Manzanillo, S.A. de C.V. (CMSA) on January 6, 2010 to operate the Port of Manzanillo. The concession agreement was signed on June 3, 2010. Under the agreement, CMSA paid upfront fees of 50.0 million Mexican Pesos (MXN) (US$4.1 million) plus tax to API in two installments: MXN25.0 million (US$2.0 million) on June 3, 2010, the date of signing of the contract; and another MXN25.0 million (US$2.0 million) on September 17, 2010. CMSA started construction activities on December 6, 2010.

On May 12, 2010, ICTSI signed a 25-year lease with the Port of Portland (the Port) for the container/break-bulk facility at Terminal 6. Under the terms of the agreement, ICTSI paid the Port US$8.0 million at closing date in addition to an annual rent payment of US$4.5 million, subject to any increases in the consumer price index. As terminal volumes increase over time, ICTSI will pay the Port additional incremental revenue per container moved. The US$8.0 million upfront fee was paid in two tranches: US$2.0 million on May 12, 2010 as a signing deposit; and the remaining US$6.0 million on August 12, 2010. ICTSI established ICTSI Oregon, Inc. on April 15, 2009 to operate the Port. ICTSI Oregon took over the port operations on February 12, 2011.

RESULTS OF OPERATIONS

The following table shows a summary of the results of operations for the years ended December 31, 2008, 2009 and 2010. The comparative analyses of the accounts were based on the accompanying Audited Consolidated Financial Statements.

Audited Consolidated Statements of Income

	For the Year Ended December 31				
In thousands, except % change data	2008	2009	**2010**	% Change *2008 vs 2009*	% Change *2009 vs 2010*
Gross revenues from port operations	US$463,118	US$421,651	**US$527,115**	(9.0)	25.0
Revenues from port operations, net of port authorities' share	400,235	360,825	**450,688**	(9.8)	24.9
Total income (net revenues, interest and other income)	466,730	401,386	**485,268**	(14.0)	20.9
Total expenses (operating, financing and other expenses)	365,772	321,367	**348,285**	(12.1)	8.4
EBITDA[1]	196,436	175,653	**247,698**	(10.6)	41.0
EBIT[2]	145,688	118,050	**180,853**	(19.0)	53.2
Net income attributable to equity holders of the parent	64,226	54,911	**98,276**	(14.5)	79.0
Earnings per share					
Basic	US$0.034	US$0.029	**US$0.052**	(14.7)	79.3
Diluted	0.032	0.028	**0.050**	(12.5)	78.6

[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 not 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 presents the computation of EBITDA as derived from the Group's consolidated net income attributable to equity holders of the parent for the year:

EBITDA Computation

	For the Year Ended December 31				
In thousands, except % change data	2008	2009	**2010**	% Change *2008 vs 2009*	% Change *2009 vs 2010*
Net income attributable to equity holders of the parent	US$64,226	US$54,911	**US$98,276**	(14.5)	79.0
Minority interests	(3,211)	(2,873)	**(451)**	(10.5)	(84.3)
Provision for income tax	39,943	27,981	**39,158**	(29.9)	39.9
Income before income tax	100,958	80,019	**136,983**	(20.7)	71.2
Add (deduct):					
Depreciation and amortization	50,748	57,603	**66,845**	13.5	16.0
Interest and other expenses	111,224	78,592	**78,450**	(29.3)	(0.2)
Interest and other income	(66,494)	(40,561)	**(34,580)**	(39.0)	(14.7)
EBITDA	US$196,436	US$175,653	**US$247,698**	(10.6)	41.0

OPERATING RESULTS FOR THE YEAR ENDED DECEMBER 31, 2010 COMPARED WITH 2009

TEU Volume

The following table shows the Group's consolidated volume for the years ended December 31, 2009 and 2010:

Consolidated Volumes

	For the Year Ended December 31		
	2009	**2010**	% Change
Asia	2,250,924	**2,652,328**	17.8
Americas	876,200	**1,048,971**	19.7
EMEA	430,132	**501,275**	16.5
Total	3,557,256	**4,202,574**	18.1
MICT	1,395,925	**1,608,569**	15.2
CGSA	624,783	**708,575**	13.4
TSSA	251,417	**340,396**	35.4
BCT	226,742	**281,142**	24.0
YRDICTL	160,138	**186,358**	16.4
MICTSL	132,278	**141,093**	6.7
Others	765,973	**936,441**	22.3
Total	3,557,256	**4,202,574**	18.1

The Group ended year 2010 with a robust increase in volume posting 18.1 percent growth versus its comparable figure for the same period in 2009. Recovery of global trade benefited all the Group's container terminal operations, which resulted in double-digit increases in volumes of the Group's Asia, Americas and EMEA port operations. Key terminals also registered a combined growth of 17.0 percent year-on-year.

Throughput from the Group's terminal operations in Asia, comprised of terminals in the Philippines, China and Indonesia, surged 17.8 percent to 2,652,328 TEUs for the year ended December 31, 2010 mainly driven by the growth at MICT, YRDICTL, DIPSSCOR and MICTSI. Among the Asian port terminals, MICTSI registered as the top performer posting year-on-year growth of 52.3 percent while PTMTS reported the lowest growth of 4.3 percent. Asia port operations accounted for 63.1 percent of the consolidated volume for the full year 2010 and 63.3 percent for the same period a year ago.

The Group's Americas container terminals, composed of Brazil and Ecuador operations, soared 19.7 percent in 2010 over a year ago as both terminals posted hefty improvements in volume. This segment accounted for 25.0 percent of total volume in 2010 and 24.6 percent in 2009.

EMEA port operations, consisting of terminals in Poland, Madagascar, Syria and Georgia, posted 16.5 percent year-on-year jump in throughput. BICT and BCT rebounded from 2009 and propelled EMEA's growth with their double-digit increases in volume of 85.2 percent and 24.0 percent, respectively. These operations comprised 11.9 percent and 12.1 percent of the total volume in 2010 and 2009, respectively.

MICT, Port of Manila, the Group's flagship container terminal and operated by the Parent Company, posted a 15.2 percent increase in volume from 1,395,925 TEUs in 2009 to 1,608,569 TEUs in 2010 mainly due to stronger international and domestic trades. MICT contributed 38.3 percent to the Group's total volume for the year ended December 31, 2010 and 39.2 percent for the same period in 2009.

Volume handled at CGSA, Port of Guayaquil, jumped 13.4 percent to 708,575 TEUs for the full year 2010 against 624,783 TEUs for the same period a year ago driven by the rise in exports, imports and transshipment volumes and the containerization of bananas. CGSA accounted for 16.9 percent and 17.6 percent of the consolidated volume in 2010 and 2009, respectively.

TSSA, the Port of Suape, registered a 35.4 percent increase in volume or from 251,417 TEUs in 2009 to 340,396 TEUs in 2010 on account of robust investment growth in Recife, Brazil and the upturn in foreign trade as Brazil, as part of the Brazil, Russia, India, China (BRIC) countries, continues to benefit from the recovery of the global economy. Imports rebounded after compression in 2009 and outpaced exports growth in the context of strong Brazilian real. TSSA's volume accounted for 8.1 percent of the total volume in 2010 from 7.1 percent in 2009.

Volume at BCT, Port of Gdynia, increased by 24.0 percent from 226,742 TEUs in 2009 to 281,142 TEUs in 2010 mainly attributed to the recovery of the global market as well as the local economy. The terminal gained a new shipping line client in the middle of 2010 which also boosted its volume throughput. BCT contributed 6.7 percent to the Group's volume in 2010 and 6.4 percent in 2009.

Volume at YRDICTL, Yantai Gangtong Terminal, went up by 16.4 percent from 160,138 TEUs it handled in 2009 to 186,358 TEUs it managed in 2010 primarily due to the upturn in international trade. This terminal added 4.4 percent to the consolidated volume in 2010 and 4.5 percent in 2009.

MICTSL's volume climbed 6.7 percent from 132,278 TEUs in 2009 to 141,093 TEUs in 2010 primarily driven by the surge in export of empty containers. Import of full containers slightly grew due to the impact of mining projects in the country. MICTSL's volume accounted for 3.4 percent and 3.7 percent in 2010 and 2009, respectively.

The other terminals, largely represented by DIPSSCOR, MICTSI and SCIPSI, soared 22.3 percent from 765,973 TEUs in 2009 to 936,441 TEUs in 2010. MICTSI surged 52.3 percent as it experienced robust growth in imports, exports and transshipment volumes; DIPSSCOR jumped 26.5 percent primarily due to higher exports and domestic volumes; and SCIPSI grew 10.0 percent as a result of the recovery in both international and domestic trade. These three terminals contributed 16.3 percent to the consolidated volume for the full year 2010 and 15.0 percent for the same period a year ago.

Certain key performance indicators (KPIs), other than TEU volume growth and gross revenues growth, affect the operations of the Group. These are gross moves per hour per crane or crane productivity, crane availability and berth utilization.

Gross moves per hour per crane at MICT declined from 27 moves per hour in 2009 to 24 moves per hour in 2010 mainly due to the effect of implementing a new terminal operating system during the second half of 2010. CGSA slightly declined from 25 moves per hour in 2009 to 24 moves per hour in 2010 primarily due to the effect of the crane accident at the terminal. BCT also recorded a slight decline from 29 moves per hour in 2009 to 27 moves per hour in 2010 due to bad weather condition in the latter part of 2010. Meanwhile, crane productivity at YRDICTL, TSSA and MICTSL remained flat at 25, 21 and 14 moves per hour per crane, respectively, for both 2009 and 2010.

Crane availability, except for CGSA due to the crane accident, was remarkable for the rest of the key terminals due to enhanced operating efficiency. BCT posted the highest crane availability at 99.0 percent followed by MICTL and YRDICTL which both reported 97.0 percent crane availability in 2010.

Berth utilization at MICT, TSSA, BCT and YRDICTL increased from 60.0 percent, 44.0 percent, 16.0 percent and 36.0 percent, respectively, in 2009 to 77.0 percent, 62.0 percent, 19.0 percent and 50.0 percent, respectively, in 2010 mainly associated with stronger volume in 2010. Meanwhile, CGSA declined from 50.0 percent in 2009 to 42.0 percent in 2010 due to the impact of the crane accident.

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; and (4) Other income.

The table below illustrates the consolidated total income for the years ended December 31, 2009 and 2010:

Total Income

	For the Year Ended December 31		
(In thousands, except % change data)	2009	**2010**	% Change
Gross revenues from port operations	US$421,651	**US$527,115**	25.0
Port authorities' share in gross revenues	60,826	**76,427**	25.6
Net revenues	360,825	**450,688**	24.9
Foreign exchange gain	35,445	**12,381**	(65.1)
Interest income	3,684	**5,622**	52.6
Other income	1,432	**16,577**	1057.6
Total income	US$401,386	**US$485,268**	20.9

For 2010, net revenues accounted for 92.9 percent of the total consolidated income while foreign exchange gain represented 2.6 percent. For 2009, net revenues and foreign exchange gain accounted for 89.9 percent and 8.8 percent of the total consolidated income, respectively.

Gross Revenues from Port Operations

The table below illustrates the Group's gross revenues in 2009 and 2010:

Gross Revenues

	For the Year Ended December 31		
(In thousands, except % change data)	2009	**2010**	% Change
Asia	US$213,798	**US$273,604**	28.0
Americas	147,394	**192,060**	30.3
EMEA	60,459	**61,451**	1.6
Total	US$421,651	**US$527,115**	25.0
MICT	US$177,558	**US$221,050**	24.5
CGSA	92,993	**96,826**	4.1
TSSA	54,401	**95,234**	75.1
MICTSL	29,875	**27,695**	(7.3)
BCT	23,283	**25,610**	10.0
YRDICTL	6,803	**10,110**	48.6
Others	36,738	**50,590**	37.7
Total	US$421,651	**US$527,115**	25.0

Buoyed by a robust volume growth, full year 2010 gross revenues from port operations climbed 25.0 percent to US$527.1 million compared to US$421.7 million for the year ended December 31, 2009. Favorable container mix, mainly import and export laden containers, upsurge in storage revenues and ancillary services and the arrastre tariff increase at MICT effective January 2010 mainly propelled the growth in revenues. Container terminal operations in Americas posted the highest increase in revenues at 30.3 percent followed by the Asia operations with a 28.0 percent growth year-on-year. Albeit, modest compared with other geographic segments, operations in EMEA increased by 1.6 percent year-on-year. Meanwhile, key terminals reported a combined growth in revenues of 23.8 percent in 2010 with TSSA reporting the highest increase of 75.1 percent and followed by YRDICTL at 48.6 percent.

Gross revenues from Asia terminal operations soared 28.0 percent from US$213.8 million in 2009 to US$273.6 million in 2010. The increase was mainly driven by MICT which jumped 24.5 percent year-on-year and contributed 80.8 percent to the gross revenues of the Group's Asia container terminal operations in 2010. The Group's Asia port operations accounted for 51.9 percent of the consolidated gross revenues in 2010 and 50.7 percent in the previous year.

Gross revenues from the Group's Americas operations jumped 30.3 percent from US$147.4 million in 2009 to US$192.1 million in 2010. The increase was mainly due to the remarkable growth at TSSA. These container terminal operations accounted for 36.4 percent and 35.0 percent of the total gross revenues in 2010 and 2009, respectively.

Gross revenues from EMEA port operations rose 1.6 percent to US$61.5 million for the year ended December 31, 2010 from US$60.5 million for the same period in 2009. The increase was mainly attributed to the strong rebound of BCT and BICT but was partly offset by the decline in MICTSL's revenues. EMEA operations accounted for 11.7 percent of total gross revenues in 2010 from 14.3 percent a year ago.

MICT's gross revenues soared 24.5 percent to US$221.1 million in 2010 from US$177.6 million a year ago primarily due to the significant growth in its volume combined with the 7.0 percent arrastre tariff increase effective January 2010. MICT is the largest container terminal of the Group which contributed 41.9 percent to total gross revenues in 2010 and 42.1 percent in the previous year.

CGSA's gross revenues grew by 4.1 percent to US$96.8 million in 2010 from US$93.0 million a year ago mainly resulting from the increase in container volume. The growth in CGSA's gross revenues, however, was at a slower pace compared to the change in volume primarily due to the decline in the demand for bananas coupled with lower storage and stripping revenues. CGSA accounted for 18.4 percent of the total gross revenues in 2010 and 22.1 percent in 2009.

TSSA's gross revenues soared 75.1 percent to US$95.2 million in 2010 mainly because of the hefty growth in its volume, favorable container mix and a stronger Brazilian real against US dollar. Brazilian real appreciated 11.9 percent from an average of R$2.0 per US dollar in 2009 to an average of R$1.76 per US dollar in 2010. Excluding the foreign exchange impact, and in Brazilian real, however, TSSA's gross revenues should have grown by only 54.3 percent year-on-year. TSSA accounted for 18.1 percent and 12.9 percent of the consolidated gross revenues in 2010 and 2009, respectively.

MICTSL's gross revenues, meanwhile, despite its double-digit growth in volume, dropped 7.3 percent to US$27.7 million in 2010 primarily due to the unfavorable container mix and the decline in storage revenues. Lower yields generated from export of empty boxes and sluggish revenues from special services also negatively affected the terminal's turnover. MICTSL accounted for 5.3 percent of consolidated gross revenues in 2010 and 7.1 percent in 2009.

BCT's gross revenues climbed 10.0 percent to US$25.6 million in 2010 mainly due to the healthy growth in its volume. The growth in BCT's revenues, however, was at a slower speed versus the shift in its volume on account of its marketing strategy to contend with competition and the decline in its storage revenues. BCT accounted for 4.9 percent of consolidated gross revenues in 2010 and 5.5 percent in the previous year.

YRDICTL's gross revenues jumped 48.6 percent to US$10.1 million for the full year 2010 against its comparable figure of US$6.8 million in 2009 principally associated with the volume growth and tariff increase in the current year. This terminal accounted for 1.9 percent and 1.6 percent of consolidated gross revenues in 2010 and 2009, respectively.

The other terminals' gross revenues soared 37.7 percent in 2010 mainly due to the healthy increases in their volume throughput. These terminals contributed 9.6 percent to the consolidated gross revenues for the full year 2010 and 8.7 percent for the same period a year ago.

Foreign Exchange Gain, Interest Income and Other Income

Foreign exchange gain fell 65.1 percent from US$35.4 million in 2009 to US$12.4 million in 2010 primarily due to the substantial winding down of the Parent Company's hedging activities in 2009 and the less favorable translation of TSSA's net monetary liabilities resulting from a less strong Brazilian real vis-à-vis the US dollar in 2010. Brazilian real appreciated 4.77 percent relative to the US dollar from December 31, 2009 to December 31, 2010 while it strengthened by 24.6 percent from December 31, 2008 to December 31, 2009.

Consolidated interest income jumped 52.6 percent from US$3.7 million in 2009 to US$5.6 million in 2010 mainly due to higher average cash balance, particularly at the Parent Company level, driven by the issuance of the US$450.0 million senior notes in March and May of 2010 coupled by positive cash flows generated from operating activities.

Other income for 2010 surged to US$16.6 million from US$1.4 million in 2009 with the main bulk coming from the US$11.2 million gain on sale of the Company's available-for-sale investments.

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) Interest expense and financing charges on borrowings; (6) Interest expense on concession rights payable and (7) Foreign exchange loss and others.

The table below shows the breakdown of total expenses for 2009 and 2010.

Total Expenses

	For the Year Ended December 31		
(In thousands, except % change data)	2009	**2010**	% Change
Manpower costs	US$82,880	US$86,932	4.9
Equipment and facilities-related expenses	48,035	59,114	23.1
Administrative and other operating expenses	54,257	56,944	5.0
Total cash operating expenses	185,172	202,990	9.6
Depreciation and amortization	57,603	66,845	16.0
Interest expense and financing charges on borrowings	21,755	38,926	78.9
Interest expense on concession rights payable	23,096	21,094	(8.7)
Foreign exchange loss and others	33,741	18,430	(45.4)
Total expenses	US$321,367	US$348,285	8.4

The Group's cash operating expenses in 2010 modestly grew by 9.6 percent to US$203.0 million as against the prior year's US$185.2 million primarily due to the increase in equipment and facilities-related expenses which was highly correlated with the upsurge in volume. Slight increases in manpower costs and administrative expenses are attributed to the Group's continued effective management of its operating costs.

Manpower Costs

Manpower costs increased by 4.9 percent to US$86.9 million in 2010 from US$82.9 million in 2009 mainly attributed to volume-related costs, additional manpower costs from NMCTS, which was consolidated in July 2009, amounting to US$3.1 million, and the impact of a stronger Brazilian real relative to the US dollar. Excluding NMCTS and the appreciation of Brazilian real against the US dollar, consolidated manpower costs would have grown by only 1.1 percent year-on-year as a favorable effect of the cost containment measures across all terminals and cost centers of the Group. Manpower costs accounted for 42.8 percent and 44.8 percent of cash operating expenses in 2010 and 2009, respectively.

Equipment and Facilities-related Expenses

Equipment and facilities-related expenses grew 23.1 percent to US$59.1 million in 2010 from US$48.0 million a year ago mainly on account of the significant increase in volume across all terminals, fuel and power rate increases and the appreciation of Brazilian real against the US dollar. Excluding the impact of a stronger Brazilian real, consolidated equipment and facilities-related expenses would have risen by only 19.8 percent year-on-year. Equipment and facilities-related expenses accounted for 29.1 percent and 25.9 percent of cash operating expenses in 2010 and 2009, respectively.

Administrative and Other Operating Expenses

Administrative and other operating expenses slightly increased by 5.0 percent from US$54.3 million in 2009 to US$56.9 million in 2010 driven mainly by the start-up expenses at ICTSI Oregon and provisions for claims and losses. The minimal increase in administrative and other operating expenses is attributed to the continuous cost containment measures being implemented across all terminals. Administrative and other operating expenses accounted for 28.1 percent and 29.3 percent of cash operating expenses in 2010 and 2009, respectively.

Depreciation and Amortization

Depreciation and amortization expense grew 16.0 percent to US$66.8 million for the full year 2010 as against its comparable figure of US$57.6 million in 2009. The increase was mainly associated with the acquisitions of port equipment and completion of yard facilities improvements at key terminals, particularly CGSA, MICT and TSSA.

Foreign Exchange Loss and Others

Foreign exchange loss and others account decreased by 45.4 percent from US$33.7 million in 2009 to US$18.4 million in 2010 due to the effective management of the Group's net monetary position and favorable movement in fair values of cross-currency swaps in 2010. Also, in 2010 and 2009, other expenses included debt issuance costs written off amounting to US$3.4 million and US$2.2 million, respectively, resulting from prepayments of long term debts.

Interest Expense on Concession Rights Payable

Interest expense on concession rights payable fell 8.7 percent to US$21.1 million in 2010 from US$23.1 million in the preceding year. The decline was mainly driven by the 19.4 percent drop in the Parent Company's interest expense on concession rights payable related to the declining balance of its liability as the concession contract at MICT moves toward maturity in 2013. Declining principal balances at TICT and CGSA also contributed to the reduction in interest expense on concession rights payable.

Interest and Financing Charges on Borrowings

Interest and financing charges on borrowings surged 78.9 percent to US$38.9 million in 2010 from US$21.8 million in 2009 primarily due to the impact of the US$450.0 million 10-year senior notes issued in March and May 2010. Meanwhile, interest and financing charges on borrowings was partially reduced by the capitalized borrowing costs on qualifying assets at MICT, SPIA, Tecplata and CGSA amounting to US$6.4 million for the year ended December 31, 2010 and US$5.2 million for the year ended December 31, 2009.

EBITDA and EBIT

Consolidated EBITDA for the year ended December 31, 2010 surged by 41.0 percent to US$247.7 million from US$175.7 million in 2009. The hefty increase in EBITDA was mainly driven by the double-digit growth in TEU volume and gross revenues combined with the Group's favorable container mix, robust rise in storage revenues and ancillary services, arrastre tariff increase at MICT and modest growth in cash operating expenses. EBITDA margin significantly jumped to 47.0 percent in 2010, or more than five percentage points up from the 41.7 percent reported for the same period in 2009 on the back of solid volume and gross revenue growth and effective management of operating expenses.

Despite the 16.0 percent increase in depreciation and amortization, consolidated EBIT for the full year 2010 increased by 53.2 percent to US$180.9 million from US$118.1 million reported in 2009 primarily due to the double-digit growth in volume and gross revenues and modest increase in operating expenses as a result of tight controls on costs.

INCOME BEFORE INCOME TAX AND PROVISION FOR INCOME TAX

The Group's consolidated income before income tax for the year ended December 31, 2010 soared 71.2 percent to US$137.0 million from the reported US$80.0 million a year ago on account of the robust growth in TEU volume and gross revenues, effective management of cash operating expenses and the gain related to the sale of the Company's available-for-sale investment. The ratio of income before income tax to total gross revenues stood at 26.0 percent in 2010 and 19.0 percent in the preceding year.

Consolidated provision for current and deferred income taxes grew 39.9 percent to US$39.2 million in 2010 from US$28.0 million of the preceding year mainly because of the significant increase in gross revenues resulting from the double-digit jump in TEU volumes, most notably at TSSA. Effective tax rate for the full year 2010 declined to 28.6 percent from 35.0 percent in 2009 as a result of reduction of operating losses at terminals with no income tax benefits and the gain on sale of available-for-sale investments subjected to lower capital gains tax.

NET INCOME

Despite higher depreciation and amortization expense and the surge in financing charges, consolidated net income for the year ended December 31, 2010 nearly doubled to US$97.8 million from US$52.0 million in 2009 as a result of the upsurge in gross revenues, modest increase in cash operating expenses, gain on sale of available-for-sale investment and lower effective tax rate for the period. Consolidated net income accounted for 18.6 percent and 12.3 percent of gross revenues in 2010 and 2009, respectively.

Net income attributable to equity holders for the full year 2010 soared 79.0 percent to US$98.3 million from US$54.9 million in 2009 due to the factors discussed above.

Basic earnings per share soared 79.3 percent to US$0.052 for the year ended December 31, 2010 versus the same period a year ago while diluted earnings per share surged 78.6 percent to US$0.050 from US$0.028 in 2009.

There were no significant elements of income or expense outside the Group's continuing operations during 2010.

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

TEU Volume

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

Consolidated Volume

	For the Year Ended December 31		
(In thousands, except % change data)	2008	**2009**	% Change
Asia	2,181,530	**2,250,924**	3.2
Americas	884,596	**876,200**	(0.9)
EMEA	668,766	**430,132**	(35.7)
Total	3,734,892	**3,557,256**	(4.8)
MICT	1,513,543	**1,395,925**	(7.8)
CGSA	590,213	**624,783**	5.9
TSSA	294,383	**251,417**	(14.6)
BCT	440,591	**226,742**	(48.5)
YRDICTL	130,193	**160,138**	23.0
MICTSL	143,371	**132,278**	(7.7)
Others	622,598	**765,973**	23.0
Total	3,734,892	**3,557,256**	(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, TSSA, BCT, YRDICTL and MICTSL posted 10.3 percent year-on-year volume contraction and contributed 78.5 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 in 2009 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 selecting 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 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 stood at 624,783 TEUs in 2009, an increase of 5.9 percent from the 590,213 TEUs reported 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 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 largely 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 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 handled by YRDICTL soared 23.0 percent from 130,193 TEUs in 2008 to 160,138 TEUs in 2009 primarily due to stronger international trade, most notably for the last three quarters of 2009. This terminal added 4.5 percent to the consolidated volume in 2009 and 3.5 percent in 2008.

Volume managed at MICTSL 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.

Volume from other terminals of the Group, mainly represented by DIPSSCOR, MICTSI and SCIPSI, surged 46.1 percent from 365,321 TEUs in 2008 to 533,727 TEUs in 2009. SCIPSI and MICTSI, which both had six months of operations in 2008, soared 120.4 percent and 93.1 percent in 2009, respectively. DIPSSCOR grew 16.2 percent primarily due to stronger domestic volume. These three terminals accounted for 15.0 percent of the consolidated volume for full year 2009 from 9.8 percent for the same period a year ago.

Crane productivity at CGSA, TSSA, BCT and MICTSL increased from 14, 19, 28 and 12 moves per hour per crane, respectively, in 2008 to 25, 21, 29 and 14 moves per hour per crane, respectively, in 2009 mainly associated with operational efficiency. Meanwhile, MICT and YRDICTL remained flat at 27 and 25 moves per hour per crane, respectively, for both 2008 and 2009.

Except for TSSA that reported slight decline in crane availability, the rest of the key terminals registered satisfactory crane availability due to enhanced operating efficiency.

Apart from YRDICTL, the rest of the key terminals reported declines in berth utilization mainly associated with weaker TEU throughput resulting from the economic downturn.

TOTAL INCOME

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

Total Income

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

Gross Revenues

	For the Year Ended December 31		
(In thousands, except % change data)	2008	**2009**	% Change
Asia	US$219,144	**US$213,798**	(2.4)
Americas	144,967	**147,394**	1.7
EMEA	99,007	**60,459**	(38.9)
Total	US$463,118	**US$421,651**	(9.0)
MICT	US$193,092	**US$177,558**	(8.0)
CGSA	81,423	**92,993**	14.2
TSSA	63,544	**54,401**	(14.4)
MICTSL	35,080	**29,875**	(14.8)
BCT	55,743	**23,283**	(58.2)
YRDICTL	5,783	**6,803**	17.6
Others	28,453	**36,738**	29.1
Total	US$463,118	**US$421,651**	(9.0)

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 47.64 to a dollar in 2009 from 44.47 in 2008. Except for YRDICTL and CGSA, whose gross revenues surged by 17.6 percent and 14.2 percent year-on-year, respectively, 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 registered 20.1 percent growth. 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 8.0 percent primarily because of the contraction in both import and export volumes. The year-on-year 7.1 percent depreciation of the 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, 7.0 percent for stevedoring in January 2009 and 8.0 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, 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.

YRDICTL's revenues climbed 17.6 percent to US$6.8 million for the full year 2009 compared with US$5.8 million reported for the same period in 2009 mainly due to hefty increase in volume throughput. This terminal accounted for 1.6 percent and 1.2 percent of consolidated gross revenues in 2009 and 2008, respectively.

Gross revenues from other terminals of the Group jumped 29.1 percent in 2009 mainly due to the growth in volume throughput, particularly at SCIPSI, MICTSI and TICT, and the additional revenues from NMCTS. These terminals contributed 8.7 percent to the consolidated gross revenues for the full year 2009 from 6.1 percent for the same period a year ago.

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

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

Total Expenses

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

	As of December 31				
In thousands, except % change data	2008	2009	**2010**	% Change *2008 vs 2009*	% Change *2009 vs 2010*
Total assets	US$1,253,149	US$1,268,495	**US$1,598,788**	1.2	26.0
Current assets	282,382	209,409	**456,844**	(25.8)	118.2
Total Equity	451,800	517,353	**630,234**	14.5	21.8
Total equity attributable to equity holders of the parent	397,405	458,276	**548,861**	15.3	19.8
Total interest-bearing debt	458,044	433,891	**637,732**	(5.3)	47.0
Current liabilities	134,077	111,760	**184,450**	(16.6)	67.0
Total liabilities	801,350	751,142	**968,554**	(6.3)	28.9

(Forward)

	As of December 31				
In thousands, except % change data	2008	2009	**2010**	% Change *2008 vs 2009*	% Change *2009 vs 2010*
Current assets/total assets	22.53%	16.51%	**28.67%**		
Current ratio	2.11	1.87	**2.48**		
Debt-equity ratio[1]	1.77	1.45	**1.54**		
Debt-equity ratio[2]	1.21	0.98	**1.17**		

[1] Debt includes total liabilities. Equity includes total 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 adjustments and unrealized mark-to-market gain.

Total assets grew by 26.0 percent to US$1.6 billion as of December 31, 2010 from US$1.3 billion as of December 31, 2009. The increase was mainly due to a higher cash balance resulting from the proceeds of the US$450.0 million 10-year senior notes - US$250.0 million issued in March 2010 and US$200.0 million tap issued in May 2010 and capital expenditures driven by the ongoing construction at SPIA and MICT's Berth 6. Meanwhile, 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 77.5 percent, 83.5 percent and 71.4 percent of the total assets as of December 31, 2008, 2009 and 2010, respectively.

Current assets soared 118.2 percent to US$456.8 million as of December 31, 2010 from US$209.4 million as of December 31, 2009. The growth was also attributable to the net increase in cash and cash equivalents from the proceeds of the US$450.0 million 10-year senior notes and cash flows generated from operations. On the other hand, total current assets as of December 31, 2009 declined by 25.8 percent compared to 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 22.5 percent, 16.5 percent and 28.6 percent of the total consolidated assets as of December 31, 2008, December 31, 2009 and December 31, 2010, respectively. Meanwhile, current ratio stood at 2.11, 1.87 and 2.48 as at December 31, 2008, 2009 and 2010, respectively.

Total equity as of December 31, 2010 went up by 21.8 percent to US$630.2 million compared to US$517.4 million reported as of December 31, 2009 on account of robust net income generated for the full year 2010. Similarly, total equity increased by 14.5 percent in 2009 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 36.1 percent, 40.8 percent and 39.4 percent of the total assets as of December 31, 2008, 2009 and 2010, respectively.

Total liabilities climbed by 28.9 percent from US$751.1 million as of December 31, 2009 to US$970.7 million as of December 31, 2010 mainly driven by the issuance of the US$450.0 million 10-year senior corporate notes and the US$11.0 million short and long-term loans of CGSA which also resulted in a 47.0 percent rise in total interest-bearing debt. Meanwhile, current liabilities jumped 67.0 percent because of the rise in current portion of the Parent Company's long-term debt, increase in accrued interest payable mainly related to the 10-year senior notes and the growth in accrued expenses and trade payables related to both operations and capital expenditures. Conversely, total consolidated liabilities as of December 31, 2009 were 6.3 percent lower than the US$801.4 million balance as of December 31, 2008. The decrease was mainly due to the payments of short-term borrowings, full settlement of derivative liabilities and the net settlement of long-term debt during the year. Financial leverage, the ratio of total assets to total equity, stood at 2.77, 2.45 and 2.54 as of December 31, 2008, 2009 and 2010, respectively.

MATERIAL VARIANCES AFFECTING THE BALANCE SHEET

Balance sheet accounts as of December 31, 2010 with variances of plus or minus 5.0 percent against December 31, 2009 balances are discussed, as follows:

Noncurrent Assets

1. Intangibles, net of amortization, grew 7.7 percent to US$676.5 million mainly due to acquisitions of port equipment at MICT and leasehold improvements at CGSA and Tecplata.
2. Property and equipment rose 5.4 percent to US$344.6 million as of December 31, 2010 driven by the construction-in-progress at SPIA and MICT's Berth 6.
3. Deferred tax assets dropped by 12.5 percent to US$24.6 million as of December 31, 2010 mainly due to the decline in concession rights payable and the movement in cross-currency swaps of the Parent Company.
4. Other noncurrent assets grew by 42.6 percent from US$46.1 million as of December 31, 2009 to US$65.8 million as of December 31, 2010 mainly due to advances to contractors of Tecplata and deposit for terminal assets at ICTSI Oregon.

Current Assets

5. Cash and cash equivalents soared 176.0 percent to US$345.4 million as of December 31, 2010. The net increase amounting to US$220.2 million mainly resulted from the net changes in the debt capital of the Group, which include proceeds from the US$450.0 million 10-year senior notes, prepayment of Parent Company's US$40.0 million term loan facility with MBTC, payment of Parent Company's US$25.0 million term loan facility with BDO, prepayment of YRDICTL's US$35.9 million outstanding loan with the Industrial and Commercial Bank of China, prepayment of Parent Company's three-year term loan facility amounting to US$150.0 million in May 2010 and the net cash flows generated from operations.

6. Receivables, net of allowance, surged 29.0 percent to US$47.2 million as of December 31, 2010 mainly resulting from the stronger gross revenues for the month of December 2010 versus the same period of the previous year.
7. Spare parts and supplies increased 13.3 percent to US$14.3 million mainly related to the acquisitions of port spare parts at MICT, TSSA and CGSA.
8. Prepaid expenses and other current assets climbed 22.3 percent to US$39.8 million as of December 31, 2010 primarily due to higher input VAT and tax credit of the Parent Company and claims receivable at CGSA.
9. Derivative assets almost quadrupled to US$10.3 million mainly due to the favorable movement in fair values of cross-currency swaps.

Equity

10. Preferred stock increased by 226% due to the issuance of new 700,000,000 Preferred B shares to Achillion Holdings, Inc. at the issue price equivalent to its par value of US$0.0002 (₱0.01) per share for a total consideration of US$0.2 million (₱7.0 million) on November 2, 2010.
11. Treasury shares decreased by US$1.1 million or by 17.4 percent to US$5.2 million mainly due to the issuance of stock awards.
12. Excess of acquisition cost over the carrying value of minority interests surged to US$6.1 million from US$0.3 million mainly driven by the acquisition of additional 10.0 percent interest in Tecplata.
13. Retained earnings climbed 29.9 percent to US$352.2 million as a result of the net income generated for the full year 2010 and reduced by cash dividends of US$17.2 million declared in 2010.
14. Other comprehensive loss declined 23.0 percent to US$36.3 million mainly because of the favorable translation of foreign operations' financial statements, particularly SPIA and TSSA, due to stronger Brazilian real and Colombian peso vis-à-vis the US dollar.

Noncurrent Liabilities

15. Long-term debt, net of current portion, grew by 41.4 percent to US$587.8 million mainly coming from the net proceeds from the issuance of US$450.0 million 10-year senior notes, US$3.8 million term loans of CGSA and the settlement and prepayments of loan facilities of the Parent Company and its subsidiary, YRDICTL, discussed in item 5 above.
16. Concession rights payable, net of current portion, declined by 15.4 percent to US$156.7 million mainly due to the declining principal balance of the Parent Company as its concession contract approaches maturity in 2013. CGSA, MICTSL and TICT also contributed to the drop in concession rights payable.
17. Pension liabilities increased by 15.7 percent to US$1.1 million as of December 31, 2010 mainly due to jubilee adjustments at BCT.

Current Liabilities

18. Loans payable tumbled 93.7 percent due to the full settlement of YRDICTL's short-term loans in the first quarter of 2010.
19. Accounts payable and other current liabilities increased by 58.5 percent to US$102.7 million as of December 31, 2010 mainly due to the rise in accrued interest payable resulting from the surge in debt capital during the year, as well as the growth in trade payables due to stronger revenues for the current year and capital expenditures.
20. Current portion of long-term debt increased by nearly six times from US$7.4 million to US$49.3 million mainly resulting from the scheduled debt service amortization of the Group and the current portion of CGSA's long-term loan amounting to US$4.9 million.
21. Current portion of concession rights payable rose 25.5 percent to US$24.3 million mainly due to the Parent Company's higher principal payment on concession rights as its concession contract draws near maturity in 2013.
22. Income tax payable decreased by 20.9 percent from US$9.5 million in 2009 to US$7.5 million in 2010 due to higher creditable withholding taxes used.
23. Derivative liabilities fell 100.0 percent from US$0.03 million as of December 31, 2009 mainly due to the favorable movement in fair values of cross-currency swaps.

Balance sheet accounts as of December 31, 2009 with variances of plus or minus 5.0 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 tired gantry crane spare parts at CGSA and other key terminals.
8. Prepaid expenses and other current assets increased by 13.9 percent, or by 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. Treasury shares decreased by US$0.5 million, or by 6.7 percent, mainly due to the issuance of stock awards in 2009.
11. Retained earnings increased by 16.8 percent as a result of the net income for the year ended 2009, net of the dividends declared in 2009.
12. Other comprehensive loss declined by US$ 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.

Noncurrent Liabilities

13. 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.
14. Pension liabilities decreased by 16.1 percent or by US$175.1 thousand mainly due to jubilee adjustments at BCT, Poland.

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 to mature 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 30.0 percent in 2009 from 35.0 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 years ended December 31, 2008, 2009 and 2010:

Consolidated Cash Flows

	For the Year Ended December 31				
In thousands, except % change data	2008	2009	**2010**	% Change *2008 vs 2009*	% Change *2009 vs 2010*
Net cash provided by operating activities	US$152,921	US$137,018	**US$220,768**	(10.4)	61.1
Net cash used in investing activities	(255,928)	(137,842)	**(148,095)**	(46.9)	7.4
Net cash provided by (used in) financing activities	249,265	(92,284)	**146,225**	(136.5)	(258.5)
Effect of exchange rate changes on cash	(17,853)	3,498	**1,329**	(119.6)	(62.0)
Net increase (decrease) in cash and cash equivalents	128,405	(89,610)	**220,227**	(169.8)	(345.8)
Cash and cash equivalents, beginning	86,358	214,763	**125,153**	148.7	(41.7)
Cash and cash equivalents, end	US$214,763	US$125,153	**US$345,380**	(41.7)	176.0

Consolidated cash and cash equivalents soared by US$220.2 million or 176.0 percent to US$345.4 million in 2010 mainly due to the net proceeds from the US$450.0 million senior notes, prepayments of term loan facilities of the Parent Company and YRDICTL totaling US$255.7 million and full settlement of YRDICTL's short-term loans of US$10.7 million. Meanwhile, 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 jumped by US$83.8 million or 61.1 percent to US$220.8 million for the full year 2010. The growth was primarily attributable to the healthy operating income driven by strong TEU volume and gross revenues, as well as the favorable changes in working capital during the period. On the other hand, 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 increased by US$10.3 million or 7.4 percent to US$148.1 million for the full year 2010 mainly due to acquisitions of port equipment at TSSA, MICT and CGSA. The proceeds from the sale of available-for-sale investment amounting to US$16.0 million softened capital spending during the period. Capital expenditure budget for 2010 was projected at US$123.0 million. For the year ended December 31, 2010, the Group has invested a total of US$124.9 million in intangible assets and property and equipment. The established budget was mainly allocated for civil works, systems improvements, and purchase of major cargo handling equipment for key terminals MICT, CGSA and TSSA. The Group financed these requirements through internally-generated funds and external borrowings. Conversely, net cash used in investing activities was down by 46.9 percent to US$137.8 million in 2009 from the US$255.9 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 was estimated at US$146.9 million 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$139.5 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.

Financing activities provided net cash amounting to US$146.2 million for the full year 2010 as against net cash used of US$92.3 million in the same period of the previous year. The increase was mainly due to the net proceeds from the US$450.0 million 10-year senior notes, US$11.0 million proceeds from short and long-term loans of CGSA, prepayment of the Parent Company's term loan facilities totaling US$215.0 million, and YRDICTL's prepayment and full settlement of its US$35.9 million outstanding loan facility with the Industrial and Commercial Bank of China and US$10.7 million short-term loans, respectively. Meanwhile, net cash provided by financing activities declined by 137.0 percent to negative US$92.3 million in 2009 from positive US$249.3 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, 2008, 2009 and 2010:

Capital Sources

	As of December 31				
In thousands, except % change data	2008	2009	**2010**	% Change *2008 vs 2009*	% Change *2009 vs 2010*
Loans payable	US$27,314	US$10,693	**US$675**	(60.9)	(93.7)
Current portion of long-term debt	9,630	7,399	**49,292**	(23.2)	566.2
Long-term debt, net of current portion	421,100	415,800	**587,765**	(1.3)	41.4
Total short and long-term debt	458,044	433,892	**637,732**	(5.3)	47.0
Equity	451,799	517,353	**630,234**	14.5	21.8
Total capital	US$909,843	US$951,245	**US$1,267,966**	4.6	33.3

Total debt and equity capital of the Group grew by 33.3 percent to US$1.3 billion as of December 31, 2010 vis-à-vis its comparable figure as of December 31, 2009. The increase mainly resulted from the net proceeds of the US$450.0 million 10-year senior notes, CGSA's US$11.0 million short and long-term loans, prepayment of Parent and YRDICTL's loan facilities and full settlement of the latter's short-term loans. Strong earnings for the full year 2010 also improved the Group's total capital. On the other hand, 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 primarily 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.

Total equity climbed 21.8 percent from US$517.4 million as of December 31, 2009 to US$630.2 million as of December 31, 2010 mainly due to the exceptional performance of the Group for the full year 2010. Meanwhile, total equity still grew 14.5 percent in 2009, despite the economic downturn, against the US$451.8 million reported in the previous year also due to positive net earnings combined with the favorable exchange differences on translation of foreign operations' financial statements.

Debt Financing

As of December 31, 2010, the Group's total interest-bearing debt stood at US$637.7 million, representing a 47.0 percent increase from the US$433.9 million as of December 31, 2009 mainly associated with the net proceeds of the US$450.0 million 10-year senior notes and the refinancing of some of the Group's existing debts.

The table below represents the Group's outstanding loans, net of debt issue costs, as of December 31, 2010:

Outstanding Loans

(In thousands)	Company	Maturity	Interest Rate	Amount
Short-Term Debt				
USD - denominated	CGSA	2011	Fixed	US$675
Long-Term Debt				
Unsecured Peso Term Loan	Parent	2014-15	Fixed	26,937
Unsecured Peso Term Loan	Parent	2013	Floating	135,487
Unsecured US Dollar Bond	Parent	2020	Fixed	447,771
US Dollar Term Loan	TSSA	2014	Fixed	8,027
US Dollar Term Loan	BCT	2014	Floating	10,136
US Dollar Term Loan	CGSA	2012	Fixed	8,699
				637,057
Total Debt				637,732
Less short-term debt and current portion of long-term debt				49,967
Long-term debt, net of current portion				US$587,765

As of December 31, 2010, 95.7 percent of the Group's total debt capital is at the Parent level and the recent US$450.0 million senior bond issue due in 2020 formed 70.2 percent of the Group's total debt capital.

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, 2010:

Long-term Debt Maturities

(In thousands)	Amount
2011	US$49,292
2012	40,113
2013	70,841
2014	17,956
2015 and onwards	458,855
Total	US$637,057

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, 2008, 2009 and 2010, ICTSI, YRDICTL, BCT, TSSA, CGSA 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 Group 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, principally foreign exchange risk, interest rate risk and liquidity 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 Philippine peso, Euro and local currencies wherein the Group's ports operate affect the equivalent in US dollar value of the Group's revenues and assets and liabilities that are denominated in currencies other than the US dollar.

The Group's non-US dollar currency-linked revenues were 58.4 percent, 51.7 percent and 59.7 percent of gross revenues for the years ended December 31, 2008, 2009 and 2010, 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 the Group's 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, 2010:

Revenue Currency Profile

Subsidiary	USD / EUR Composition	Local Currency
ICTSI	42% USD	58% PhP
SBITC		100% PhP
DIPSSCOR		100% PhP
SCIPSI		100% PhP
BIPI		100% PhP
MICTSI		100% PhP
BCT	58% USD	42% PLN
TSSA		100% BRL
MICTSL		100% EUR*
PTMTS		100% IDR
YRDICTL		100% RMB

(Forward)

Subsidiary	USD / EUR Composition	Local Currency
CGSA	100% USD	
BICTL	100% USD	
TICT	100% USD	
NMCTS		100% BND
NICTI		100% JPY

**MGA pegged with the EURO*

On a limited basis, the Group enters into foreign currency forwards and/or cross-currency swap agreements in order to manage its exposure to foreign currency rate fluctuations.

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

On May 1, 2010, ICTSI designated US$51.0 million (₱2.3 billion) of its Philippine peso-denominated short-term investments as cash flow hedges to hedge the variability of Philippine peso cash flows that are required to settle Philippine peso-denominated payables that would arise from forecasted Philippine peso-denominated variable port fees to the PPA as a result of changes in the Philippine peso/US dollar exchange rate. The hedging covers forecasted Philippine peso-denominated variable port fees until 2011.

Foreign currency translation gains or losses on the Philippine peso-denominated short-term investments that qualify as highly effective cash flow hedges are deferred in the equity section of the consolidated balance sheet as "Cumulative translation adjustments" presented under "Other comprehensive loss" account. Any ineffective portion is recognized directly in earnings. Foreign currency translation gains or losses deferred in equity would form part of variable fees, presented as "Port authorities' share in gross revenues" in the consolidated statement of income, when the hedged variable PPA fee is recognized. Thereafter, any foreign exchange gain or loss on the Philippine peso-denominated short-term investments will offset the foreign exchange loss or gain on the Philippine peso-denominated PPA liability and long-term debt. When the hedge ceases to be highly effective, hedge accounting is discontinued prospectively. When the hedged transaction is no longer expected to occur, any foreign currency translation gain or loss previously reported in equity is transferred to the consolidated statement of income.

As of December 31, 2010, US$25.3 million (₱1.1 billion) of short-term investments are hedged against the remaining forecasted Philippine peso-denominated variable port fees to the PPA and related foreign currency translation income on Philippine peso-denominated short-term investments designated as cash flow hedges aggregating to US$0.2 million (net of deferred income tax of US$0.1 million) have been recognized under "Cumulative translation adjustments." No ineffectiveness was recognized in the consolidated statement of income for the year ended December 31, 2010.

For additional discussion on foreign currency risk, see Note 25.4, *Derivative Instruments Accounted for as Cash Flow Hedges* 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 repatriated to the Parent Company on a timely basis. 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 - Liquidity Risk*, to the Audited Consolidated Financial Statements.

KEY PERFORMANCE INDICATORS (KPIs)

The top five KPIs for the Group's containerized business are, as follows:

1. TEU Volume Growth
2. Gross Revenues Growth
3. Gross Moves per Hour per Crane
4. Crane Availability
5. Berth Utilization

The KPIs of each of the key terminals for the year ended December 31, 2008, 2009 and 2010 are, as follows:

Key Terminals' KPIs

KPI	TEU Volume Growth	Gross Revenues Growth	Gross Moves per Hour per Crane	Crane Availability	Berth Utilization
MICT					
2008	10.3%	24.1%	27	95.0%	67.0%
2009	(7.8%)	(8.0%)	27	95.0%	60.0%
2010	15.2%	24.5%	24	96.0%	77.0%
CGSA					
2008	125.1%	181.6%	14	98.0%	62.0%
2009	5.9%	14.2%	25	98.0%	50.0%
2010	13.4%	4.1%	24	98.0%	42.0%
TSSA					
2008	21.8%	37.3%	19	96.0%	56.0%
2009	(14.6%)	(14.4%)	21	95.0%	44.0%
2010	35.4%	75.1%	21	96.0%	62.0%
BCT					
2008	(10.8%)	6.8%	28	98.0%	20.0%
2009	(48.5%)	(58.2%)	29	99.0%	16.0%
2010	24.0%	10.1%	27	99.0%	19.0%
MICTSL					
2008	27.5%	49.9%	12	90.0%	25.0%
2009	(7.7%)	(14.8%)	14	91.0%	22.0%
2010	6.7%	(7.3%)	14	97.0%	23.0%
YRCICTL					
2008	(2.2%)	81.9%	25	96.0%	32.0%
2009	23.0%	17.6%	25	97.0%	36.0%
2010	16.4%	30.6%	25	97.0%	50.0%

The KPIs are calculated as follows:

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

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

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

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

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

For detailed discussion of KPIs, please refer to items 6.3.1, 6.3.2.1, 6.4.1 and 6.4.2.1 above.

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, 2008, 2009 and 2010. 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

Rafael J. Consing, Jr.
Vice-President and Treasurer

Jose Joel M. Sebastian
Vice-President and Controller

Independent Auditors' Report

SyCip Gorres Velayo & Co.
6760 Ayala Avenue
1226 Makati City
Philippines
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Fax: (632) 819 0872
www.sgv.com.ph
BOA/PRC Reg. No. 0001
SEC Accreditation No. 0012-FR-2

The Stockholders and the Board of Directors
International Container Terminal Services, Inc.
ICTSI Administration Building
MICT South Access Road, Manila

We have audited the accompanying consolidated financial statements of International Container Terminal Services, Inc. and Subsidiaries, which comprise the consolidated balance sheets as at December 31, 2008, 2009 and 2010, and the consolidated statements of income, consolidated statements of comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows for the three years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Philippine Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of International Container Terminal Services, Inc. and Subsidiaries as of December 31, 2008, 2009 and 2010, and their financial performance and their cash flows for the three years then ended in accordance with Philippine Financial Reporting Standards.

SYCIP GORRES VELAYO & CO.

Renato J. Galve
Partner
CPA Certificate No. 37759
SEC Accreditation No. 0946-A
Tax Identification No. 102-085-577
PTR No. 2641529, January 3, 2011, Makati City

March 7, 2011

Consolidated Balance Sheets

	December 31		
	2008	2009	**2010**
ASSETS			
Noncurrent Assets			
Intangibles (Notes 4, 6 and 23)	US$586,601,376	US$628,394,081	**US$676,535,146**
Property and equipment (Notes 4, 7, 15 and 23)	261,064,202	326,815,392	**344,620,698**
Investment properties (Note 8)	29,513,927	29,717,138	**30,473,294**
Deferred tax assets - net (Notes 4 and 20)	34,016,985	28,064,498	**24,564,703**
Other noncurrent assets (Notes 4, 7, 9, 22, 23 and 25)	59,570,980	46,094,541	**65,750,267**
Total Noncurrent Assets	970,767,470	1,059,085,650	**1,141,944,108**
Current Assets			
Cash and cash equivalents (Notes 4, 11 and 25)	214,762,856	125,152,800	**345,380,374**
Receivables (Notes 4, 12, 21 and 25)	25,279,394	36,558,132	**47,173,855**
Spare parts and supplies (Note 4)	10,016,234	12,588,667	**14,256,668**
Prepaid expenses and other current assets (Notes 4 and 13)	28,557,789	32,516,700	**39,760,564**
Derivative assets (Note 25)	3,765,690	2,593,095	**10,272,180**
Total Current Assets	282,381,963	209,409,394	**456,843,641**
	US$1,253,149,433	US$1,268,495,044	**US$1,598,787,749**
EQUITY AND LIABILITIES			
Equity Attributable to Equity Holders of the Parent			
Capital stock:			
Preferred stock (Note 14)	US$72,492	US$72,492	**US$236,222**
Common stock (Note 14)	66,028,443	66,029,259	**66,029,772**
Additional paid-in capital (Notes 14 and 18)	290,810,426	293,807,999	**295,644,479**
Cost of shares held by subsidiaries (Notes 14 and 21)	(115,193,083)	(119,005,362)	**(117,616,685)**
Treasury shares (Notes 14 and 18)	(6,757,004)	(6,305,546)	**(5,206,751)**
Excess of acquisition cost over the carrying value of minority interests (Note 14)	(343,983)	(343,983)	**(6,147,559)**
Retained earnings (Note 14)	232,076,554	271,145,420	**352,200,602**
Other comprehensive loss - net (Notes 9, 14 and 25)	(69,288,699)	(47,123,809)	**(36,279,396)**
Total equity attributable to equity holders of the parent	397,405,146	458,276,470	**548,860,684**
Equity Attributable to Minority Interests (Note 14)	54,394,381	59,076,765	**81,372,916**
Total Equity	451,799,527	517,353,235	**630,233,600**
Noncurrent Liabilities			
Long-term debt - net of current portion (Notes 7, 15 and 25)	421,099,920	415,799,860	**587,764,507**
Concession rights payable - net of current portion (Notes 6, 23 and 25)	206,258,582	185,340,451	**156,748,420**
Deferred tax liabilities (Notes 4 and 20)	38,827,886	37,330,155	**38,536,563**
Pension liabilities (Note 22)	1,086,569	911,517	**1,054,957**
Total Noncurrent Liabilities	667,272,957	639,381,983	**784,104,447**
Current Liabilities			
Loans payable (Notes 16, 21 and 25)	27,314,030	10,692,837	**675,486**
Accounts payable and other current liabilities (Notes 4, 17, 21 and 25)	57,971,193	64,772,274	**102,676,838**
Current portion of long-term debt (Notes 7, 15 and 25)	9,629,689	7,398,583	**49,292,195**
Current portion of concession rights payable (Notes 6, 23 and 25)	19,584,633	19,357,079	**24,286,196**
Income tax payable (Note 20)	11,258,265	9,509,912	**7,518,987**
Derivative liabilities (Note 25)	8,319,139	29,141	**–**
Total Current Liabilities	134,076,949	111,759,826	**184,449,702**
	US$1,253,149,433	US$1,268,495,044	**US$1,598,787,749**

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Income

	Years Ended December 31		
	2008	2009	**2010**
INCOME			
Gross revenues from port operations (Note 23)	US$463,117,713	US$421,651,311	**US$527,115,282**
Foreign exchange gain (Note 25)	55,512,516	35,445,296	**12,380,558**
Interest income (Note 11)	4,028,891	3,684,271	**5,622,429**
Other income (Notes 4, 7, 8, 9, 19 and 25)	6,953,296	1,432,227	**16,577,656**
	529,612,416	462,213,105	**561,695,925**
EXPENSES			
Port authorities' share in gross revenues (Notes 19, 21 and 23)	62,882,216	60,826,739	**76,427,479**
Manpower costs (Notes 18, 21 and 22)	88,567,774	82,879,802	**86,932,479**
Depreciation and amortization (Notes 6, 7 and 8)	50,748,469	57,602,936	**66,844,911**
Equipment and facilities-related expenses (Note 23)	59,990,019	48,035,192	**59,113,580**
Administrative and other operating expenses (Note 21)	55,241,314	54,256,873	**56,944,040**
Interest expense and financing charges on borrowings (Notes 15 and 16)	16,804,865	21,755,208	**38,925,777**
Interest expense on concession rights payable (Note 6)	23,335,515	23,096,102	**21,094,025**
Foreign exchange loss (Note 25)	68,994,434	28,082,755	**8,881,036**
Other expenses (Notes 7, 9, 15 and 19)	2,089,592	5,658,250	**9,549,009**
	428,654,198	382,193,857	**424,712,336**
CONSTRUCTION REVENUE (EXPENSE) (Notes 3 and 23)			
Construction revenue	117,766,957	75,279,798	**60,244,431**
Construction expense	(117,766,957)	(75,279,798)	**(60,244,431)**
	–	–	**–**
INCOME BEFORE INCOME TAX	100,958,218	80,019,248	**136,983,589**
PROVISION FOR INCOME TAX (Note 20)			
Current	39,548,912	23,051,866	**34,021,351**
Deferred	394,016	4,929,144	**5,136,873**
	39,942,928	27,981,010	**39,158,224**
NET INCOME	US$61,015,290	US$52,038,238	**US$97,825,365**
Attributable To			
Equity holders of the parent	US$64,226,240	US$54,911,280	**US$98,276,099**
Minority interests	(3,210,950)	(2,873,042)	**(450,734)**
	US$61,015,290	US$52,038,238	**US$97,825,365**
Earnings Per Share (Note 27)			
Basic	US$0.034	US$0.029	**US$0.052**
Diluted	0.032	0.028	**0.050**

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

	Years Ended December 31		
	2008	2009	**2010**
NET INCOME FOR THE YEAR	US$61,015,290	US$52,038,238	**US$97,825,365**
OTHER COMPREHENSIVE INCOME (LOSS)			
Exchange differences on translation of foreign operations' financial statements (Notes 4 and 14)	(52,684,966)	28,276,440	**12,817,850**
Net unrealized gain (loss) removed from equity and recognized in profit or loss (Note 25)	(3,420,369)	2,686,317	**(10,027,846)**
Net change in unrealized mark-to-market values of derivatives (Note 25)	(4,325,183)	(2,308,385)	**10,456,060**
Net unrealized mark-to-market gain on available-for-sale investments (Notes 9 and 25)	(87,533)	166,923	**292,040**
Income tax relating to components of other comprehensive income (loss)	2,503,723	899,021	**(128,464)**
	(58,014,328)	29,720,316	**13,409,640**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	US$3,000,962	US$81,758,554	**US$111,235,005**
Attributable To			
Equity holders of the parent	US$6,531,216	US$77,076,170	**US$109,120,512**
Minority interests	(3,530,254)	4,682,384	**2,114,493**
	US$3,000,962	US$81,758,554	**US$111,235,005**

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Changes in Equity

Attributable to Equity Holders of the Parent (Preferred Stock through Total)

	Preferred Stock (Note 14)	Common Stock	Additional Paid-in Capital	Preferred Shares Held by a Subsidiary	Common Shares Held by Subsidiaries	Treasury Shares
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)
Total comprehensive income for the year (Notes 4 and 14)	–	–	–	–	–	–
Cash dividends (Note 14)	–	–	–	–	–	–
Additional shares held by subsidiaries (Note 14)	–	–	–	–	(12,559,699)	–
Share-based payments (Note 18)	–	–	2,961,228	–	–	–
Acquisition of minority interests (Note 14)	–	–	–	–	–	–
Collection of subscription receivable	–	491,302	1,442,363	–	–	–
Issuance of treasury shares (Notes 14 and 18)	–	–	(256,547)	–	–	369,319
Balance at December 31, 2008	US$72,492	US$66,028,443	US$290,810,426	(US$72,492,481)	(US$42,700,602)	(US$6,757,004)
Balance at December 31, 2008	US$72,492	US$66,028,443	US$290,810,426	(US$72,492,481)	(US$42,700,602)	(US$6,757,004)
Total comprehensive income for the year (Note 14)	–	–	–	–	–	–
Cash dividends (Note 14)	–	–	–	–	–	–
Additional shares held by subsidiaries (Note 14)	–	–	–	–	(3,812,279)	–
Share-based payments (Note 18)	–	–	3,449,031	–	–	–
Collection of subscription receivable	–	816	–	–	–	–
Issuance of treasury shares (Notes 14 and 18)	–	–	(451,458)	–	–	451,458
Balance at December 31, 2009	**US$72,492**	**US$66,029,259**	**US$293,807,999**	**(US$72,492,481)**	**(US$46,512,881)**	**(US$6,305,546)**
Balance at December 31, 2009	**US$72,492**	**US$66,029,259**	**US$293,807,999**	**(US$72,492,481)**	**(US$46,512,881)**	**(US$6,305,546)**
Total comprehensive income for the year (Note 14)	–	–	–	–	–	–
Cash dividends (Note 14)	–	–	–	–	–	–
Change in minority interests (Note 14)	–	–	–	–	–	–
Sale of shares held by subsidiaries (Note 14)	–	–	**1,374,016**	–	**1,388,677**	–
Share-based payments (Note 18)	–	–	**4,746,643**	–	–	**(3,185,384)**
Issuance of preferred B shares (Note 14)	**163,730**	–	–	–	–	–
Collection of subscription receivable	–	**513**	–	–	–	–
Issuance of treasury shares (Notes 14 and 18)	–	–	**(4,284,179)**	–	–	**4,284,179**
Balance at December 31, 2010	**US$236,222**	**US$66,029,772**	**US$295,644,479**	**(US$72,492,481)**	**(US$45,124,204)**	**(US$5,206,751)**

	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, 2007	(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 (Notes 4 and 14)	–	64,226,240	(57,695,024)	6,531,216	(3,530,254)	3,000,962
Cash dividends (Note 14)	–	(16,271,472)	–	(16,271,472)	–	(16,271,472)
Additional shares held by subsidiaries (Note 14)	–	–	–	(12,559,699)	–	(12,559,699)
Share-based payments (Note 18)	–	–	–	2,961,228	–	2,961,228
Acquisition of minority interests (Note 14)	6,911,402	–	–	6,911,402	–	6,911,402
Collection of subscription receivable	–	–	–	1,933,665	–	1,933,665
Issuance of treasury shares (Notes 14 and 18)	–	–	–	112,772	–	112,772
Balance at December 31, 2008	(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, 2008	(US$343,983)	US$232,076,554	(US$69,288,699)	US$397,405,146	US$54,394,381	US$451,799,527
Total comprehensive income for the year (Note 14)	–	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)
Share-based payments (Note 18)	–	–	–	3,449,031	–	3,449,031
Collection of subscription receivable	–	–	–	816	–	816
Issuance of treasury shares (Notes 14 and 18)	–	–	–	–	–	–
Balance at December 31, 2009	**(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, 2009	**(US$343,983)**	**US$271,145,420**	**(US$47,123,809)**	**US$458,276,470**	**US$59,076,765**	**US$517,353,235**
Total comprehensive income for the year (Note 14)	–	**98,276,099**	**10,844,413**	**109,120,512**	**2,114,493**	**111,235,005**
Cash dividends (Note 14)	–	**(17,220,917)**	–	**(17,220,917)**	**(1,208,320)**	**(18,429,237)**
Change in minority interests (Note 14)	**(5,803,576)**	–	–	**(5,803,576)**	**21,389,978**	**15,586,402**
Sale of shares held by subsidiaries (Note 14)	–	–	–	**2,762,693**	–	**2,762,693**
Share-based payments (Note 18)	–	–	–	**1,561,259**	–	**1,561,259**
Issuance of preferred B shares (Note 14)	–	–	–	**163,730**	–	**163,730**
Collection of subscription receivable	–	–	–	**513**	–	**513**
Issuance of treasury shares (Notes 14 and 18)	–	–	–	–	–	–
Balance at December 31, 2010	**(US$6,147,559)**	**US$352,200,602**	**(US$36,279,396)**	**US$548,860,684**	**US$81,372,916**	**US$630,233,600**

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

	Years Ended December 31		
	2008	2009	**2010**
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	US$100,958,218	US$80,019,248	**US$136,983,589**
Adjustments for:			
Depreciation and amortization (Notes 6, 7 and 8)	50,748,469	57,602,936	**66,844,911**
Interest expense on:			
Borrowings (Notes 15 and 16)	16,804,865	21,755,208	**38,925,777**
Concession rights payable (Note 6)	23,335,515	23,096,102	**21,094,025**
Gain on:			
Sale of available-for-sale investments (Notes 9 and 19)	–	–	**(11,224,117)**
Settlement of cross-currency swap (Note 25)	–	–	**(769,240)**
Sale of property and equipment (Note 19)	(410,753)	(111,633)	**(443,948)**
Interest income (Note 11)	(4,028,891)	(3,684,271)	**(5,622,429)**
Write-off of debt issuance costs from prepayment of long-term debt (Note 15)	–	2,225,505	**3,369,207**
Unrealized foreign exchange loss (gain)	9,027,638	(4,709,120)	**(2,632,859)**
Impairment loss on land and advances to contractors (Notes 7, 9 and 19)	–	–	**2,010,840**
Share-based payments (Note 18)	2,961,228	2,829,571	**1,747,308**
Unrealized mark-to-market loss (gain) on derivatives (Note 25)	387,769	–	**(694,566)**
Dividend income (Note 19)	(47,597)	(234,438)	**(221,816)**
Reversal of impairment loss on investment properties (Notes 7 and 19)	(5,456,648)	–	**–**
Equity in net earnings of an associate (Notes 4, 9 and 19)	(116,917)	–	**–**
Operating income before changes in working capital	194,162,896	178,789,108	**249,366,682**
Decrease (increase) in:			
Receivables	1,430,641	(9,709,348)	**(9,865,666)**
Spare parts and supplies	(2,626,032)	(1,960,635)	**(1,580,625)**
Prepaid expenses and other current assets	(9,069,695)	(4,988,638)	**(8,568,590)**
Increase (decrease) in:			
Accounts payable and other current liabilities	2,504,212	116,892	**25,438,225**
Pension liabilities	–	(156,921)	**83,218**
Cash generated from operations	186,402,022	162,090,458	**254,873,244**
Income taxes paid	(33,481,494)	(25,072,515)	**(34,104,913)**
Net cash provided by operating activities	152,920,528	137,017,943	**220,768,331**
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Intangible assets (Notes 6 and 23)	(126,457,747)	(82,027,959)	**(70,020,062)**
Property and equipment (Note 7)	(43,044,255)	(37,342,657)	**(54,923,297)**
Subsidiaries, net of cash acquired (Note 4)	(44,144,596)	–	**–**
Payments for concession rights	(11,932,625)	(20,106,837)	**(22,039,431)**
Increase in other noncurrent assets (Note 9)	(35,193,477)	(2,899,916)	**(24,025,159)**
Proceeds from sale of:			
Available-for-sale investments (Note 9)	–	–	**15,970,683**
Property and equipment	887,439	666,397	**1,464,022**
Interest received	3,909,609	3,634,564	**5,256,173**
Dividends received	47,597	234,438	**221,816**
Net cash used in investing activities	(255,928,055)	(137,841,970)	**(148,095,255)**

(Forward)

	Years Ended December 31		
	2008	2009	**2010**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Long-term borrowings (Note 15)	US$297,276,563	US$251,014,516	**US$456,338,084**
Sale of common shares held by a subsidiary (Note 14)	–	–	**2,762,693**
Settlement of cross-currency swap (Note 25)	–	–	**2,140,000**
Short-term borrowings (Note 16)	116,249,599	9,019,910	**1,000,000**
Subscriptions and issuance of capital stock	1,933,665	816	**164,243**
Payments of:			
Long-term borrowings (Note 15)	(4,350,947)	(261,589,531)	**(255,733,253)**
Interest on borrowings and concession rights payable	(43,439,633)	(45,103,370)	**(47,574,360)**
Dividends (Note 14)	(14,985,541)	(15,796,927)	**(17,361,201)**
Short-term borrowings (Note 16)	(87,316,792)	(26,016,799)	**(11,097,673)**
Change in minority interests (Note 14)	–	–	**21,389,978**
Excess of acquisition cost over the carrying value of minority interests acquired (Note 14)	(3,542,198)	–	**(5,803,576)**
Acquisition of common shares held by a subsidiary (Note 14)	(12,559,699)	(3,812,279)	**–**
Net cash provided by (used in) financing activities	249,265,017	(92,283,664)	**146,224,935**
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(17,852,752)	3,497,635	**1,329,563**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	128,404,738	(89,610,056)	**220,227,574**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	86,358,118	214,762,856	**125,152,800**
CASH AND CASH EQUIVALENTS AT END OF YEAR	US$214,762,856	US$125,152,800	**US$345,380,374**

See accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated 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 consolidated financial statements were authorized for issue in accordance with a resolution of the Board of Directors (the Board) on March 7, 2011.

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 15 countries: in the Philippines, Brazil, Poland, Madagascar, Japan, Indonesia, Syria, China, Ecuador, Colombia, Georgia, Brunei, Argentina, Mexico, and Oregon in the United States of America (U.S.A.). ICTSI's concession for the Manila International Container Terminal (MICT) was extended up to 2038 subject to certain conditions including the completion of agreed additional investments in port equipment and infrastructures prior to 2013 and payment of upfront fees on May 20, 2013, among others (see Note 23.1).

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

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).

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 23.18).

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 Gestion del Puerto La Plata* (La Plata) (see Notes 23.6 and 23.13). Construction activities are ongoing.

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 Container Terminal (PMBCT) 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 23.23). As of December 31, 2010, PMBCT has not yet been completed and is not yet available for commercial operations.

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 23.24).

Port of Manzanillo, Mexico. In November 2009, ICTSI was declared by the *Administracion Portuaria Integral de Manzanillo, S.A., de C.V.* (API) the winner of a 34-year concession for the development and operation of the second Specialized Container Terminal (TEC-II) at the Port of Manzanillo. ICTSI established Contecon Manzanillo, S.A. de C.V. (CMSA) on January 6, 2010 to operate the Port of Manzanillo. The concession agreement was signed on June 3, 2010. Under the agreement, CMSA paid upfront fees of 50.0 million Mexican Pesos (MXN) (US$4.1 million) plus tax to API in two installments: MXN25.0 million (US$2.0 million) on June 3, 2010, the date of signing of the contract; and another MXN25.0 million (US$2.0 million) on September 17, 2010. CMSA started construction activities on December 6, 2010 (see Note 23.15).

Port of Portland, Oregon, U.S.A. In May 2010, ICTSI signed a 25-year lease with the Port of Portland (Port) for the container/break bulk facility at Terminal 6. Under the terms of the agreement, ICTSI paid the Port US$8.0 million at closing date in addition to an annual rent payment of US$4.5 million, subject to any increases in the consumer price index. As terminal volumes increase over time, ICTSI will pay the Port additional incremental revenue per container moved. The US$8.0 million upfront fee was paid in two tranches: US$2.0 million on May 12, 2010 as a signing deposit; and the remaining US$6.0 million on August 12, 2010. ICTSI established ICTSI Oregon, Inc. (ICTSI Oregon) on April 15, 2009 to operate the Port. ICTSI Oregon took over the terminal operations on February 12, 2011 (see Note 23.16).

1.3 Subsidiaries

	Place of Incorporation	Nature of Business	Functional Currency	Percentage of Ownership 2008		2009		**2010**	
				Direct	Indirect	Direct	Indirect	**Direct**	**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**
Yantai Rising Dragon International Container Terminal, Ltd. (YRDICTL)	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)[a]	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 and Stevedoring Services 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.[a]	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**	**–**
Subic Bay International Terminal Corporation (SBITC)	Philippines	Port Management	US Dollar	–	83.33	–	83.33	**–**	**83.33**
Cebu International Container Terminal, Inc. (CICTI)[a]	Philippines	Port Management	Philippine Peso	51.00	–	51.00	–	**51.00**	**–**
Cordilla Properties Holdings Inc. (Cordilla)[c]	Philippines	Holding Company	Philippine Peso	100.00	–	100.00	–	**100.00**	**–**
South Cotabato Integrated Port Services, Inc. (SCIPSI)[d]	Philippines	Port Management	Philippine Peso	35.70	14.38	35.70	14.38	**35.70**	**14.38**
ICTSI Georgia Corporation (IGC)	Cayman Islands	Holding Company	US Dollar	–	100.00	–	100.00	**–**	**100.00**

(Forward)

	Place of Incorporation	Nature of Business	Functional Currency	Percentage of Ownership					
				2008		2009		**2010**	
				Direct	Indirect	Direct	Indirect	**Direct**	**Indirect**
New Muara Container Terminal Services SDN (NMCTS)[e]	Brunei	Port Management	Brunei Dollar	–	–	–	100.00	**–**	**100.00**
ICTSI (M.E.) JLT[e]	United Arab Emirates	Business Development Office	US Dollar	–	–	100.00	–	**100.00**	**–**
ICTSI Capital B.V.	Netherlands	Holding Company	US Dollar	100.00	–	100.00	–	**100.00**	**–**
Europe, Middle East and Africa (EMEA)									
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[f]	100.00	–	100.00	–	**100.00**	**–**
Batumi International Container Terminal LLC (BICTL)	Georgia	Port Management	US Dollar	–	100.00	–	100.00	**–**	**100.00**
Tartous International Container Terminal (TICT)	Syria	Port Management	US Dollar	100.00	–	100.00	–	**100.00**	**–**
Americas									
Contecon Guayaquil, S.A. (CGSA)	Eucador	Port Management	US Dollar	99.99	0.01	99.99	0.01	**99.99**	**0.01**
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)	Panama	Holding Company	US Dollar	–	100.00	–	100.00	**–**	**100.00**
Future Water, S.A. (FWSA)	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**
Sociedad Puerto Industrial de Aguadulce SA (SPIA)[a]	Colombia	Port Management	Colombian Peso	–	91.17	–	91.17	**–**	**91.29**
International Ports of South America and Logistics SA (IPSAL)[c]	Uruguay	Holding Company	US Dollar	–	100.00	–	100.00	**–**	**100.00**
Tecplata[a, c]	Argentina	Port Management	US Dollar	–	75.00	–	75.00	**–**	**85.00**
Contecon Manzanillo[a, g]	Mexico	Port Management	Mexican Peso	–	–	–	–	**99.00**	**–**
ICTSI Oregon[a, e]	U.S.A.	Port Management	US Dollar	–	–	–	100.00	**–**	**100.00**

[a] *Not yet started commercial operations.*
[b] *Established in 2008*
[c] *Acquired in 2008.*
[d] *35.70% owned by ICTSI in 2007 and treated as an associate but became a subsidiary in July 2008.*
[e] *Established in 2009.*
[f] *Prior to January 1, 2009, MICTSL's functional currency was Malagasy ariary.*
[g] *Established in 2010.*

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).

In 2010, ICTSI acquired additional shares of Tecplata and SPIA to increase its ownership from 75% to 85% and from 91.17% to 91.29%, respectively (see Note 14.4).

2. Basis of Preparation and Statement of Compliance

2.1 Basis of Preparation

The consolidated financial statements have been prepared on a historical cost basis, except for available-for-sale (AFS) investments and derivative financial instruments which have been measured at fair value. The consolidated financial statements are presented in United States dollars (US dollar, USD or US$), the Parent Company's functional and presentation currency starting January 1, 2009. All values are rounded to the nearest US dollar unit, except when otherwise indicated.

2.2 Statement of Compliance

The consolidated financial statements of the Group have been prepared in compliance with Philippine Financial Reporting Standards (PFRS). PFRS includes Philippine Accounting Standards (PAS) and 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. If the Group loses control over a subsidiary, it: derecognizes the assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any minority interest and the cumulative translation differences recorded in equity; recognizes the fair value of the consideration received, the fair value of any investment retained and any surplus or deficit in the consolidated statement of income; and reclassifies the Parent Company's share of components previously recognized in other comprehensive income to the consolidated statement of income or retained earnings, as appropriate.

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 and using uniform accounting policies as that of the Parent Company.

Functional and Presentation Currency. The consolidated financial statements are presented in US dollar, which is ICTSI's functional and presentation currency effective January 1, 2009. Each entity in the Group determines its own functional currency, which is the currency that best reflects the economic substance of the underlying transactions, events and conditions relevant to that entity, and items included in the financial statements of each entity are measured using that functional currency. When there is a change in those underlying transactions, events and conditions, the entity reassesses its functional currency. When there is a change in functional currency, the entity accounts for such change in accordance with the Group's policy on change in functional currency.

At the reporting date, the assets and liabilities of subsidiaries whose functional currency is not the US dollar starting in 2009 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 from the translation are taken directly and deferred 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 beginning January 1, 2010:

3.2.1 New Standards and Interpretations

- PFRS 3, *Business Combinations* (Revised)

  PFRS 3 introduces significant changes in the accounting for business combinations occurring after January 1, 2010. Changes affect the valuation of minority interest, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and accounting for business combinations achieved in stages. These changes impact the amount of goodwill recognized, the reported results in the period that an acquisition occurs and future reported results. Changes are accounted for prospectively and accounting for business combinations before January 1, 2010 is grandfathered to prior year policy on business combination. Adoption of this revised standard has no material impact on the consolidated financial statements as the Group did not have any business combination in 2010.

- IFRIC 17, *Distribution of Non-cash Assets to Owners*

  IFRIC 17 provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. The interpretation has no effect on either the financial position or performance of the Group.

3.2.2 Amendments to Standards

- PFRS 2, *Share-Based Payment*

  The amendment to PFRS 2 clarified the scope and the accounting for group cash-settled share-based payment transactions. The Group adopted this amendment as of January 1, 2010 but the adoption did not have an impact on the consolidated financial statements of the Group.

- PAS 27, *Consolidated and Separate Financial Statements* (Amended)

  The amendment to PAS 27 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.

  In 2010, ICTSI acquired additional shares in Tecplata and SPIA to increase its ownership from 75% to 85% and from 91.17% to 91.29%, respectively. The acquisition of additional shares was accounted for as an equity transaction. Excess of acquisition cost over the carrying value of minority interest amounted to US$5.8 million (see Note 14.4).

- PAS 39, *Financial Instruments: Recognition and Measurement – Eligible Hedged Items*

  The amendment to PAS 39 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. Adoption of this amendment has no material impact on the consolidated financial statements as the Group has not entered into any such hedges.

3.2.3 Improvements to PFRSs 2009 and 2008

The omnibus amendments to PFRSs issued in 2009 were issued primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the said amendments did not have significant impact on the Group's consolidated financial statements, except as otherwise stated.

- PFRS 2, *Share-based Payments:* 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).
- PFRS 5, *Noncurrent Assets Held for Sale and Discontinued Operations:* clarifies that the disclosures required in respect of noncurrent 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.
- PFRS 8, *Operating Segments:* 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.
- PAS 1, *Presentation of Financial Statements:* clarifies that the terms of a liability that could result, at any time, 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:* states that only expenditure that results in recognizing an 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 Group reassessed its outstanding leases as of January 1, 2010.
- 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. It 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, *Financial Instruments: Recognition and Measurement* 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, *Reassessment of Embedded Derivatives:* 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, *Hedge of a Net Investment in a Foreign Operation:* 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.

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.

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, Service Concession Arrangements, accounted for under the intangible asset model. The intangible assets pertaining to concession rights as of December 31, 2008, 2009 and 2010 are presented in Note 6 to the consolidated financial statements.

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, 2008, 2009 and 2010 amounted to US$34.0 million, US$28.1 million and US$24.6 million, respectively. Unrecognized deferred tax assets in certain subsidiaries amounted to US$7.0 million, US$10.2 million and US$12.3 million as of December 31, 2008, 2009 and 2010, 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 it has existing tax contingencies and a party to a maritime dispute involving claim for port equipment and infrastructure damages. 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$1.0 million, US$3.3 million and US$4.9 million as of December 31, 2008, 2009 and 2010, respectively (see Notes 17 and 24). Also, as of December 31, 2010, CGSA recognized claims receivable up to the extent of actual expenditures in restoring the damaged crane and facilities hit by a vessel in April 2010 amounting to US$5.4 million since management and its legal counsels believe that recovery from the vessel owners is assured (see Notes 6 and 12).

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 amounts of concession rights as of December 31, 2008, 2009 and 2010 are disclosed in Note 6 to the consolidated financial statements.

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 economic, 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 loss on certain investment properties amounting to US$5.5 million (₱242.7 million) was reversed in 2008 (see Notes 7, 8 and 19.1). The carrying amounts 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. There is no impairment loss in 2008 and 2009. In 2010, the Group recognized an impairment loss of US$1.3 million (COP2.5 billion) to write down the carrying value of a portion of land held by SPIA to its recoverable amount (see Notes 7 and 19.3).

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. There is no impairment loss in 2008, 2009 and 2010.

The carrying amounts of goodwill as of December 31, 2008, 2009 and 2010 are disclosed in Note 6 to the consolidated financial statements.

Estimating 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 to the consolidated financial statements.

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, 2008, 2009 and 2010 amounted to US$10.0 million, US$12.6 million and US$14.3 million, respectively.

The cost of spare parts and supplies, which is higher than net realizable value, amounted to US$10.1 million, US$12.7 million and US$14.7 million as of December 31, 2008, 2009 and 2010, respectively.

The amount of write-down of spare parts and supplies as an expense amounted to US$0.1 million in 2008 and 2009 and US$0.3 million in 2010, which is recognized in the consolidated statements of income under “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 gain amounted to US$3.2 million, US$1.9 million and US$2.6 million in 2008, 2009 and 2010, 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.”

Intangible assets with indefinite useful lives such as goodwill and intangible assets not yet brought into use are not amortized but tested for impairment annually, either individually or at the cash-generating unit level, irrespective of whether there is any indication of impairment. 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

Policy prior to January 1, 2010 on Initial Recognition

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

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

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

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

Policy subsequent to January 1, 2010 on Initial Recognition

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value and the amount of any minority interest in the acquiree. For each business combination, the acquirer measures the minority interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs incurred such as finder's fees; advisory, legal, accounting, valuation and other professional or consulting fees; general administrative costs, including the costs of maintaining an internal acquisitions department are expensed and included as part of "General and administrative expenses" account in the consolidated statement of income.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for minority interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognized directly in the consolidated statement of income. 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.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through the consolidated statement of income.

Any contingent consideration to be transferred by the acquirer will be recognized at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration, which is deemed to be an asset or liability, will be recognized in accordance with PAS 39, Financial Instruments: Recognition and Measurement, either in the consolidated statement of income or as a change to other comprehensive income. If the contingent consideration is classified as equity, it should not be remeasured until it is finally settled within equity.

Subsequent Recognition

Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. For purposes 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 Segments*.

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 periodically and adjusted prospectively, if appropriate, 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 and any significant part initially recognized is derecognized upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the property and equipment) is included in the consolidated statement of income in the year the asset is derecognized.

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

Quay crane spare parts represent major replacement parts for quay cranes classified under port facilities and equipment. Quay crane spare parts are not depreciated but tested for impairment until put into 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. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. 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 from 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 assets are classified into the following categories: financial assets at FVPL, loans and receivables, held-to-maturity (HTM) investments, and AFS financial assets. Financial liabilities are classified as either financial liabilities at FVPL or as other financial liabilities. The Group determines the classification at initial recognition and, where allowed and appropriate, re-evaluates this designation at every reporting date.

There were no reclassifications within the categories of the financial assets and liabilities in 2008, 2009 and 2010.

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).

<u>Derivative Financial Instruments and Hedging</u>

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.

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.

<u>Embedded Derivatives</u>
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 HTM 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. They are purchased and held indefinitely, and may be sold in response to liquidity requirements or changes in market conditions. 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).

<u>Other Financial Liabilities (including Interest-bearing Loans and Borrowings)</u>
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.

<u>Impairment of Financial Assets</u>
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 has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; 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. In that case, the Group also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

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 amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, 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 or vendor. 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.

Tax Credit Certificates. Tax credit certificates are issued by tax authorities in lieu of tax refunds, which can be used to offset against future tax liabilities. In some jurisdictions, tax credit certificates can be sold or exchanged for cash and cash equivalents.

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 in the provisions 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 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 a 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 settle 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 (treasury shares) 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, if reissued, is recognized as additional paid-in capital. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively. Share options exercised during the reporting period are satisfied with treasury shares.

Foreign Currency Transactions

Transactions in foreign currencies are initially recorded at its functional currency ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the statement of income of the entity and to the consolidated financial statements with the exception of exchange differences on foreign currency borrowings (i.e., long-term receivables or loans to a foreign operation denominated in either the functional currency of the parent or the foreign operations)

that provide a hedge against a net investment in a foreign operation. Related exchange differences arising from net investment in foreign operations are taken directly to equity until the disposal of the net investment, at which time they are recognized in the consolidated statement of income. Tax charges and credits attributable to exchange differences on those borrowings are also dealt with in equity.

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 at fair value in a foreign currency 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.

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:

	2008		2009		**2010**	
	Closing	Average	Closing	Average	**Closing**	**Average**
Foreign currency to 1 unit of						
US Dollar (USD or US$):						
Argentinean peso (ARP)	–	–	3.799	3.730	**3.979**	**3.912**
Australian dollar (AUD)	1.423	1.174	1.114	1.261	**0.977**	**1.086**
Brazilian real (BRL or R$)	2.315	1.836	1.745	1.997	**1.661**	**1.759**
Brunei dollar	–	–	1.405	1.454	**1.281**	**1.363**
Chinese renminbi (RMB)	6.828	6.950	6.827	6.832	**6.607**	**6.767**
Colombian peso (COP)	2,248.580	1,970.290	2,043.780	2,154.390	**1,907.700**	**1,897.330**
Euro (€)	–	–	0.698	0.717	**0.747**	**0.754**
Georgian lari (GEL)	1.666	1.489	1.699	1.670	**1.775**	**1.784**
Indonesian rupiah (IDR)	11,120.000	9,694.000	9,404.000	10,396.000	**8,996.000**	**9,084.000**
Japanese yen (JPY)	90.640	103.370	93.020	93.600	**81.120**	**87.730**
Philippine peso	47.520	44.474	46.200	47.638	**43.840**	**45.120**
Malagasy ariary (MGA)	1,870.000	1,714.970	1,970.000	1,977.920	**2,137.500**	**2,112.470**
Mexican peso (MXN)	–	–	–	–	**12.340**	**12.608**
Syrian pound (SYP)	47.134	50.113	45.626	46.359	**46.850**	**46.492**

Change in Functional Currency

When there is a change in an entity's functional currency, the entity should apply the translation procedures applicable to the new functional currency prospectively from the date of change. An entity translates all items into the new functional currency using the exchange rate at the date of the change. The resulting translated amounts for nonmonetary items are treated as their historical cost. Exchange differences arising from the translation at the date of change are recognized as cumulative translation adjustment reported under the statement of comprehensive income and presented in the equity section of the balance sheet. Exchange differences arising from translation of a foreign operation recognized in other comprehensive income are not reclassified from equity to the consolidated statement of income until the disposal of the foreign operation.

The comparative financial statements shall be presented into the new presentation currency in accordance with the translation procedures described in PAS 21, *The Effects of Changes in Foreign Exchange Rates*, 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.

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 and vendors 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, labor-related and other 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 is based on the substance of the arrangement at inception date, 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, even if that right is not explicitly specified in an arrangement.

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 commencement 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.

A leased asset is depreciated over the useful life of the asset. However, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term, the asset is depreciated over the shorter of the estimated useful life of the asset and the lease term.

Operating lease payments are recognized as an operating 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 have 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, output tax, 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 Group's 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, and 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 Income Tax. Current income tax assets and liabilities for the current period 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 in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statement of income. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

Deferred Tax. Deferred tax is provided using the 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
- 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 tax credits and unused tax losses or net operating loss carryover (NOLCO), to the extent that it is probable that sufficient future taxable income will be available against which the deductible temporary differences, and the carryforward benefits of unused tax credits 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 outside the consolidated statement of income is recognized outside of the consolidated statement of income. Deferred tax items are recognized in correlation to the underlying transaction either in other comprehensive income or directly in equity.

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

Tax benefits acquired as part of business combination, but not satisfying the criteria for separate recognition at that date, would be recognized subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill if it incurred during the measurement period) or in the consolidated statement of income.

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 stock 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, Europe, Middle East and Africa (EMEA), and Americas. Financial information on geographical segments is presented in Note 5 to the consolidated financial statements.

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 assets and liabilities are not recognized in the consolidated financial statements. Contingent assets are disclosed in the notes to consolidated financial statements when an inflow of economic benefits is probable and recognized in the consolidated balance sheet and the related income in the consolidated statement of income when an inflow of economic benefits is virtually certain. On the other hand, contingent liabilities are disclosed in the notes to consolidated financial statements unless the possibility of an outflow of resources embodying economic benefits is remote.

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 9, *Financial Instruments: Classification and Measurement*

  PFRS 9 applies to classification and measurement of financial assets as defined in PAS 39. The standard is effective for annual periods beginning on or after January 1, 2013. The completion of this project is expected in early 2011. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets.

- 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. The 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, *Construction Contracts*, 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 adoption of this interpretation will have no material effect on the consolidated financial statements of the Group.

- IFRIC 19, *Extinguishing Financial Liabilities with Equity Instruments*

  IFRIC 19 is effective for annual periods beginning on or after July 1, 2010. The interpretation clarifies that equity instruments issued to a creditor to extinguish a financial liability qualify as consideration paid. The equity instruments issued are measured at their fair value. In case that this cannot be reliably measured, the instruments are measured at the fair value of the liability extinguished. Any gain or loss is recognized immediately in profit or loss.

3.5.2 Amendments to Standards

- PFRS 7, *Financial Instruments: Disclosures (Amendments) – Disclosures – Transfers of Financial Assets*

  The amendments to PFRS 7 are effective for annual periods beginning on or after July 1, 2011. The amendments will allow users of financial statements to improve their understanding of transfer transactions of financial assets (for example, securitizations), including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

- PAS 12, *Income Taxes (Amendment) – Deferred Tax: Recovery of Underlying Assets*

  The amendment to PAS 12 is effective for annual periods beginning on or after January 1, 2012. It provides a practical solution to the problem of assessing whether recovery of an asset will be through use or sale. It introduces a presumption that recovery of the carrying amount of an asset will normally be through sale.

- PAS 24, *Related Party Disclosures* (Amendment)

  The amended standard is effective for annual periods beginning on or after January 1, 2011. It clarified the definition of a related party to simplify the identification of such relationships and to eliminate inconsistencies in its application. The revised standard introduces a partial exemption of disclosure requirements for government-related entities. Early adoption is permitted for either the partial exemption for government-related entities or for the entire standard.

- PAS 32, *Financial Instruments: Presentation – Classification of Rights Issues* (Amendment)

  The amendment to PAS 32 is effective for annual periods beginning on or after February 1, 2010 and amended the definition of a financial liability in order to classify rights issues (and certain options or warrants) as equity instruments in cases where such rights are given pro rata to all of the existing owners of the same class of an entity's non-derivative equity instruments, or to acquire a fixed number of the entity's own equity instruments for a fixed amount in any currency.

- IFRIC 14, *Prepayments of a Minimum Funding Requirement* (Amendment)

  The amendment to IFRIC 14 is effective for annual periods beginning on or after January 1, 2011 with retrospective application. The amendment provides guidance on assessing the recoverable amount of a net pension asset.

3.5.3 Improvements to PFRSs 2010

The omnibus amendments to PFRSs issued in 2010 were issued primarily with a view to removing inconsistencies and clarifying wording. The amendments are effective for annual periods on or after either July 1, 2010 or January 1, 2011.

- PFRS 3, *Business Combinations*
- PFRS 7, *Financial Instruments: Disclosures*
- PAS 1, *Presentation of Financial Statements*
- PAS 27, *Consolidated and Separate Financial Statements*
- IFRIC 13, *Customer Loyalty Programmes*

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.

Acquisitions in 2008, which initial accounting was determined provisionally, were finalized in 2009. These are summarized below:

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	1,252,439	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 in "Other income" account of 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 of the Parent Company, 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) in "Other income" for the six months ended June 30, 2008 (see Note 19.1). The acquisition of additional shares in SCIPSI in 2008 also resulted in the recognition of revaluation reserve presented as part of other comprehensive loss amounting to US$0.6 million due to changes in fair values of SCIPSI's net assets since the first acquisition in 1999 (see Note 14.6).

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	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.

In August 2010, ICTSI, through International Ports of South America and Logistics, S.A. (IPSAL) (formerly Edanfer S.A.), acquired additional 10% interest in Tecplata (see Note 14.4). This transaction, however, is treated as an acquisition of minority interest accounted for using the entity concept method.

There were no business combinations in 2009 and 2010.

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, NMCTS in Brunei, ICTSI Capital B.V., 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, Tecplata in Argentina, ICTSI Oregon in the U.S.A., and CMSA in Mexico (see Note 1.3).

Management monitors the operating results of its operating unit separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on contributions to gross revenues, earnings before interest, taxes, depreciation and amortization (EBITDA) and net income attributable to equity holders of the Parent Company. Gross revenues and net income contributions are measured consistently with gross revenues from port operations and net income attributable to equity holders of the Parent Company, respectively, in the consolidated statement of income. EBITDA is measured on the basis provided after the tables below.

Financing is managed on a group basis and centralized at the Parent Company level. Funding requirements that are secured through debt are recognized as liabilities of the Parent Company classified under the geographical region of Asia and are not allocated to other geographical segments where funds are eventually transferred and used.

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

2008	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

(Forward)

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
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	704,301,742

2010	**Asia**	**EMEA**	**Americas**	**Consolidated**
Gross revenues from port operations	**US$273,604,372**	**US$61,450,473**	**US$192,060,437**	**US$527,115,282**
EBITDA[(a)]	**131,101,221**	**20,707,113**	**95,889,370**	**247,697,704**
Net income attributable to equity holders of the parent	**56,638,313**	**131,759**	**41,506,027**	**98,276,099**
Other information:				
Segment assets[(b)]	**US$833,043,715**	**US$136,991,165**	**US$604,188,166**	**US$1,574,223,046**
Segment liabilities[(c)]	**727,426,316**	**60,935,674**	**134,136,609**	**922,498,599**

[(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 not 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:

2008	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

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

(Forward)

2009	Asia	EMEA	Americas	Consolidated
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

2010	**Asia**	**EMEA**	**Americas**	**Consolidated**
Net income attributable to equity holders of the parent	**US$56,638,313**	**US$131,759**	**US$41,506,027**	**US$98,276,099**
Minority interests	**52,814**	**–**	**(503,548)**	**(450,734)**
Provision for income tax	**22,932,677**	**1,925,995**	**14,299,552**	**39,158,224**
Income before income tax	**79,623,804**	**2,057,754**	**55,302,031**	**136,983,589**
Add (deduct):				
Depreciation and amortization	**30,760,881**	**13,277,675**	**22,806,355**	**66,844,911**
Interest and other expenses*	**58,029,194**	**4,996,583**	**15,424,070**	**78,449,847**
Interest and other income**	**(37,312,658)**	**375,101**	**2,356,914**	**(34,580,643)**
EBITDA	**US$131,101,221**	**US$20,707,113**	**US$95,889,370**	**US$247,697,704**

* *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; and other expenses.*

** *Interest and other income includes the following as shown in the consolidated statement of income: foreign exchange gain; interest income; and other income.*

(b) *Segment assets do not include deferred tax assets amounting to US$34.0 million, US$28.1 million and US$24.6 million as of December 31, 2008, 2009, and 2010, respectively.*

(c) *Segment liabilities do not include income tax payable amounting to US$11.3 million, US$9.5 million, and US$7.5 million and deferred tax liabilities amounting to US$38.8 million, US$37.3 million, and US$38.5 million as of December 31, 2008, 2009 and 2010, 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 44.9%, 47.0% and 47.6%, of the consolidated gross revenues from port operations for the years ended December 31, 2008, 2009 and 2010, respectively.

6. Intangibles

This account consists of:

2008	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	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

(Forward)

2009	Concession Rights						
	Upfront Fees	Fixed Fees	Port Infrastructure	Subtotal	Computer Software	Goodwill	Total
Cost							
Balance at beginning of year	US$192,819,137	US$175,706,256	US$236,050,286	US$604,575,679	US$10,292,555	US$60,656,647	US$675,524,881
Acquisitions or additions	–	–	79,816,149	79,816,149	2,211,810	–	82,027,959
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

2010	**Concession Rights**						
	Upfront Fees	**Fixed Fees**	**Port Infrastructure**	**Subtotal**	**Computer Software**	**Goodwill**	**Total**
Cost							
Balance at beginning of year	**US$198,283,905**	**US$177,703,309**	**US$303,305,541**	**US$679,292,755**	**US$13,484,412**	**US$60,697,889**	**US$753,475,056**
Acquisitions or additions	**4,051,864**	**–**	**65,283,385**	**69,335,249**	**684,813**	**–**	**70,020,062**
Disposals	**–**	**–**	**–**	**–**	**(686,344)**	**–**	**(686,344)**
Translation adjustments	**3,901,354**	**(1,214,074)**	**(2,795,921)**	**(108,641)**	**101,773**	**1,376,928**	**1,370,060**
Transfers to other accounts (see Note 7)	**–**	**–**	**17,782,401**	**17,782,401**	**(1,333,091)**	**–**	**16,449,310**
Balance at end of year	**206,237,123**	**176,489,235**	**383,575,406**	**766,301,764**	**12,251,563**	**62,074,817**	**840,628,144**
Accumulated Amortization and Impairment Losses							
Balance at beginning of year	**26,587,670**	**45,131,097**	**45,201,572**	**116,920,339**	**7,883,556**	**277,080**	**125,080,975**
Amortization for the year	**8,361,638**	**8,760,624**	**21,435,279**	**38,557,541**	**1,234,292**	**–**	**39,791,833**
Disposals	**–**	**–**	**–**	**–**	**(686,344)**	**–**	**(686,344)**
Translation adjustments	**478,708**	**(421,384)**	**(284,878)**	**(227,554)**	**134,088**	**–**	**(93,466)**
Balance at end of year	**35,428,016**	**53,470,337**	**66,351,973**	**155,250,326**	**8,565,592**	**277,080**	**164,092,998**
Net Book Value	**US$170,809,107**	**US$123,018,898**	**US$317,223,433**	**US$611,051,438**	**US$3,685,971**	**US$61,797,737**	**US$676,535,146**

Concession Rights

Acquisitions of and additions to concession rights include concession of port operations 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 in 2009 and 2010. Additions to concession rights under port infrastructure which are not yet available for use are not amortized but tested for impairment at December 31 in accordance with the Group's policy on impairment testing (see Note 10). Additions to upfront fees pertain to payment of CMSA to API in 2010 totaling US$4.1 million (see Notes 1.2 and 23.15).

In April 2010, a vessel hit one of the quay cranes of CGSA causing damage to the crane, affecting portion of one of the berths, related infrastructure and third party containers and cargo. These properties were capitalized as intangible assets in the consolidated balance sheet. CGSA and ICTSI have taken appropriate steps to replace the equipment, repair the berth and minimize business interruption. In the meantime, the two remaining operating quay cranes, as well as the terminal's mobile harbor cranes, remain fully functional. Security in respect of CGSA's claims against the vessel has been obtained in relation to the damage caused to CGSA's equipment, facilities, operations and third parties' equipment and goods. Investigations into the circumstances of the incident, which are continuing, strongly support management's view that the incident was caused by vessel negligence. Furthermore, CGSA and the vessel owners have agreed to subject the case to English Law and the jurisdiction of the English High Court for England is the leading center for the resolution of maritime disputes and the English courts operate under a clearly defined and speedy litigation procedure with specialist maritime judges.

Management is confident of making a substantial recovery from the vessel's owners for the damage and losses caused and, accordingly, it is expected that the replacement and restoration of the damaged equipment and facilities will not materially impact the consolidated financial position and results of operations of the Group. On August 2, 2010, the Group received US$1.7 million as initial recovery of the cost of the damaged crane. The Group recognized the related claims receivable amounting to US$5.4 million as of December 31, 2010 as management and its legal counsels believe that recovery from vessel owners is assured (see Note 12).

Concession rights have remaining amortization periods ranging from 3 to 44 years.

Fully amortized port infrastructure with cost amounting to US$29.5 million as of December 31, 2008 and 2009 and US$62.5 million as of December 31, 2010 are still being used in the Group's operations.

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, 2010 are as follows:

	Amount
2011	US$24,286,196
2012	24,763,361
2013	8,653,443
2014	5,276,008
2015 onwards	118,055,608
Total	US$181,034,616

Interest expense on concession rights payable amounted to US$23.3 million in 2008, US$23.1 million in 2009 and US$21.1 million in 2010.

Borrowing costs capitalized amounted to US$2.7 million in 2008 with capitalization rates ranging from 6.46% to 11.91%, US$4.5 million in 2009 with capitalization rates ranging from 6.2% to 7.82%, and US$5.0 million in 2010 with capitalization rates ranging from 7.90% to 7.92%. Unamortized borrowing costs amounted to US$2.7 million, US$7.2 million and US$11.8 million as of December 31, 2008, 2009 and 2010, respectively.

Computer Software

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

Goodwill

Goodwill arises from the excess acquisition costs over fair values of net assets at acquisition dates of the following subsidiaries:

	2008	2009	**2010**
Tecplata (see Note 4)	US$38,147,780	US$38,147,780	**US$38,147,780**
SPIA	13,337,859	12,858,258	**13,775,463**
DIPSSCOR	6,413,835	6,597,087	**6,952,222**
YRDICTL	1,294,131	1,173,310	**1,212,379**
Others (see Note 4)	1,185,962	1,644,374	**1,709,893**
	US$60,379,567	US$60,420,809	**US$61,797,737**

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:

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)	–	273,548	1,238,876	59,636	159,030	60,610	–	–	1,791,700
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	94,179,597	160,653,247	22,815,676	18,536,562	4,454,971	1,701,397	4,409,620	332,145,776
Accumulated Depreciation, Amortization and Impairment Losses									
Balance at beginning of year	–	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
Effect of business combination (see Note 4)	–	25,541	1,188,524	54,374	95,769	46,267	–	–	1,410,475
Transfers from (to) other accounts	–	7,792,510	21,588,238	493,957	3,740,970	(33,615,675)	–	–	–
Balance at end of year	–	13,002,653	34,715,404	9,353,792	11,271,177	2,578,921	159,627	–	71,081,574
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

(Forward)

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 (see Note 9)	–	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	–	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

2010

	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$26,268,431**	**US$108,070,942**	**US$196,991,191**	**US$44,448,334**	**US$21,192,458**	**US$4,587,135**	**US$1,800,033**	**US$22,441,137**	**US$425,799,661**
Additions	**–**	**1,069,537**	**22,009,139**	**1,593,986**	**2,531,423**	**506,051**	**206,412**	**27,006,749**	**54,923,297**
Disposals	**–**	**(295,373)**	**(1,608,725)**	**(1,016,935)**	**(31,257)**	**(39,755)**	**(618,984)**	**–**	**(3,611,029)**
Translation adjustments	**1,501,417**	**4,722,736**	**3,411,144**	**177,064**	**91,988**	**99,287**	**76,748**	**389,464**	**10,469,848**
Transfers from (to) other accounts	**–**	**3,179,905**	**(17,538,687)**	**197,747**	**227,906**	**36,253**	**1,171,138**	**(3,723,572)**	**(16,449,310)**
Balance at end of year	**27,769,848**	**116,747,747**	**203,264,062**	**45,400,196**	**24,012,518**	**5,188,971**	**2,635,347**	**46,113,778**	**471,132,467**
Accumulated Depreciation, Amortization and Impairment Losses									
Balance at beginning of year	**–**	**19,853,749**	**48,337,628**	**13,510,660**	**13,917,812**	**2,980,427**	**383,993**	**–**	**98,984,269**
Depreciation and amortization for the year	**–**	**5,298,268**	**12,536,301**	**4,824,981**	**3,406,014**	**383,525**	**256,637**	**–**	**26,705,726**
Disposals	**–**	**(59,507)**	**(1,372,197)**	**(1,124,085)**	**(35,166)**	**–**	**–**	**–**	**(2,590,955)**
Translation adjustments	**–**	**533,994**	**1,268,301**	**437,286**	**(223,372)**	**27,240**	**51,639**	**–**	**2,095,088**
Transfers from (to) other accounts	**–**	**65,553**	**(74,191)**	**5,250**	**4,155**	**(767)**	**–**	**–**	**–**
Impairment loss	**1,317,641**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**1,317,641**
Balance at end of year	**1,317,641**	**25,692,057**	**60,695,842**	**17,654,092**	**17,069,443**	**3,390,425**	**692,269**	**–**	**126,511,769**
Net Book Value	**US$26,452,207**	**US$91,055,690**	**US$142,568,220**	**US$27,746,104**	**US$6,943,075**	**US$1,798,546**	**US$1,943,078**	**US$46,113,778**	**US$344,620,698**

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 (see Note 19.1). These were reclassified to investment properties when ICTSI commenced a lease agreement over the properties in 2008 (see Note 8). In 2010, the Group recognized an impairment loss of US$1.3 million (COP2.5 billion) to write down the carrying value of a portion of land held by SPIA to its recoverable amount (see Note 19.3).

Fully depreciated port equipment with cost amounting to US$10.3 million, US$11.3 million and US$16.0 million as of December 31, 2008, 2009 and 2010, respectively, are still being used in the Group's operations.

Port equipment with a total carrying value of US$90.7 million and US$97.0 million as of December 31, 2008 and 2009, respectively, owned by BCT, TSSA and YRDICTL, and US$74.5 million as of December 31, 2010 owned by BCT and TSSA, were pledged as collateral to secure YRDICTL's loan agreement with the Industrial and Commercial Bank of China, BCT's loan agreement with a syndicate of a Polish and international banks, and TSSA's loan agreement with International Finance Corporation and the Netherlands Development Finance Company. YRDICTL's port equipment were released from mortgage upon prepayment of its outstanding loan in March 2010 while TSSA's port equipment were released from mortgage upon prepayment of its loan on January 18, 2011 (see Note 15.2.2).

Borrowing costs capitalized amounted to US$0.2 million in 2008 with capitalization rate of 6.46%, US$0.7 million in 2009 with capitalization rate of 6.21%, and US$1.4 million in 2010 with capitalization rate of 7.90%. Unamortized borrowing costs amounted to US$0.2 million, US$0.9 million and US$2.3 million as of December 31, 2008, 2009 and 2010, respectively.

8. Investment Properties

The details of investment properties are as follows:

2008	Land and Improvements	Building and Others	Total
Cost			
Balance at beginning of year	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

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
Accumulated Depreciation and Amortization			
Balance and beginning of year	2,451,092	188,708	2,639,800
Amortization during the year	315,871	29,561	345,432
Translation adjustment	–	18,971	18,971
Balance at end of year	2,766,963	237,240	3,004,203
Net Book Value	US$29,286,964	US$430,174	US$29,717,138

2010	**Land and Improvements**	**Building and Others**	**Total**
Cost			
Balance at beginning of year	**US$32,053,927**	**US$667,414**	**US$32,721,341**
Translation adjustment	**1,097,639**	**7,399**	**1,105,038**
Balance at end of year	**33,151,566**	**674,813**	**33,826,379**
Accumulated Depreciation and Amortization			
Balance and beginning of year	**2,766,963**	**237,240**	**3,004,203**
Amortization during the year	**315,872**	**31,480**	**347,352**
Translation adjustment	**–**	**1,530**	**1,530**
Balance at end of year	**3,082,835**	**270,250**	**3,353,085**
Net Book Value	**US$30,068,731**	**US$404,563**	**US$30,473,294**

Land and improvements include land held for capital appreciation and land improvements subject to an operating lease with fair value totaling US$73.4 million as determined based on valuations performed by qualified independent appraisers whose reports were dated November 29, 2005 and January 13, 2011. The valuations undertaken were 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. Based on these valuations performed by independent appraisers, there is neither significant change in the fair value of investment properties, as of December 31, 2010 from the fair value as of November 29, 2005 as this property pertains to land which is located in an area where land developments, both commercial and industrial, are ongoing, nor the fair value of investment properties as of January 13, 2011 due to the proximity of the appraisal report from December 31, 2010.

Rental income derived from rental-earning investment properties presented as part of other income in the consolidated statements of income amounted to US$0.1 million in 2008, US$0.3 million in 2009 and US$0.3 million in 2010. There were no restrictions on realizability of investment properties and no significant repairs and maintenance were made to maintain the Group's investment properties in 2008, 2009 and 2010. 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:

	2008	2009	**2010**
Advances to suppliers and contractors (net of allowance for probable probable loss of US$0.6 million, US$3.3 million and US$4.3 million as of December 31, 2008, 2009 and 2010, respectively)	US$37,096,465	US$14,002,021	**US$28,753,687**
Advanced rent and deposits	2,446,248	9,467,211	**22,438,587**
Restricted cash (see Note 23)	12,726,776	12,007,574	**10,746,985**
AFS investments (see Note 25):			
Quoted equity shares - at fair value	820,435	950,110	**990,772**
Unquoted equity shares - at cost	5,219,439	5,217,947	**747,346**
Pension assets (see Note 22)	186,503	688,039	**475,693**
Investment in an associate	–	–	**–**
Prepaid expense and others	1,075,114	3,761,639	**1,597,197**
	US$59,570,980	US$46,094,541	**US$65,750,267**

Advances to Suppliers and Contractors

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).

In 2010, SPIA's, management determined that advances to contractors amounting to US$0.7 million (COP1.3 billion) can no longer be recovered. Accordingly, provision for probable loss was recognized for the same amount as "Other expenses" in the 2010 consolidated statement of income (see Note 19.3).

Advanced Rent and Deposits

Advanced rent and deposits mainly pertain to advance payments for future rental and deposits for future acquisition of properties and upfront fees in CMSA amounting to US$5.6 million in 2010 (see Note 23.15) and in ICTSI Oregon amounting to US$8.0 million as required by the lease agreement (see Note 23.16). An expense shall be recognized when this advanced rent is applied. On the other hand, another asset account shall be recognized according to the nature of the properties acquired upon the application and allocation of such deposits.

Restricted Cash

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).

AFS Investments

Quoted Equity Shares. The net movement in unrealized mark-to-market gain (loss) on quoted AFS investments is as follows:

	2008	2009	**2010**
Balance at beginning of year	US$97,306	US$9,773	**US$176,696**
Change in fair value of quoted AFS investments	(87,533)	166,923	**292,040**
Balance at end of year	US$9,773	US$176,696	**US$468,736**

Unquoted Equity Shares. On August 2, 2010, ICTSI entered into a Share Purchase Agreement for the sale of its shares of stock in Subic Shipyard and Engineering, Inc. (SSEI) representing 9.54 % of SSEI's outstanding capital stock or 97,599,161 common shares and in Consort Land, Inc. (CLI) representing 8.56 % of CLI's outstanding capital stock or 2,997,445 common shares. The sale and purchase of ICTSI's shareholdings in SSEI and CLI was authorized by the Board on June 18, 2010.

The net proceeds arising from the sale and purchase of all of ICTSI's shares of stock in SSEI and CLI amounting to US$16.0 million (₱703.0 million) were received on September 29, 2010, the closing date for the transaction. Gain on the sale of AFS investments amounting to US$11.2 million (₱477.4 million) were recognized in the 2010 consolidated statement of income as other income (see Note 19.1). No gain or loss was transferred from equity to profit or loss since these AFS investments were carried at cost as the shares of stock of SSEI and CLI are not traded in an active market.

Investment in an Associate

The details and movements of investment in an associate follow:

	2008	2009	**2010**
Acquisition Cost			
Balance at beginning of year	US$8,847,184	US$7,474,994	**US$7,474,994**
Cumulative translation adjustment	(1,161,751)	–	**–**
Balance at end of year	7,685,433	7,474,994	**7,474,994**
Less cost of investment in SCIPSI	210,439	–	**–**
	7,474,994	7,474,994	**7,474,994**

(Forward)

	2008	2009	**2010**
Accumulated Equity in Net Earnings of an Associate			
Balance at beginning of year	569,114	–	**–**
Equity in net earnings for the period (see Note 19.1)	116,917	–	**–**
Cumulative translation adjustment (see Note 2.3)	(82,226)	–	**–**
Change in accounting treatment for investment in SCIPSI	(603,805)	–	**–**
Balance at end of year	–	–	**–**
	7,474,994	7,474,994	**7,474,994**
Allowance for Probable Losses			
Balance at beginning of year	8,604,934	7,474,994	**7,474,994**
Cumulative translation adjustment	(1,129,940)	–	**–**
Balance at end of year	7,474,994	7,474,994	**7,474,994**
	US$–	US$–	**US$–**

As discussed in Notes 1.2 and 4, 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 on Nonfinancial 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 15-year period. Projections beyond 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 taking into consideration the debt premium, market risk premium, gearing, corporate tax rate and asset betas of these subsidiaries. Management assumed discount rates of 9.15% to 22.62% in 2008, 5.64% to 10.79% in 2009 and 8.84% to 15.50% in 2010.

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 that unfavorable conditions could materially affect the assumptions used in the determination of value in use. An increase of 0.6% to 54.13% and 1.5% to 72.37% in the discount rates, or a reduction of growth rates by 0.7% to 55.0% and 3.22% to more than 100%, would give a value in use equal to the carrying amount of the cash generating units in 2009 and 2010, respectively.

11. Cash and Cash Equivalents

This account consists of:

	2008	2009	**2010**
Cash on hand and in banks	US$72,876,752	US$30,419,226	**US$29,604,911**
Cash equivalents	141,886,104	94,733,574	**315,775,463**
	US$214,762,856	US$125,152,800	**US$345,380,374**

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.

As of December 31, 2010, Philippine peso-denominated cash equivalents aggregating US$24.4 million (₱1.1 billion) have been designated by the Parent Company as cash flow hedges to hedge the variability of Philippine peso cash flows that is required to settle Philippine peso-denominated payables that would arise from forecasted Philippine peso-denominated variable port fees to the PPA as a result of changes in the Philippine peso/US dollar exchange rate up to 2011. The amount hedged constitutes about 51% of total Philippine peso-denominated forecasted variable port fees to the PPA until 2011 (see Note 25).

Interest income derived from interest-earning bank deposits and short-term investments amounted to US$4.0 million, US$3.7 million and US$5.6 million for the years ended December 31, 2008, 2009 and 2010, respectively.

12. Receivables

This account consists of:

	2008	2009	**2010**
Trade	US$25,632,987	US$36,921,206	**US$40,824,064**
Advances and nontrade (see Notes 6 and 21.3)	1,142,217	2,667,554	**9,412,211**
	26,775,204	39,588,760	**50,236,275**
Less allowance for doubtful accounts	1,495,810	3,030,628	**3,062,420**
	US$25,279,394	US$36,558,132	**US$47,173,855**

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

Advances and nontrade receivables mainly include noninterest-bearing advances to suppliers and vendors collectible within 12 months and claims receivable amounting to US$5.4 million as of December 31, 2010 (see Note 6).

Movements in the allowance for doubtful accounts are summarized below:

		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

		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

(Forward)

	Trade	2010 Advances and Nontrade	Total
Balance at beginning of year	**US$2,747,713**	**US$282,915**	**US$3,030,628**
Provision	**374,523**	**–**	**374,523**
Write-off	**(144,344)**	**(223,416)**	**(367,760)**
Translation adjustments	**12,006**	**13,023**	**25,029**
Balance at end of year	**US$2,989,898**	**US$72,522**	**US$3,062,420**

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:

	2008	2009	2010
Input tax	US$18,619,829	US$24,398,055	**US$24,229,259**
Tax credit certificates	–	–	**6,632,186**
Creditable withholding taxes	1,846,066	3,213,754	**2,768,385**
Prepaid insurance, bonds and other expenses	6,264,432	3,086,954	**2,980,237**
Others	1,827,462	1,817,937	**3,150,497**
	US$28,557,789	US$32,516,700	**US$39,760,564**

Tax credit certificates pertain to tax credits in lieu of tax refunds issued to ICTSI and CGSA aggregating US$6.6 million as of December 31, 2010, which can be applied against certain future tax liabilities of ICTSI and CGSA. These tax credit certificates can be sold or exchanged for cash and cash equivalents.

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		
	2008	2009	2010	2008	2009	2010
Preferred A Shares - nonvoting, non-cumulative, US$0.048 (₱1.00) par value:						
Balance at beginning of year	1,000,000,000	1,000,000,000	**1,000,000,000**	3,800,000	3,800,000	**3,800,000**
Net change during the year	–	–	**(7,000,000)**	–	–	**–**
Balance at end of year	1,000,000,000	1,000,000,000	**993,000,000**	3,800,000	3,800,000	**3,800,000**
Preferred B Shares - voting, non-cumulative, US$0.0002 (₱0.01) par value:	–	–	**700,000,000**	–	–	**700,000,000**
Common Stock - US$0.048 (₱1.00) par value:	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				77,000,000	73,009,500	**68,131,500**
Issuance of shares (see Note 18)				(3,990,500)	(4,878,000)	**(11,872,500)**
Balance at end of year				73,009,500	68,131,500	**56,259,000**

	Amount		
	2008	2009	2010
Preferred Stock			
Balance at beginning of year	US$72,492	US$72,492	**US$72,492**
Change during the year	–	–	**163,730**
	US$72,492	US$72,492	**US$236,222**
Common Stock			
Balance at beginning of year	US$66,488,812	US$66,488,812	**US$66,488,812**

(Forward)

	Amount		
	2008	2009	2010
Subscription Receivable			
Balance at beginning of year	(951,671)	(460,369)	**(459,553)**
Collections during the year	491,302	816	**513**
	(460,369)	(459,553)	**(459,040)**
Balance at end of year	US$66,028,443	US$66,029,259	**US$66,029,772**
Treasury Shares			
Balance at beginning of year	US$7,126,323	US$6,757,004	**US$6,305,546**
Issuance of shares (see Note 18)	(369,319)	(451,458)	**(1,098,795)**
Balance at end of year	US$6,757,004	US$6,305,546	**US$5,206,751**

Preferred Shares

Prior to 2010, the preferred shares which were subscribed by ICTHI, are nonvoting, entitled to dividends at rates to be fixed by the Board, non-cumulative, convertible to common shares under such terms as may be provided by the Board, redeemable at such price and terms determined by the Board, and shall have preference over common shares in the distribution of the assets of the Parent Company (see Note 14.3).

The stockholders of ICTSI, in a special stockholders meeting held on August 11, 2010, approved the creation of a class of voting low par value preferred shares. This was intended to address the problem of the ceiling on foreign shareholdings restricting the active trading by foreign investors of ICTSI's listed shares in the PSE.

The establishment of similar low par value voting preferred shares has been used by other listed companies in the PSE to increase the effective participation of foreign investors in their listed common shares, without affecting the beneficial ownership and economic interest of their existing shareholders.

The stockholders representing at least 2/3 of the outstanding capital stock of ICTSI approved the amendment of the articles of incorporation of ICTSI to reclassify the existing 1,000,000,000 authorized Preferred Shares with a par value of US$0.048 (₱1.00) per share into: (a) 993,000,000 Preferred A Shares with a par value of US$0.048 (₱1.00) per share, inclusive of the outstanding Preferred Shares, and (b) 7,000,000 Preferred shares which were further reclassified into 700,000,000 Preferred B Shares with a par value of US$0.0002 (₱0.01). The creation of a class of low par value voting preferred shares was authorized by the Board on June 18, 2010.

The Preferred B Shares shall be voting, and shall be issued only to Philippine Nationals. It is not convertible into common shares. It will have such dividend rights as the Board shall provide which will not exceed 10 percent of its par value. The Preferred B Shares shall be redeemable at the option of the Board. Shares that are redeemed shall not be retired but shall be available for reissuance. The Preferred B Shares shall be redeemed if the nationality restrictions applicable to ICTSI are lifted by legislation or constitutional amendment. The corporation has the right to designate a qualified Philippine National to acquire the Preferred B Shares if a holder wishes to transfer said shares.

The SEC in an order dated October 27, 2010, approved the amendment of the articles of incorporation of ICTSI as discussed above.

On November 2, 2010, the Board approved the issuance of new 700,000,000 Preferred B shares to Achillion Holdings, Inc. (Achillion) at the issue price equivalent to its par value of US$0.0002 (₱0.01) per share for a total consideration of US$0.2 million (₱7.0 million) (see Note 21.3.1). In accordance with the Board Resolution and terms of the amended articles of incorporation, the preferred B shares issued to Achillion shall have the following features: it shall be issued only to Philippine nationals, it is not convertible into common shares, it shall earn no dividend, it shall be redeemable at the option of the Board, and it shall be redeemed if the nationality restrictions applicable on ICTSI is lifted by legislation or constitutional amendment. ICTSI shall have the right to designate a qualified Philippine national to acquire the Preferred B shares if Achillion wishes to transfer said shares.

Achillion is a Philippine corporation owned and controlled by ICTSI's Chairman and President and controlling stockholder, Enrique K. Razon, Jr. The ICTSI contract with PPA on the operation, management and development of the MICT requires the Razon Group to retain control of ICTSI.

As of December 31, 2010, the Board has not fixed the dividend and conversion of preferred shares, which were classified as Preferred A shares as discussed above, issued to ICTHI.

Common Shares

On July 11, 2007, the SEC approved the merger of ICTSI and ICTSI Manila Holdings, Inc. (IMH), with ICTSI as the surviving company. 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 (₱1,799.5 million), representing the transfer of the ICTSI shares held by IMH to ICTSI; decrease in common shares by US$7.2 million (₱332.6 million) and additional paid-in capital by US$27.9 million (₱1,280.5 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 (₱149.7 million).

Treasury shares subsequently reissued upon vesting of stock awards under the Stock Incentive Plan (SIP) (see Note 18).

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) (see 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) (see Note 14.3). In 2010, additional paid-in capital also increased by US$1.4 million as a result of IWI's sale of ICTSI shares (see Note 14.3).

Additional paid-in capital is also increased when ICTSI grants stock awards and these stock awards vest under the SIP. Aggregate increase in additional paid-in capital (net of related deferred tax) amounted US$2.7 million, US$3.0 million and US$0.5 million as a result of granting and vesting of stock awards in 2008, 2009 and 2010, respectively (see Notes 18 and 20).

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		
	2008	2009	**2010**
Preferred Shares	3,800,000	3,800,000	**3,800,000**
Common shares	16,968,600	33,539,300	**30,539,300**
	20,768,600	37,339,300	**34,339,300**

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

	2008		2009		**2010**	
	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	696,600	30,140,903	16,968,600	42,700,602	**33,539,300**	**46,512,881**
Acquisition of shares by subsidiaries	16,272,000	12,559,699	16,570,700	3,812,279	**–**	**–**
Sale of shares held by subsidiaries	–	–	–	–	**(300,000,000)**	**(1,388,677)**
Balance at end of year	16,968,600	42,700,602	33,539,300	46,512,881	**30,539,300**	**45,124,204**
Total		US$115,193,083		US$119,005,362		**US$117,616,685**

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 (₱7.5 billion). The sale of shares resulted in a decrease in common shares held by subsidiaries by US$29.7 million (₱1,494.1 million), representing the cost of the 300,000,000 shares, and an increase in additional paid-in capital by US$124.2 million (₱6,014.9 million). In 2008 and 2009, IWI acquired 16,272,000 and 16,570,700 ICTSI shares for US$12.6 million (₱517.2 million) and US$3.8 million (₱182.2 million), respectively. In 2010, IWI sold 3,000,000 ICTSI shares for US$2.8 million. Gain on sale amounting to US$1.4 million is presented as additional paid-in capital in the 2010 consolidated balance sheet.

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 Minority Interests

In 2008, ICTSI subscribed to additional shares of SPIA, increasing its ownership from 79.11% to 91.17% (see Note 1.3) for US$28.5 million. The carrying value of the increase in ownership amounted to US$21.6 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 in the 2008 consolidated balance sheet. In 2010, ICTSI acquired an additional 0.12% interest in SPIA for US$0.05 million which is equivalent to the carrying value of the minority interest acquired at acquisition date.

In August 2010, ICTSI, through its wholly owned subsidiary IPSAL, acquired additional 10% interest in Tecplata for US$8.8 million. The carrying value of the additional interest acquired was US$3.0 million at acquisition date. The difference of US$5.8 million between the cash consideration and the carrying value of the interest acquired was recorded as excess of acquisition cost over the carrying value of minority interests in the 2010 consolidated balance sheet. Also in 2010, IPSAL and Loginter S.A., the minority shareholder, infused additional capital in Tecplata totaling US$31.0 million. The Group's share in the additional infusion amounted to US$26.3 million.

In March 2010, ICTSI and Yantai Port Holdings (YPH) infused additional capital in YRDICTL amounting to US$48.4 million (RMB330.0 million). The Group's share in the additional infusion amounted to US$29.0 million (RMB198.0 million) (see Notes 21.3.2 and 23.21).

14.5 Retained Earnings

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

	2008	2009	**2010**
Date of BOD approval	April 17, 2008	April 16, 2009	**April 15, 2010**
Cash dividends per share	US$0.008 (P0.35)	US$0.008 (P0.40)	**US$0.009 (P0.40)**
Record date	May 8, 2008	May 7, 2009	**April 30, 2010**
Payment date	May 19, 2008	May 18, 2009	**May 20, 2010**
Portion of cash dividends declared pertaining to common shares held by subsidiaries and thus reverted to retained earnings	US$0.1 million (P5.3 million)	US$3.2 million (P31.4 million)	**US$0.2 million (P10.5 million)**

Of the total retained earnings of US$232.1 million, US$271.1 million and US$352.2 million as of December 31, 2008, 2009 and 2010, respectively, undistributed earnings of subsidiaries and associates amounting to US$182.5 million, US$210.7 million and US$253.4 million as of December 31, 2008, 2009 and 2010, respectively, are not available for dividend distribution.

14.6 Other Comprehensive Loss - Net

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

	2008	2009	**2010**
Cumulative translation adjustments arising from:			
Change in functional currency of the Parent Company	(US$45,930,598)	(US$45,930,598)	**(US$45,930,598)**
Translation of foreign operations	(20,603,173)	117,841	**10,370,464**
Unrealized mark-to-market loss on derivatives (see Note 25)	(3,374,670)	(2,097,717)	**(1,797,967)**
Unrealized mark-to-market gain on AFS investments (see Note 9)	9,773	176,696	**468,736**
Business combination revaluation reserve (see Note 4)	609,969	609,969	**609,969**
	(US$69,288,699)	(US$47,123,809)	**(US$36,279,396)**

15. Long-term Debt

15.1 Outstanding Balance and Maturities

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

	2008	2009	**2010**
US dollar-denominated notes (net of unamortized debt issuance cost of US$2.2 million in 2010)	US$–	US$–	**US$447,771,146**
US dollar-denominated term loans (net of unamortized debt issuance cost of US$3.4 million in 2008, US$4.1 million in 2009 and US$0.4 million in 2010)	273,817,180	233,592,134	**26,861,807**
Foreign-currency-denominated loans (net of unamortized debt issuance cost of US$2.5 million in 2008, US$2.0 million in 2009 and US$1.4 million in 2010)	156,912,429	189,606,309	**162,423,749**
	430,729,609	423,198,443	**637,056,702**
Less current portion	9,629,689	7,398,583	**49,292,195**
	US$421,099,920	US$415,799,860	**US$587,764,507**

Principal maturities of long-term debt (gross of unamortized debt issuance cost) as of December 31, 2010 are as follows:

	Amount
2011	US$50,160,928
2012	40,877,296
2013	71,330,520
2014	18,230,611
2015 onwards	460,506,387
Total	US$641,105,742

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:

	2008	2009	**2010**
Balance at beginning of year	US$3,481,414	US$5,894,812	**US$6,242,437**
Debt issuance cost during the year	3,133,971	4,880,152	**2,360,831**
Amortization during the year	(761,763)	(2,374,769)	**(1,177,615)**
Write-off due to prepayment of long-term debt (see Note 19.3)	–	(2,225,505)	**(3,369,207)**
Translation adjustments	41,190	67,747	**(7,406)**
Balance at end of year	US$5,894,812	US$6,242,437	**US$4,049,040**

15.2 Details and Description

15.2.1 US Dollar-denominated Notes

On March 10, 2010, ICTSI signed a Subscription Agreement with The Hongkong Shanghai Banking Corporation Limited (HSBC) and JP Morgan Securities, Ltd. for the issuance of 10-year senior notes (the "Original Notes"). The Original Notes were issued on March 17, 2010 with an aggregate principal amount of US$250.0 million that would mature on March 17, 2020. The Original Notes bear interest at the fixed rate of 7.375 % per annum, payable semi-annually in arrears.

On April 29, 2010, ICTSI tapped a further US$200.0 million (the "Further Notes") of the Original Notes discussed in the preceding paragraph, increasing the size to US$450.0 million. The Further Notes were issued on May 6, 2010. The Original and Further Notes are collectively referred to as the "Notes." The Further Notes bear interest at the fixed rate of 7.375 % and was set at a price of 102.627 for an effective yield of 7.0 %.

The net proceeds of the Notes amounting to US$448.1 million were 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 (see Note 15.2.2).

The Notes were not registered with the SEC. The Notes were offered in offshore transactions outside the United States in reliance on Regulation S under the Securities Act of 1933, as amended, and, subject to certain exceptions, may not be offered or sold within the United States. The Notes are traded and listed in the Singapore Stock Exchange.

15.2.2 US Dollar-denominated Term Loans

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. (BDO) 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. The facility expired on January 24, 2010. On March 15, 2010, ICTSI fully prepaid the total drawdown from BDO Term Loan Facility amounting to US$25.0 million.

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. In May 2010, ICTSI fully settled its Term Loan Facility amounting to US$150.0 million.

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 (MBTC) 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. Also on March 15, 2010, ICTSI prepaid the full drawdown of the MBTC Term Loan Facility amounting to US$40.0 million.

The abovementioned US dollar-denominated term loan facilities were prepaid out of the proceeds of the Notes discussed in Note 15.2.1. Unamortized debt issue costs relating to the prepayment of these US dollar-denominated term loan facilities were accelerated and recognized as "Other expenses" in the 2010 consolidated statement of income amounting to US$3.4 million (see Note 19.3).

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$38.5 million, US$36.7 million and US$34.3 million as of December 31, 2008, 2009 and 2010, were used to secure the loan (see Note 7). The facility is without recourse to ICTSI. Outstanding principal balance of the loan amounted to US$15.5 million, US$12.9 million and US$10.5 million as of December 31, 2008, 2009 and 2010, 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$19.1 million (R$44.2 million), US$29.7 million (R$51.8 million) and US$40.3 million (R$66.1 million)as of December 31, 2008, 2009 and 2010, respectively, were used to secure the loan (see Note 7). The facility is without recourse to ICTSI. Outstanding principal balance of the loan amounted to US$11.3 million, US$9.6 million and US$8.1 million as of December 31, 2008, 2009 and 2010, respectively. However, in December 2010, TSSA notified its creditors, who later accepted, its intention to pay the outstanding loan totaling US$8.0 million, net of unamortized debt issuance cost of US$0.1 million. As a result of the acts made by TSSA and its creditors, TSSA recognized the related prepayment cost of US$0.8 million in the 2010 consolidated statement of income and reclassified the outstanding balance of loan amounting to US$8.0 million as current portion of long-term debt in the 2010 consolidated balance sheet. TSSA prepaid its loan on January 18, 2011 (see Note 7).

CGSA. In August, September and November 2010, CGSA availed of two-year unsecured Term Loans with Banco Bolivariano, Banco Del Pacifico and Banco De Guayaquil ("Local Banks in Ecuador") totaling US$10.0 million to finance capital expenditures and working capital requirements. The Term Loans with Local Banks in Ecuador bear a fixed interest rate of 8.0 % per annum (p.a.) with the principal payable in monthly installments. The outstanding balance of the Term Loans with Local Banks in Ecuador amounted to US$8.7 million as of December 31, 2010.

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 (see Note 19.3).

15.2.3 Foreign Currency-denominated Loans

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, and US$40.3 million as of December 31, 2008 and 2009, respectively) to finance YRDICTL's acquisition of port equipment and the increase in its handling capacity. The loan bore 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 was 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$61.3 million (RMB418.9 million) and US$57.9 million (RMB395.3 million) as of December 31, 2008 and 2009, respectively, were used to secure the loan (see Note 7). The facility was without recourse to ICTSI. The loan was guaranteed by Yantai Port Group (YPG), a minority shareholder, up to RMB55.0 million (equivalent to US$8.1 million as of December 31, 2008 and 2009). Outstanding balance of the loan was US$40.3 million (RMB275.0 million) and US$35.9 million (RMB245 million) as of December 31, 2008 and 2009, respectively. On March 23, 2010, YRDICT repaid its outstanding balance of the loan from Industrial and Commercial Bank of China, which was guaranteed by Yantai Port Group (YPG), a minority shareholder, amounting to US$35.9 million (RMB245.0 million). Accordingly, YPG was released of its guarantee upon full settlement of the loan in March 2010.

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 Development Bank of the Philippines (DBP) and Landbank of the Philippines (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% 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. 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).

15.3 Loan Covenants and Capitalized Borrowing Costs

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, 2008, 2009, and 2010, ICTSI, YRDICTL, BCT, TSSA, CGSA and ICTSI Capital B.V. are in compliance with the loan covenants.

Interest expense, excluding amount capitalized to intangible assets and property and equipment in 2008, 2009 and 2010, amounted to US$13.3 million, US$20.0 million and US$37.7 million in 2008, 2009 and 2010, respectively (see Notes 6 and 7).

16. Loans Payable

Loans payable are unsecured loans obtained by various subsidiaries of ICTSI. 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 and at an interest rate ranging from 3.5% p.a. to 8.5% p.a. (see Note 21.3). In 2009, this account includes RMB-denominated loans obtained from YPG by YRDICTL with outstanding balance of US$10.7 million (RMB73.0 million) as of December 31, 2009 at an interest rate of 5.31% p.a. (see Note 21.3). In 2010, this account includes an unsecured short-term US$-denominated loan of CGSA with Banco Internacional, a local bank in Ecuador. The loan amounting to US$0.7 million as at December 31, 2010, bears interest at a fixed rate of 8.0 % p.a. Interest expense incurred related to these loans payable amounted to US$3.1 million in 2008, US$1.8 million in 2009 and US$0.2 million in 2010.

17. Accounts Payable and Other Current Liabilities

This account consists of:

	2008	2009	**2010**
Trade (see Note 21.3.2)	US$28,415,814	US$32,698,085	**US$52,510,290**
Accrued expenses:			
Interest (see Notes 15.3 and 16)	4,307,159	1,680,330	**12,948,157**
Output and other taxes	6,461,377	7,595,244	**10,556,999**
Salaries and benefits	8,403,094	6,684,926	**8,208,912**
Others (see Note 21.3.1)	2,936,276	7,008,350	**8,547,222**
Provisions for claims and losses (see Note 24)	1,024,770	3,291,252	**4,862,447**
Customers' deposits	1,655,858	1,452,396	**1,121,672**
Others	4,766,845	4,361,691	**3,921,139**
	US$57,971,193	US$64,772,274	**US$102,676,838**

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

Provisions for claims and losses pertain to estimated probable losses on cargo, labor-related and other claims from third parties. The movements in this account follow:

	2008	2009	**2010**
Balance at beginning of year	US$1,177,964	US$1,024,770	**US$3,291,252**
Provision during the year	–	2,186,668	**1,700,896**
Translation difference	(153,194)	79,814	**(129,701)**
Balance at end of year	US$1,024,770	US$3,291,252	**US$4,862,447**

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 Board. 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, 2008	3,125,000	US$0.082 (₱33.00)
March 9, 2009	12,770,000	US$0.216 (₱10.50)
March 10, 2010	3,225,000	US$0.476 (₱21.75)

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 2008, 2009 and 2010 follow:

	2008	2009	**2010**
Balance at beginning of year	7,481,000	6,490,500	**14,332,500**
Stock awards granted	3,125,000	12,770,000	**3,225,000**
Stock awards vested and issued	(3,990,500)	(4,878,000)	**(11,872,500)**
Stock awards cancelled	(125,000)	(50,000)	**–**
Balance at end of year	6,490,500	14,332,500	**5,685,000**

In December 2009, the Board 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$3.0 million, US$2.8 million and US$1.7 million in 2008, 2009 and 2010, 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:

	2008	2009	**2010**
Gain on sale of:			
AFS investments (see Note 9)	US$–	US$–	**US$11,224,117**
Property and equipment	410,753	111,633	**443,948**
Unrealized mark-to-market gain on derivatives (see Note 25)	–	–	**694,566**
Rental income (see Note 8)	511,828	317,620	**373,575**
Dividend income	47,597	234,438	**221,816**
Reversal of impairment loss on investment property (see Notes 7 and 8)	5,456,648	–	**–**
Equity in net earnings of an associate (see Notes 4 and 9)	116,917	–	**–**
Others	409,553	768,536	**3,619,634**
	US$6,953,296	US$1,432,227	**US$16,577,656**

19.2 Port Authorities' Share in Gross Revenues

This account consists of Port Authorities' share in gross revenues of the Group as stipulated in agreements between the port authorities where the Group operates (see Note 23). Port Authorities' share in gross revenues includes variable fees aggregating US$62.9 million in 2008, US$60.8 million in 2009 and US$76.4 million in 2010.

On May 1, 2010, ICTSI hedged forecasted Philippine peso-denominated variable port fees until 2011. Foreign currency translation losses previously deferred in equity formed part of variable fees upon payment to PPA amounting to US$0.3 million were presented as part of "Port authorities' share in gross revenues" in the 2010 consolidated statement of income (see Notes 11 and 25.4).

19.3 Other Expenses

	2008	2009	2010
Write-off of unamortized debt issuance costs (see Notes 15.1 and 15.2.2)	US$–	US$2,225,505	**US$3,369,207**
Pre-termination cost and other bank charges (see Notes 15.2.2 and 25.4)	1,817,993	2,624,654	**2,730,257**
Loss on impairment of land and advances to contractors (see Notes 7 and 9)	–	–	**2,010,840**
Others	271,599	808,091	**1,438,705**
	US$2,089,592	US$5,658,250	**US$9,549,009**

20. Income Tax

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

	2008	2009	2010
Deferred tax assets - net:			
Intangible assets and concession rights payable under IFRIC 12	US$10,002,508	US$19,027,774	**US$15,137,213**
Pre-operating expense of a subsidiary	3,551,523	4,422,471	**5,121,967**
NOLCO	941,916	973,372	**2,501,957**
Allowance for doubtful accounts and other provisions	464,174	1,139,934	**586,550**
Accrued retirement cost and other expenses	409,292	16,862	**194,656**
Unrealized foreign exchange losses	16,589,760	26,140	**60,865**
Allowance for obsolescence	90,234	111,332	**25,592**
Unamortized past service cost	45,214	64,023	**6,419**
Share-based payments	273,372	1,276,735	**–**
Impairment loss	76,518	46,000	**–**
Unrealized market valuation loss on derivatives	1,366,035	–	**–**
Others	206,439	959,855	**929,484**
	US$34,016,985	US$28,064,498	**US$24,564,703**
Deferred tax liabilities:			
Excess of fair value over book value of net assets of BCT, MTS, YRDICTL, DIPSSCOR, SPIA, SCIPSI and Tecplata	US$23,757,945	US$24,185,099	**US$23,630,002**
Difference in depreciation and amortization periods of port infrastructure classified as concession rights	2,412,284	3,787,855	**4,494,129**
Accelerated depreciation and translation difference between functional and local currency	3,205,020	3,625,398	**4,178,737**
Capitalized borrowing costs	947,370	1,713,493	**2,186,109**
Unrealized foreign exchange gain	8,298,358	2,799,505	**1,686,288**
Share-based payments	–	–	**1,053,543**
Unrealized mark-to-market gain on derivatives	–	778,720	**208,370**
Others	206,909	440,085	**1,099,385**
	US$38,827,886	US$37,330,155	**US$38,536,563**

Deferred tax assets on NOLCO of certain subsidiaries amounting to US$7.0 million, US$10.2 million and US$12.3 million as of December 31, 2008, 2009 and 2010, 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, 2008, 2009 and 2010, deferred tax liability has not been recognized on undistributed earnings of subsidiaries amounting to US$182.5 million, US$210.7 million and US$253.4 million, respectively, because the Parent Company has control over such earnings, which have been earmarked for reinvestment in foreign port projects.

ICTSI recognized deferred tax liability amounting to US$0.7 million and US$2.8 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 and US$0.5 million on the excess of the tax deduction (or estimated future deduction) on stock awards over the related cumulative compensation expense (see Notes 14.2 and 18) in 2009 and 2010, respectively. 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:

	2008	2009	2010
Income tax expense computed at statutory tax rates	US$37,844,370	US$29,257,302	**US$35,051,674**
Add (deduct):			
Nondeductible tax losses of subsidiaries - net of nontaxable income	2,357,955	93,496	**3,569,142**
Interest income already subjected to final tax	(323,076)	(454,501)	**(839,942)**
Unallowable interest expense	126,240	158,071	**301,176**
Change in statutory tax rate	222,233	160,247	**–**
Equity in net earnings of an associate	40,921	–	**–**
Others - net	(325,715)	(1,233,605)	**1,076,174**
	US$39,942,928	US$27,981,010	**US$39,158,224**

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

Name of Company	Tax Rate
Tecplata[a]	35.0%
TSSA[b] and ICTSI Oregon[c]	34.0%
SPIA	33.0%
NICTI	30.0%
CMSA	28.0%
NMCTS	25.5%
MTS, PT CTSSI, CGSA and YRDICTL[d]	25.0%
MICTSL[e]	23.0%
TICT[f]	22.0%
BCT	19.0%
BICTL	15.0%
SBITC[g]	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] Incorporated in the U.S.A in 2009. Under the U.S.A corporate income tax system, corporations that are not an exempt small corporation are subject to an Alternative Minimum Tax (AMT) at a rate of 20%. Corporations pay the greater of the regular income tax or AMT, but not both. There is no minimum tax on corporation in a net operating loss position.

[d] Registered as a Sino-foreign joint venture in China, YRDICTL is entitled to a full tax holiday in the first five years and 50% exemption in the subsequent five years starting January 1, 2008.

[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 and 23% effective 2010.

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

[g] Registered as a Subic Bay Free Port Zone Enterprise and subject to special tax rates imposed by the Subic Bay 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 2012. From November 2011, Berth 6 is entitled, among others, to an income tax holiday for a period of six years.

Effective January 1, 2009, the corporate income tax rate of 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.

21. Related Party Transactions

21.1 Transactions with Subsidiaries

IWI acquired 16,272,000 and 16,570,700 ICTSI shares in 2008 and 2009, respectively. Acquisitions of ICTSI shares increased common shares held by subsidiaries by US$12.6 million (₱517.2 million) and US$3.8 million (₱182.2 million) in 2008 and 2009, respectively. In 2010, IWI sold 3,000,000 ICTSI shares US$2.8 million (see Notes 14.2 and 14.3).

21.2 Compensation of Key Management Personnel

Compensation of key management personnel consists of:

	2008	2009	2010
Short-term employee benefits	US$2,959,524	US$2,294,319	**US$2,398,076**
Post-employment pension	50,829	14,775	**39,554**
Share-based payments	1,896,305	840,086	**4,735,289**
Total compensation to key management personnel	US$4,906,658	US$3,149,180	**US$7,172,919**

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 2008, 2009 and 2010, ICTSI paid Cruz Durian legal fees, presented under "Administrative and other operating expenses" account amounting to US$9 thousand for each year, 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, 2008, 2009 and 2010.

The Parent Company likewise transacts with Anscor Casto Travel Corporation, an entity which shares common directors with ICTSI, for travel services. Total payments for airfare cost and other travel services amounted to US$0.9 million, US$0.7 million, and US$0.9 million in 2008, 2009 and 2010, respectively. Related payable, presented under "Accounts payable and other current liabilities" account, amounted to US$0.1 million as of December 31, 2008. There were no outstanding payable as of December 31, 2009 and 2010.

Also, in 2010, ICTSI issued 700,000,000 Preferred B shares to Achillion for US$0.2 million (₱7.0 million) (see Note 14.1). Achillion shares common directors with ICTSI.

21.3.2 YRDICTL

YRDICTL obtained unsecured and interest-bearing short-term loans from YPG, a stockholder, to finance its currently maturing obligations and support its working capital requirements in 2008 and 2009 aggregating to US$2.9 million (RMB20.0 million) in 2008 and US$11.1 million (RMB76.0 million) in 2009. These short-term loans were payable on demand and the interest rate was fixed at annual rates ranging from 5.04% to 7.2% in 2008 and 5.31% in 2009. Outstanding balance of short-term loans amounted to US$2.2 million (RMB15.0 million) and US$10.7 million (RMB73.0 million) as of December 31, 2008 and 2009, respectively. These short-term loans were settled in full in 2010 (see Note 16).

Interest expense related to these short-term borrowings amounted to US$0.04 million (RMB0.3 million), US$0.3 million (RMB1.98 million) and US$0.1 million (RMB1.0 million) in 2008, 2009 and 2010, respectively. There was no outstanding accrued interest expense as of December 31, 2008, 2009 and 2010.

YRDICTL is authorized under the joint venture agreement 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 presented as part of port authorities' share in gross revenues amounted to US$0.8 million (RMB5.4 million), US$0.9 million (RMB6.3 million) and US$1.3 million (RMB8.6 million) in 2008, 2009 and 2010, respectively. Outstanding payable to YPG related to these port charges presented under "Accounts payable and other current liabilities" account in the consolidated balance sheets amounted to US$0.2 million (RMB1.2 million), US$0.1 million (RMB0.5 million) and US$0.05 million (RMB0.3million) as of December 31, 2008, 2009 and 2010, respectively (see Note 17).

In 2010, YPG and SDIC Communications Co. (SDIC) invested its 40% stock holdings in YRDICTL into YPH. As such, the minority shareholder of YRDICTL was changed from YPG and SDIC Communication Co. to YPH (see Notes 14.4 and 23.21).

In March 2010, ICTSI and Yantai Port Holdings infused additional capital amounting to US$48.4 million (RMB330.0 million). The Group's share in the additional infusion amounted to US$29.0 million (RMB198.0 million) (see Note 14.4).

21.3.3 ICTSI Foundation, Inc.

ICTSI, BIPI, DIPSSCOR, SCIPSI and SBITC made donations to ICTSI Foundation, Inc. aggregating to US$0.2 million in 2009 and in 2010.

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). On October 5, 2010, Loginter was released of this guarantee, which Tecplata assumed accordingly. 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 and 2010.

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$0.6 million in 2008, US$0.2 million in 2009 and US$0.6 million in 2010.

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.

	2008	2009	2010
Net pension expense:			
Current service cost	US$45,961	US$21,224	**US$ 36,869**
Interest cost	35,657	8,101	**13,675**
Expected return on plan assets	(39,737)	(1,630)	**(1,810)**
Net actuarial loss (gain) recognized	7,417	(1,281)	**85,209**
Effect of asset limit	(546)	–	**–**
	US$48,752	US$26,414	**US$133,943**
Pension liabilities:			
Present value of defined benefit obligation	US$1,174,143	US$1,084,191	**US$1,227,550**
Less fair value of plan assets	419,784	433,947	**461,306**
Unfunded status	754,359	650,244	**766,244**
Unrecognized actuarial gain (loss)	332,210	261,273	**278,263**
Translation adjustment	–	–	**10,450**
	US$1,086,569	US$911,517	**US$1,054,957**
Changes in the present value of the defined benefit obligation:			
Balance at beginning of year	US$1,693,937	US$1,174,143	**US$1,084,191**
Current service cost	45,961	21,224	**36,869**
Interest cost	35,657	8,101	**13,675**
Actuarial loss (gain) on obligations – net	(365,278)	23,524	**169,146**
Benefits paid	(8,470)	(758)	**(7,511)**
Translation adjustment	(227,664)	(142,043)	**(68,820)**
Balance at end of year	US$1,174,143	US$1,084,191	**US$1,227,550**
Changes in fair value of plan assets:			
Balance at beginning of year	US$416,335	US$419,784	**US$433,947**
Expected return	39,737	1,630	**1,810**
Actual contributions	44,970	–	**–**
Actuarial gain (loss) on plan assets	(22,608)	473	**2,075**
Translation adjustment	(58,650)	12,060	**23,474**
Balance at end of year	US$419,784	US$433,947	**US$461,306**

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.

	2008	2009	**2010**
Net pension expense:			
Current service cost	US$614,528	US$334,267	**US$565,129**
Interest cost	584,854	639,765	**706,804**
Expected return on plan assets	(611,757)	(570,129)	**(701,899)**
Actuarial loss (gain) recognized for the year	7,176	(236,475)	**(131,829)**
Balance at end of year	US$594,801	US$167,428	**US$438,205**
Net plan assets (shown under "Other noncurrent assets" account):			
Fair value of plan assets	US$7,913,449	US$9,548,795	**US$10,535,577**
Present value of defined benefit obligation	4,193,900	6,668,646	**7,113,886**
Funded status	3,719,549	2,880,149	**3,421,691**
Unrecognized actuarial loss	(3,533,046)	(2,192,110)	**(2,919,398)**
Translation adjustment	–	–	**(26,600)**
Net plan assets	US$186,503	US$688,039	**US$475,693**
Changes in the present value of the defined benefit obligation:			
Balance at beginning of year	US$7,578,508	US$4,193,900	**US$6,668,646**
Current service cost	614,528	334,267	**565,129**
Interest cost	584,854	639,765	**706,804**
Actuarial loss (gain) on obligations – net	(3,512,014)	1,309,803	**(456,749)**
Benefits paid	(240,471)	–	**(731,378)**
Translation adjustment	(831,505)	190,911	**361,434**
Balance at end of year	US$4,193,900	US$6,668,646	**US$7,113,886**
Changes in fair value of plan assets:			
Balance at beginning of year	US$8,208,033	US$7,913,449	**US$9,548,796**
Expected return on plan assets	611,757	570,129	**701,899**
Actual contributions	575,496	681,437	**210,694**
Benefits paid	(240,471)	–	**(731,378)**
Actuarial gain (loss) on plan assets	(109,900)	115,142	**278,124**
Translation adjustment	(1,131,466)	268,639	**527,442**
Balance at end of year	US$7,913,449	US$9,548,796	**US$10,535,577**

The Group does not expect significant contributions to the retirement plans of the Parent Company and its subsidiaries in 2011.

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

	2008	2009	**2010**
Discount rate	9%–17%	9%–24%	**7.5%–8%**
Future salary increases	6%–8%	6%–10%	**5%–10%**
Expected return on plan assets	4%–7%	4%–7%	**5%–8%**

The principal assumptions used in determining pension benefits obligation of BCT as of December 31, 2008, 2009 and 2010 are a range of discount rate of 3.8% to 6.0% and a range of salary increases of 3.0% to 4.0%.

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:

	2006	2007	2008	2009	**2010**
Defined benefit obligation	US$7,784,464	US$9,272,445	US$5,368,043	US$7,752,837	**US$8,341,436**
Plan assets	(6,743,938)	(8,624,368)	(8,333,233)	(9,982,742)	**(10,996,883)**
	US$1,040,526	US$648,077	(US$2,965,190)	(US$2,229,905)	**(US$2,655,447)**

The amount of experience adjustments on pension obligations amounted to US$0.3 million in 2008, US$0.7 million in 2009 and US$0.4 million in 2010. The amount of experience adjustments on plan assets amounted to US$3 thousand in 2008, nil in 2009 and US$2 thousand in 2010.

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

	2008	2009	**2010**
Investment in debt securities	83%	89%	**96%**
Investment in equity securities	4%	3%	**2%**
Others	13%	8%	**2%**

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 2008, US$0.2 million in 2009 and US$0.5 million in 2010.

23. Contracts and Agreements

The Group has entered into a number of contracts and agreements mainly related to the operation, development and management 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$11.1 million in 2008, US$10.0 million in 2009 and US$12.1 million in 2010.

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 Philippine Dealing System (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$38.5 million in 2008, US$35.2 million in 2009 and US$44.6 million in 2010. 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$63.7 million, US$50.8 million and US$37.9 million as of December 31, 2008, 2009 and 2010, respectively. The current portion amounting to US$10.3 million, US$10.2 million and US$13.6 million is presented as "Current portion of concession rights payable" and the noncurrent portion amounting to US$53.4 million, US$40.6 million and US$24.3 million is presented as "Concession rights payable - net of current portion" in the consolidated balance sheets as of December 31, 2008, 2009 and 2010, 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 pre-termination, 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$1.3 million as of December 31, 2010) 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$6.2 million as of December 31, 2010) 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 €5 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 €1.0 million per year; for the years 2008 to 2010, the fixed fees paid amounted to €1.5 million per year; for 2011 to 2015, the fixed fees will be €2.0 million per year; and for 2016 to 2024, fixed fees will be €2.5 million per year. In addition, the Parent Company agreed to pay SPAT €5.0 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 €36.8 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$7.7 million in 2008, US$6.7 million in 2009 and US$6.8 million in 2010. 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$22.6 million (€16.2 million), US$23.4 million (€16.4 million) and US$22.2 million (€16.6 million), as of December 31, 2008, 2009 and 2010, respectively.

23.3 Concession Agreement with Autoridad Portuaria de Guayaquil (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 and bulk cargo. ICTSI's technical plan is to convert the port into a modern multipurpose terminal, comprehensive of two main facilities: a dedicated container terminal of about one million Twenty-foot Equivalent Units (TEU)'s capacity; and a 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 five to seven 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, 2008, 2009 and 2010, unpaid obligation pertaining to upfront fee amounted to US$18.0 million, US$12.0 million and US$6.0 million, respectively, of which US$6.0 million is presented as "Current portion of concession rights payable" and the remaining balance of US$12.0 million, US$6.0 million, and nil 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$7.2 million in 2008, US$8.5 million in 2009 and US$9.6 million in 2010. 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$70.6 million, US$69.2 million and US$67.7 million as of December 31, 2008, 2009 and 2010, respectively. The current portion amounting to US$1.4 million, US$1.5 million and US$1.7 million is presented as "Current portion of concession rights payable" and the noncurrent portion amounting to US$69.2 million, US$67.7 million and US$66.0 million is presented as "Concession rights payable - net of current portion" in the consolidated balance sheets as of December 31, 2008, 2009 and 2010, 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 of 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 2008, US$0.2 million in 2009 and US$0.3 million in 2010. 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$20.1 million, US$20.5 million and US$20.4 million as of December 31, 2008, 2009 and 2010, respectively. The current portion amounting to US$0.3 million, US$0.04 million and US$0.2 million is presented as "Current portion of concession rights payable" and the noncurrent portion amounting to US$19.8 million, US$20.4 million and US$20.3 million is presented as "Concession rights payable - net of current portion" in the consolidated balance sheets as of December 31, 2008, 2009 and 2010, 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 operate 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$0.3 million in 2008, US$0.6 million in 2009 and US$0.8 million in 2010. 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$17.5 million, US$16.2 million and US$14.7 million as of December 31, 2008, 2009 and 2010, respectively. The current portion amounting to US$1.3 million, US$1.4 million and US$1.6 million is presented as "Current portion of concession rights payable" and the noncurrent portion amounting to US$16.2 million, US$14.8 million and US$13.1 million is presented as "Concession rights payable - net of current portion" in the consolidated balance sheets as of December 31, 2008, 2009 and 2010, 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 or until 2038 and renewable for another 30 years for the following considerations: (i) fixed rent fee - payable on a monthly basis and in advance for AR$0.50 (equivalent to US$0.13)/square meter (sqm) per month during the first 24 months of the construction period, AR$1.00 (equivalent to US$0.25)/sqm per month starting from the 25th month of the construction period until start of commercial operations, and AR$4.00 (equivalent to US$1.01)/sqm 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 construction activities are ongoing.

For the year ended December 31, 2009 and 2010, Tecplata has paid La Plata fixed rent fee amounting to US$0.4 million and US$0.5 million, respectively. 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$0.9 million as of December 31, 2009 and 2010, 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 and 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, 2010, BCT invested US$44.8 million (€33.5 million), thus exceeding the minimum investment level required. As a new container terminal opened in Gdynia and a new deepwater container terminal opened in Gdansk, 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 (PLN) 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 BCT, the Harbour further reduced the rental fee by US$0.9 million (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$7.0 million in 2008, US$6.6 million in 2009 and US$6.6 million in 2010.

Minimum lease payments relating to this agreement are as follows: due in 2011 amounted to US$6.5 million; due starting 2012 up to 2016 amounted to US$32.6 million; and due starting 2017 onwards amounted to US$41.9 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 (¥29.7 million) in 2008, US$0.3 million (¥30.7 million) in 2009 and US$0.4 million (¥37.2 million) in 2010.

Minimum lease payments relating to this agreement are as follows: due in 2011 amounted to US$0.5 million (¥43.1 million); due starting 2012 up to 2016 amounted to US$2.7 million (¥215.4 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$180.1 million. SPIA shall pay the Columbian National Concessions Institute annual license fee of US$1.4 million over the 30-year concession period.

As of December 31, 2008, 2009 and 2010, SPIA's unpaid obligation on the acquisition of the concession right amounted to US$11.8 million, US$11.3 million and US$11.2 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$11.7 million, US$11.2 million and US$11.1 million is presented as "Concession rights payable - net of current portion" in the consolidated balance sheets as of December 31, 2008, 2009 and 2010, respectively.

Minimum lease payments relating to this agreement are as follows: due in 2011 amounted to US$1.4 million; due starting 2012 up to 2016 amounted to US$7.1 million; and due starting 2017 onwards amounted to US$29.9 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 (BSP). IGC established BICTL to operate the concession.

In relation to the concession, BICTL, through IGC, entered into a lease and operating agreement with BSP for a 48-year lease over a total area of 13.6 hectares of 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. IGC paid BPHL US$31.0 million in consideration of the procurement for the lease between BICTL and BSP. Under the lease and operating agreement between BICTL and BPHL, BICTL shall pay BSP an annual rent as stipulated in the agreement. Minimum lease payments relating to this agreement are as follows: due in 2011 amounted to US$0.5 million; due starting 2012 up to 2016 amounted to US$3.9 million; and due starting 2017 onwards amounted to US$30.0 million.

Total fixed fees shown as part of "Equipment and facilities-related expenses" account in the consolidated statements of income, amounted to US$1.3 million in 2008, US$0.8 million in 2009 and US$0.8 million in 2010.

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 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., full, empty/ removal and transshipment) 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$5.7 million (R$10.5 million) in 2008, US$5.3 million (R$10.6 million) in 2009 and US$8.3 million (R$14.7 million) in 2010. 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$5.7 million) in 2008, US$3.1 million (R$6.1 million) in 2009 and US$3.9 million (R$6.9 million) in 2010.

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 pre-termination, 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 2011 amounted to US$2.3 million (R$3.9 million); due starting 2012 up to 2016 amounted to US$40.4 million (R$67.1 million); and due starting 2017 onwards amounted to US$487.2 million (R$809.5 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 statements of income, amounted to US$0.4 million (₱16.7 million) in 2008, US$0.8 million (₱37.6 million) in 2009 and US$1.3 million (₱57.4 million) in 2010. Total fixed fees paid to PIA, shown as part of "Equipment and facilities-related expenses" account in the consolidated statements of income, US$0.8 million (₱29.8 million) in 2008 amounted to US$0.8 million in 2009 (₱36.5 million) and US$0.8 million (₱36.0 million) in 2010.

Minimum lease payments relating to this agreement are as follows: due in 2011 amounted to US$0.8 million (₱35.0 million); due starting 2012 up to 2016 amounted to US$5.9 million (₱260.0 million); and due starting 2017 onwards amounted to US$41.7 million (₱1,830.0 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 subject to renewal for another 20 years at the option of Tecplata. 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. On December 20, 2010, Tecplata and Compañia Fluvial del Sud, S.A. executed an amendment to the lease agreement which provided that: (i) in 2010, Tecplata should not have to make any payments in connection with the lease; (ii) from January 2011, Tecplata shall pay a monthly lease of US$17,000 (approximately AR$68,000); and (iii) from the month following the commencement of operations in the terminal, monthly payments shall be US$35,000 (approximately AR$140,000), which was the amount originally agreed upon by both parties. Construction and development in the area covered by the lease agreement have not yet started as of December 31, 2010. No payment in relation to lease was made in 2010.

Minimum lease payments relating to this agreement are as follows: due in 2011 amounted to US$0.2 million; due starting 2012 up to 2016 amounted to US$2.1 million; and due starting 2017 onwards amounted to US$5.5 million.

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, 2010, these facilities were not yet availed by SPIA. Correspondingly, there is no finance lease obligation yet as of December 31, 2010.

23.15 Contract Granting Partial Rights and Obligations to Contecon Manzanillo, S.A. de C.V.

In November 2009, ICTSI was declared by the Administracion Portuaria Integral de Manzanillo, S.A., de C.V. (API) the winner of 34-year concession for the development and operation of the second Specialized Container Terminal (TEC-II) at the Port of Manzanillo. ICTSI established Contecon Manzanillo, S.A. de C.V. (CMSA) on January 6, 2010 to operate the Port of Manzanillo. The concession agreement was signed on June 3, 2010. CMSA paid upfront fees of MXN50.0 million (US$4.1 million) to API in two installments: MXN25.0 million (US$2.0 million) on June 3, 2010, the date of signing of the contract; and another MXN25.0 million (US$2.0 million) on September 17, 2010.

Under the terms of the contract granting partial rights and obligations, CMSA will build, equip, operate and develop the terminal that will specialize in the handling and servicing of containerized cargo. Investments in the Port of Manzanillo include maritime works, dredging, quay (including crossbeams and fenders), maneuver yards, storage installations, land access and signals, as well as all those works necessary to fulfill the productivity indexes contained in the contract. Total investment and works for the first phase are estimated at US$240.0 million.

The port facilities will be turned over by API to CMSA in three phases: (a) Phase I, North Area, Position 18: 379,534,217 square meters (sqm) of the federal land area and 18,000 sqm of the maritime area; (b) Phase II, Centre Area Position 19: 158,329,294 sqm of the federal land area and 18,000 sqm of the maritime area; (c) Phase III, South Area (Position 20): 186,325,232 sqm of the federal land area and 18,000 sqm of the maritime area. The first phase of the ceded area was formally delivered to CMSA on November 20, 2010. CMSA will formally request for the delivery of the second and third phases of the area, not later than January 1, 2017 and January 1, 2020, respectively.

For the first part of the ceded area, CMSA will pay fixed fees of MXN163.0 million (US$13.2 million) divided into 12 monthly payments, payable in advance. When it has received the second and third phases of the ceded area, CMSA will pay additional annual fixed fees of US$5.9 million (MXN72.3 million) and US$6.8 million (MXN83.8 million), respectively. Further, CMSA shall pay monthly variable fees of US$16.2 (MXN200) per TEU, for a maximum of 1,500,000 TEUs per year.

Minimum lease payments relating to this agreement are as follows: due in 2011 amounted to US$13.2 million (MXN0.2 billion); due starting 2012 up to 2016 amounted to US$66.0 million (MXN0.8 billion); and due starting 2017 onwards amounted to US$691.0 million (MXN8.5 billion).

23.16 Lease Agreement between the Port of Portland and ICTSI Oregon

On May 12, 2010, ICTSI signed a 25-year lease with the Port of Portland (the Port) for the container/break bulk facility at Terminal 6. Under the terms of the agreement, the Port shall; (a) demise and lease the terminal land, the improvements, cranes, and all appurtenances pertaining thereto or arising in connection therewith to ICTSI, for and during the term of the lease; (b) grant an exclusive right to conduct stevedoring services at the terminal and to operate, manage, maintain and rehabilitate the port infrastructure, as well as to provide terminal services and collect and retain user fees; and (c) grant a non-exclusive right during the term of the lease to use the common areas in connection with permitted uses of the terminal.

ICTSI paid the Port a total of US$8.0 million at closing date in addition to an annual rent payment of US$4.5 million, subject to any increases in the consumer price index. As terminal volumes increase over time, ICTSI will pay the Port additional incremental revenue per container moved. The US$8.0 million, representing upfront fee, was paid in two tranches: US$2.0 million on May 12, 2010 as a signing deposit; and the remaining US$6.0 million on August 12, 2010. ICTSI Oregon took over the operations of the Terminal 6 of the Port of Portland on February 12, 2011.

Minimum lease payments relating to this agreement are as follows: due in 2011 amounted to US$6.2 million; due starting 2012 up to 2016 amounted to US$22.5 million; and due starting 2017 onwards amounted to US$83.8 million.

Agreements outside the Scope of IFRIC 12 and IFRIC 4

23.17 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$1.6 million (₱69.4 million) in 2008, US$1.7 million (₱69.4 million) in 2009 and US$2.3 million (₱105.5 million) in 2010.

23.18 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 statements of income, amounted to US$0.3 million (₱12.1 million) in 2008, US$0.6 million (₱29.5 million) in 2009 and US$0.7 million (₱31.2 million) in 2010.

23.19 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.

23.20 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 from port operations" account in the consolidated statements of income amounted to US$3.7 million (IDR33.7 billion) in 2008, US$3.8 million (IDR37.9 billion) in 2009 and US$4.7 million (IDR42.6 billion) in 2010.

23.21 Joint Venture Contract on YRDICTL

In January 2007, the Group (through ICTSI (Hong Kong) Limited) entered into a joint venture contract with 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.

In 2010, YPG and SDIC invested its 40% stock holdings in YRDICTL into Yantai Port Holdings (YPH). As such, the minority shareholder of the Company was changed from YPG and SDIC to YPH (see Notes 14.4 and 21.3.2).

Pursuant to a joint venture agreement, the Board 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

23.22 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).

23.23 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 (MOU) 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

23.24 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 four 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.

23.25 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.

23.26 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 million (₱2,842 million). The civil works are expected to be completed by the end of 2011.

23.27 Joint Cooperation Agreement for the Operation of Container Depot between PT Kawasan Industrial Makassar (KIMA) and PT Makassar Terminal Services (MTS)

On January 7, 2010, KIMA and MTS entered into a cooperation agreement (referred to as "KSO Agreement") for the operation of container yard facility or an in-land container depot for a period of 10 years starting from January 15, 2010 up to January 14, 2020, which can be extended upon mutual agreement of both parties. MTS shall operate the container yard facility which was built on the land owned by KIMA under a revenue sharing scheme. Under the KSO Agreement, KIMA and MTS shall share a fixed percentage based on various activities or services provided by the container yard facility including lift-on/lift-off, trucking, container storage, stuffing/stripping, container cleaning and container repair. MTS is committed to provide one unit reach stacker and two units head truck for the operation of the container yard facility. If necessary to increase the level of container yard services, MTS is allowed to increase the number of units of equipment already provided. However, if the container throughput at the container yard facility shall reach more than 2,500 TEUs average monthly volume for three successive months, KIMA is obliged to build additional 5,000 sqm of container yard in order to increase the handling capacity of the yard.

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:

	2008		2009		**2010**	
	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$72,876,752	US$72,876,752	US$30,419,226	US$30,419,226	**US$29,604,911**	**US$29,604,911**
Cash equivalents	141,886,104	141,886,104	94,733,574	94,733,574	**315,775,463**	**315,775,463**
Receivables:						
Trade	24,412,017	24,412,017	34,173,493	34,173,493	**37,834,166**	**37,834,166**
Advances and nontrade	867,377	867,377	2,384,639	2,384,639	**9,339,689**	**9,339,689**
	240,042,250	240,042,250	161,710,932	161,710,932	**392,554,229**	**392,554,229**
AFS financial assets:						
Quoted equity shares	820,435	820,435	950,110	950,110	**990,772**	**990,772**
Unquoted equity shares	5,219,439	5,219,439	5,217,947	5,217,947	**747,346**	**747,346**
	6,039,874	6,039,874	6,168,057	6,168,057	**1,738,118**	**1,738,118**
Financial assets at FVPL -						
Derivative assets	3,765,690	3,765,690	2,593,095	2,593,095	**10,272,180**	**10,272,180**
	US$249,847,814	US$249,847,814	US$170,0472,084	US$170,472,084	**US$404,564,527**	**US$404,564,527**
Financial Liabilities						
Other financial liabilities:						
Long-term debt	US$430,729,609	US$432,314,990	US$423,198,443	US$423,290,003	**US$637,056,702**	**US$798,666,078**
Loans payable	27,314,030	27,314,030	10,692,837	10,692,837	**675,486**	**675,486**
Accounts payable and other current liabilities	57,971,193	57,971,193	64,772,274	64,772,274	**102,676,838**	**102,676,838**
Concession rights payable	225,843,215	290,029,205	204,697,530	245,967,756	**181,034,616**	**230,694,087**
	741,858,047	807,629,418	703,361,084	744,722,870	**921,443,642**	**1,132,712,489**
Financial Liabilities at FVPL -						
Derivative liabilities	8,319,139	8,319,139	29,141	29,141	**–**	**–**
	US$750,177,186	US$815,948,557	US$703,390,225	US$744,752,011	**US$921,443,642**	**US$1,132,712,489**

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 investments in golf clubs whose securities are not quoted and holding company whose shares are not publicly listed.

The fair value of fixed interest-bearing loans and concession rights payable were estimated at the present value of all future cash flows discounted using the applicable rates for similar types of loans ranging from7.7% to 9.08% in 2008, 1.15% to 7.32% in 2009 and 0.74% to 6.77% in 2010.

For variable interest-bearing loans repriced monthly or quarterly, the carrying amount approximates the fair value 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 based on counterparty bank valuation.

25.2 Fair Value Hierarchy

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.

As of December 31, 2009	Amount	Level 1	Level 2	Level 3
AFS financial assets - Quoted equity shares	US$950,110	US$950,110	US$–	US$–
Financial assets at FVPL - Derivative assets	2,593,095	–	2,593,095	–
Financial liabilities at FVPL - Derivative liabilities	29,141	–	29,141	–

As of December 31, 2010	Amount	Level 1	Level 2	Level 3
AFS financial assets - Quoted equity shares	**US$990,772**	**US$990,772**	**US$–**	**US$–**
Financial assets at FVPL - Derivative assets	**10,272,180**	**–**	**10,272,180**	**–**

In 2009 and 2010, 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, revenues and expenses. 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

Currency Forwards. Prior to the change in its functional currency to US$ effective January 1, 2009, ICTSI was exposed to changes in the US$/₱ exchange rate on its US$-denominated revenues. As such, ICTSI entered into short-term forward contracts to sell US$ for Philippine peso contracts to hedge the foreign currency risk on its forecasted US$-denominated revenues. ICTSI designated these currency forwards as cash flow hedges of its anticipated US$-denominated revenues in 2008 and 2009.

In 2008, ICTSI unwound a total of US$30.0 million forward sale contracts entered in 2007 and maturing through the first quarter of 2009. The loss on change in fair value of the unwound contracts recognized in profit or loss in 2008 amounted to US$3.4 million.

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.

When ICTSI changed its functional currency from Philippine peso to US$ in 2009, 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 to sell US$ and buy Philippine peso and subsequently accounted for these forwards as non-hedge transactions. In 2009, ICTSI recognized loss on change in fair value of these non-deliverable currency forwards amounting to US$3.1 million, presented as part of "Foreign exchange loss" account in the 2009 consolidated statement of income.

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

The tables below provide the details of ICTSI's outstanding cross-currency swaps as of December 31:

2010

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$974,335**
HSBC	**10,488,777**	**500,000,000**	**3M PDSTF + 175 bps**	**5.97%**	**47.67**	**2013**	**772,729**
HSBC	**10,397,172**	**500,000,000**	**3M PDSTF + 175 bps**	**5.35%**	**48.09**	**2013**	**749,516**
HSBC	**10,377,750**	**500,000,000**	**3M PDSTF + 175 bps**	**5.90%**	**48.18**	**2013**	**663,834**
HSBC	**10,364,842**	**500,000,000**	**3M PDSTF + 175 bps**	**5.19%**	**48.24**	**2013**	**817,687**
HSBC	**10,645,093**	**500,000,000**	**3M PDSTF + 175 bps**	**4.50%**	**46.97**	**2013**	**649,472**
HSBC	**10,354,111**	**500,000,000**	**3M PDSTF + 175 bps**	**5.23%**	**48.29**	**2013**	**819,528**
Deutsche Bank	**10,559,662**	**500,000,000**	**3M PDSTF + 175 bps**	**4.55%**	**47.35**	**2013**	**669,663**
Deutsche Bank	**10,444,955**	**500,000,000**	**3M PDSTF + 175 bps**	**5.39%**	**47.87**	**2013**	**627,954**
Citibank	**10,351,967**	**500,000,000**	**3M PDSTF + 175 bps**	**4.65%**	**48.30**	**2013**	**693,843**
Citibank	**10,559,662**	**500,000,000**	**3M PDSTF + 175 bps**	**4.55%**	**47.35**	**2013**	**516,425**
	125,614,366	**6,000,000,000**					**7,954,986**
Fixed-to-Fixed							
Deutsche Bank	**9,905,116**	**480,200,000**	**10.25%**	**8.00%**	**48.48**	**2015**	**1,421,511**
Total	**US$135,519,482**	**₱6,480,200,000**					**US$9,376,497**

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	135,780
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.

On October 1, 2010, ICTSI de-designated the fixed-to-fixed cross-currency swap with Deutsche Bank that hedges its Philippine peso-denominated Corporate Note maturing in 2014. The fair value of the cross-currency swap at the time of the de-designation amounted to a gain of US$1.37 million while the amount deferred in equity amounted to US$0.1 million. The amount deferred in equity will be amortized using the effective interest method based on the remaining term of the hedged loan. The amortization recognized in the 2010 consolidated statement of income under "Foreign exchange loss" account amounted to US$5 thousand.

On December 20, 2010, the said fixed-to-fixed cross-currency swap with Deutsche Bank was terminated. Proceeds arising from the settlement transaction of the cross-currency swap amounted to US$2.14 million, which is the fair value of the swap at settlement date. Movement in the fair value of the swap subsequent to the de-designation date amounting to US$0.77 million was recognized in the consolidated statement of income.

As of December 31 2009 and 2010, the market valuation gains on the outstanding cross-currency swaps amounted to US$2.4 million and US$9.4 million, respectively. 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) and US$6.6 million (net of US$2.8 million deferred tax) are for the years ended December 31, 2009 and 2010, respectively, are taken to equity under other comprehensive loss (see Note 14.6). Net change in fair value reclassified to profit or loss in 2009 amounted to US$4.0 million. The ineffective portion of the hedge is not material.

Interest Rate Swap. 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 15.2.2). The interest rate swap effectively fixed the interest 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 is a 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. 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 15.2.2). 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 (see Note 19.3).

As of December 31, 2009 and 2010, ICTSI does not have any outstanding interest rate swap transaction.

Translation hedging. On May 1, 2010, ICTSI designated US$51.0 million (₱2.3 billion) of its Philippine peso-denominated short-term investments as cash flow hedges of Philippine peso-denominated payables that would arise from forecasted Philippine peso-denominated variable port fees as a result of changes in the Philippine peso/US dollar exchange rate. The hedging covers forecasted Philippine peso-denominated variable port fees until 2011.

Foreign currency translation gains or losses on the Philippine peso-denominated short-term investments that qualify as highly effective cash flow hedges are deferred in equity. Any ineffective portion is recognized directly in earnings. Foreign currency translation gains or losses deferred in equity would form part of variable fees, presented as "Port authorities' share in gross revenues" in the consolidated statement of income, when the hedged variable PPA fee is recognized.

As of December 31, 2010, US$25.3 million (₱1.1 billion) of short-term investments are hedged against the remaining forecasted Philippine peso-denominated variable port fees to the PPA (see Note 11). Foreign currency translation income on Philippine peso-denominated short-term investments designated as cash flow hedges aggregating to US$0.2 million (net of deferred income tax of US$0.1 million) have been recognized under equity. No ineffectiveness was recognized in the consolidated statement of income for the year ended December 31, 2010.

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.

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 and is exercisable on January 6, 2009. As of December 31, 2008, the currency option has a fair value loss of US$7.0 thousand.

These currency options and currency forwards discussed above matured at various dates in 2009. Net realized gain from fair value changes recognized in 2009 amounted to US$3.9 million, presented under "Foreign exchange gain" account in the 2009 consolidated statement of income.

Embedded Prepayment Options. In 2008, embedded prepayment options were identified in ICTSI's two loan contracts with HSBC with outstanding principal amounts of US$15.0 million (₱715.0 million) (the 5.5-year loan) and US$10.3 million (₱490.0 million) (the 7-year loan) as of December 31, 2008 (see Note 15.2.2). The prepayment options are exercisable on the third (for the 5.5-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 as of December 31, 2008, 2009 and 2010 amounted to US$0.3 million, US$0.2 million and US$0.9 million, respectively. Net change in fair value recognized in profit or loss amounted to US$0.1 million gain, US$0.1 million loss and US$0.7 million gain in 2008, 2009, 2010, 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:

	2008	2009	**2010**
Balance at beginning of year	US$13,063,001	(US$4,553,449)	**US$2,563,954**
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)	(4,504,112)	2,686,317	**10,388,819**
Not designated as accounting hedges	(11,681,407)	4,945,930	**1,547,525**
Translation adjustment	(677,862)	–	**–**
	(3,573,994)	3,078,798	**14,500,298**
Less fair value of settled instruments	979,455	514,844	**4,228,118**
Balance at end of year	(US$4,553,449)	US$2,563,954	**US$10,272,180**

The net movement in fair value changes of freestanding derivative instruments designated as cash flow hedges are presented in the consolidated statements of comprehensive income as follows:

	2008	2009	**2010**
Balance at beginning of year	US$1,867,159	(US$3,374,670)	**(US$2,097,717)**
Changes in fair value of cash flow hedges	(4,325,183)	2,686,317	**10,456,060**
Transferred to consolidated statements of income	(3,420,369)	(2,308,385)	**(10,027,846)**
Tax effects	2,503,723	899,021	**(128,464)**
Balance at end of year	(US$3,374,670)	(US$2,097,717)	**(US$1,797,967)**

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:

	2008	2009	**2010**
Foreign exchange gain (loss)	(US$8,328,119)	US$8,014,597	**US$9,161,547**
Interest expense	–	355,065	**2,004,400**
Port authorities' share in gross revenues	–	–	**(285,142)**
Other expense	22,530	(1,115,347)	**694,566**
	(US$8,305,589)	US$7,254,315	**US$11,575,371**

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

	2008	2009	**2010**
Derivative assets:			
Freestanding	US$3,452,123	US$2,391,978	**US$9,376,497**
Embedded	313,567	201,117	**895,683**
Subtotal	3,765,690	2,593,095	**10,272,180**
Derivative liabilities – freestanding	(8,319,139)	(29,141)	**–**
Total	(US$4,553,449)	US$2,563,954	**US$10,272,180**

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 15 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 Board 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. Interest Rate Risk

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:

	2008							
	1 Year	2 Years	3 Years	4 Years	Over 5 Years	Total		Net Debt*
						(In Original Currency)	*(In US Dollar)*	
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$84,175,084	US$81,881,865
Interest rate			8.57%	8.57%	8.57%			
US$ 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*

	2009							
	1 Year	2 Years	3 Years	4 Years	Over 5 Years	Total		Net Debt*
						(In Original Currency)	*(In US Dollar)*	
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*

	2010							
	1 Year	**2 Years**	**3 Years**	**4 Years**	**Over 5 Years**	**Total**		**Net Debt***
						(In Original Currency)	*(In US Dollar)*	
Liabilities								
Long-term Debt								
Floating Rate:								
US$ Loan	**US$2,625,000**	**US$2,625,000**	**US$2,625,000**	**US$2,625,000**	**US$–**	**US$10,500,000**	**US$10,500,000**	**US$10,136,095**
Interest rate	**LIBOR + 1.10% spread**	**LIBOR + 1.10% spread**	**LIBOR + 1.10% spread**	**LIBOR + 1.10% spread**	–			

** Net of Debt Issuance Costs*

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):

	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	–

	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	–

	2010		
	Increase/Decrease in Interest Rates (%)	Effect on Profit Before Tax	Effect on Equity
US dollar-denominated loans	**+1.0**	**(US$0.1)**	**US$0.2**
	-1.0	**0.1**	**(0.2)**

<u>Liquidity Risk</u>
The Group monitors and maintains a certain 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 a year is 10.0%, 9% and 8%, of the total borrowings, gross of debt issuance costs, as of December 31, 2008, 2009 and 2010, respectively.

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

	2008					
	Less than 3 Months	3 to 6 Months	6 to 12 Months	1 to 5 Years	More than 5 Years	Total
Long-term debt	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

	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	2.0	–	–	–	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$15.8	US$24.9	US$559.0	US$206.7	US$880.2

	2010					
	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$17.9**	**US$11.2**	**US$21.1**	**US$140.9**	**US$450.0**	**US$641.1**
Accounts payable and other current liabilities	**95.1**	**7.6**	**–**	**–**	**–**	**102.7**
Concession rights payable	**9.8**	**9.8**	**19.7**	**112.9**	**184.4**	**336.6**
Total	**US$122.8**	**US$28.6**	**US$40.8**	**US$253.8**	**US$634.4**	**US$1,080.4**

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 financial assets and liabilities held in currencies other than the functional currencies of the Parent Company and the operating subsidiaries, the net exposure is kept to an acceptable level by buying or selling foreign currencies at spot/forward rates where necessary to address short-term imbalances.

The Group has recognized in the consolidated statements of income net foreign exchange loss amounting to US$13.5 million in 2008. In 2009 and 2010, the Group recognized in the consolidated statement of income net foreign exchange gain amounting to US$7.4 million and US$3.5 million arising from net foreign-currency denominated financial assets and liabilities as of December 31, 2009 and 2010, respectively, 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 following table shows the Group's significant foreign currency-denominated monetary assets and liabilities and their US Dollar equivalents at December 31:

	2008		2009		**2010**	
	Foreign Currency	US Dollar	Foreign Currency	US Dollar	**Foreign Currency**	**US Dollar**
Financial Assets						
Cash and cash equivalents:						
Philippine peso	–	US$–	1,848,115,637	US$40,002,503	**5,450,492,223**	**US$124,326,921**
Euro	11,187,261	15,629,723	606,044	867,915	**5,154,263**	**6,898,466**
BRL	13,903,966	6,007,330	11,276,762	6,464,180	**10,774,472**	**6,485,567**
RMB	5,335,941	781,514	6,299,405	922,719	**34,523,549**	**5,225,299**
ARS	–	–	–	–	**18,459,921**	**4,639,686**
COP	24,181,713,362	10,754,215	8,897,295,892	4,353,353	**3,604,493,136**	**1,889,444**
JPY	113,890,742	1,256,517	50,251,645	1,615,262	**135,796,259**	**1,674,017**
BND	–	–	6,920,397	4,925,900	**2,084,616**	**1,627,335**
MGA	3,112,346,112	1,664,356	6,036,689,327	3,064,309	**3,155,135,661**	**1,476,087**
IDR	2,026,237,991	182,216	9,756,793,060	1,037,515	**6,315,649,562**	**702,051**
USD	107,057,487	107,057,487	566,365	566,365	**259,367**	**259,367**
PLN	3,114,251	1,048,711	3,009,234	1,051,114	**250,827**	**84,673**

(Forward)

	2008		2009		**2010**	
	Foreign Currency	US Dollar	Foreign Currency	US Dollar	**Foreign Currency**	**US Dollar**
Receivable:						
BRL	10,401,050	4,493,865	14,854,851	8,515,249	**17,680,078**	**10,642,315**
Philippine peso	–	–	150,622,556	3,260,228	**185,982,468**	**4,242,301**
MGA	2,940,805,794	1,572,623	3,733,736,659	1,895,298	**3,655,442,538**	**1,710,149**
RMB	4,791,630	701,793	8,111,248	1,188,113	**10,423,388**	**1,577,628**
PLN	7,218,575	2,430,824	2,794,542	976,123	**2,943,876**	**993,781**
BND	–	–	782,365	556,883	**769,621**	**600,797**
IDR	3,357,363,171	301,921	3,894,153,390	414,095	**4,025,981,446**	**447,530**
USD	13,346,849	13,346,849	158,104	158,104	**–**	**–**
Derivative assets	3,765,689	3,765,689	–	–	**–**	**–**
		170,995,633		81,835,228		**175,503,414**
Current Financial Liabilities						
Accounts payable and other current liabilities:						
Philippine peso	–	–	507,951,470	10,994,621	**1,330,855,930**	**30,357,115**
BRL	12,392,566	5,354,317	14,935,870	8,561,691	**22,998,676**	**13,843,783**
PLN	14,385,375	4,844,213	13,184,723	4,605,373	**11,953,826**	**4,035,319**
MGA	11,496,294,508	6,147,751	8,991,465,699	4,564,196	**10,769,745,973**	**5,038,478**
JPY	172,293,567	1,900,856	158,417,199	1,703,044	**168,052,418**	**2,071,652**
USD	15,126,956	15,126,956	1,210,322	1,210,322	**1,305,233**	**1,305,233**
RMB	19,287,701	2,824,919	4,489,744	657,645	**3,990,630**	**604,000**
BND	–	–	767,756	546,485	**573,655**	**447,818**
COP	780,881,314	347,278	344,136,090	168,382	**813,805,421**	**426,590**
Euro	13,431	18,765	62,763	89,884	**312,599**	**418,383**
IDR	1,621,628,672	145,830	6,276,537,021	667,433	**3,463,485,483**	**385,003**
SYP	10,738,211	227,825	19,474,132	426,823	**349,668**	**7,464**
Derivative liabilities	8,319,139	8,319,139	–	–	**–**	**–**
Noncurrent Financial Liabilities						
Concession rights payable						
US dollar	201,674,870	201,674,870	–	–	**–**	**–**
Euro	16,159,760	22,576,801	16,368,472	23,441,289	**16,599,764**	**22,217,124**
		269,509,520		57,637,188		**81,157,962**
Net foreign currency-denominated financial assets (liabilities)		(US$98,513,887)		US$24,198,040		**US$94,345,452**

In translating the foreign currency-denominated monetary assets and liabilities into US dollar amounts, the Group used the exchange rates as shown in the table of exchange rates (see Note 3.4).

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):

	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)

	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)

	2010	
	Effect on Profit Before Tax	Effect on Equity
Change in US dollar to other foreign currency exchange rate:		
5% appreciation	**(US$4.9)**	**US$0.8**
5% depreciation	**5.5**	**(0.8)**

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 each balance sheet date.

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 of risks and mitigate financial losses 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, 2010, 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. 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):

	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

	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

	2010			
	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$29.6**	**US$–**	**US$–**	**US$29.6**
Cash equivalents	**315.8**	**–**	**–**	**315.8**
Receivables				
Trade	**27.8**	**10.0**	**3.0**	**40.8**
Advances and nontrade	**8.6**	**0.7**	**0.1**	**9.4**
AFS Financial Assets				
Unquoted equity shares	**0.7**	**–**	**–**	**0.7**
Quoted equity shares	**1.0**	**–**	**–**	**1.0**
Derivative Assets	**10.3**	**–**	**–**	**10.3**
	US$393.8	**US$10.7**	**US$3.1**	**US$407.6**

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):

	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
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

	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

	2010			
	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$29.6**	**US$–**	**US$–**	**US$29.6**
Cash equivalents	**315.8**	**–**	**–**	**315.8**
Receivables				
Trade	**25.2**	**2.3**	**0.3**	**27.8**
Advances and nontrade	**8.6**	**–**	**–**	**8.6**
AFS Financial Assets				
Unquoted equity shares	**0.7**	**–**	**–**	**0.7**
Quoted equity shares	**1.0**	**–**	**–**	**1.0**
Derivative Assets	**10.3**	**–**	**–**	**10.3**
	US$391.2	**US$2.3**	**US$0.3**	**US$393.8**

The credit quality of the financial assets was determined as follows:

Cash and cash equivalents, derivative financial assets and AFS 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):

	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

	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

	2010				
	Past Due but Not Impaired				
	30 Days	60 Days	120 Days	More than 120 Days	Total
Trade	**US$6.7**	**US$1.3**	**US$1.6**	**US$0.4**	**US$10.0**
Advances and nontrade	**0.2**	**0.4**	**–**	**0.1**	**0.7**
	US$6.9	**US$1.7**	**US$1.6**	**US$0.5**	**US$10.7**

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 equity as its capital. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended December 31, 2008, 2009 and 2010.

The Group monitors capital using gearing and debt service cover ratios. Gearing ratio is total debt over net worth (total equity) where total debt includes long-term debt and loans payable and debt service cover ratio is total debt over EBITDA. Some creditor banks compute gearing ratio as total debt less cash and cash equivalents over net worth and debt service cover ratio as total debt less cash and cash equivalents over EBITDA for the computation of the Group's financial covenants.

The Group's policy is to keep the gearing ratio within two times and the debt cover ratio within four times.

	2008	2009	**2010**
Long-term debt	US$430,729,609	US$423,198,443	**US$637,056,702**
Loans payable	27,314,030	10,692,837	**675,486**
Total debt (a)	458,043,639	433,891,280	**637,732,188**
Less cash and cash equivalents	214,762,856	125,152,800	**345,380,374**
Net debt	243,280,783	308,738,480	**292,351,814**
Net worth (b)	451,799,527	517,353,235	**630,233,600**
EBITDA (see Note 5) (c)	196,436,390	175,652,705	**247,697,704**
Gearing ratio (a/b)	1.01 times	0.84 times	**1.01 times**
Debt cover ratio (a/c)	2.33 times	2.47 times	**2.57 times**

27. Earnings Per Share Computation

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

	2008	2009	**2010**
Net income attributable to Equity Holders of the Parent (a)	US$64,226,240	US$54,911,280	**US$98,276,099**
Common shares outstanding at beginning of year	1,992,066,860	1,992,066,860	**1,992,066,860**
Weighted shares issued/cancelled during the year	–	–	
Weighted shares held by subsidiaries	(17,048,425)	(34,415,867)	**(36,839,300)**
Weighted treasury shares	(74,007,125)	(69,351,000)	**(59,227,125)**
Weighted average shares outstanding (b)	1,901,011,310	1,888,299,993	**1,896,000,435**
Effect of dilutive stock grants	80,830,424	68,060,424	**64,835,424**
Weighted average shares outstanding adjusted for potential common shares (c)	1,981,841,734	1,956,360,417	**1,960,835,859**
Basic earnings per share (a/b)	US$0.034	US$0.029	**US$0.052**
Diluted earnings per share (a/c)	US$0.032	US$0.028	**US$0.050**

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

28. Other Matters

28.1 MICT Berth 6

The MICT Berth 6 Project is a port development project being undertaken by ICTSI with the approval of the PPA and in compliance with ICTSI's commitment under its concession contract with the PPA. The City Council of Manila issued City Council Resolution No. 141 dated September 23, 2010, adopting the Committee Report of the ad hoc committee which investigated the reclamation done in Isla Puting Bato in Manila. The ad hoc committee found "the implementation of the MICT Berth 6 Project was made without the prior consultation with the City of Manila and without prior approval of the City Council of Manila in violation of Section 2(c), 26 and 27 of the Local Government Code, and further the reclamation work in the said project was undertaken without the consent of the City Mayor and without an appropriate ordinance from the City Council of Manila in violation of Section 2G of the Manila Water Code."

ICTSI and its legal counsels' position is that Resolution No. 141 of the City Council of Manila is purely recommendatory and is not the final word on the issue whether the MICT Berth 6 Project is validly undertaken or not. The construction of MICT Berth 6 Project is still ongoing and will continue.

On November 26, 2010, the PPA, through the Office of the Government Corporate Counsel, filed a petition for certiorari and prohibition with very urgent prayer for the issuance of a temporary restraining order and/or writ of preliminary injunction assailing City Council Resolution No. 141 of the City of Manila. On December 8, 2010, the Supreme Court granted a Temporary Restraining Order (TRO) enjoining the Mayor of Manila and the City Council of Manila from stopping or suspending the implementation of the MICT Berth 6 project of the PPA. The TRO shall be continuing until further orders from the Supreme Court.

As of March 7, 2011, there has been no further order from the Supreme Court regarding the above case.

28.2 Acquisition of Adriatic Gate Container Terminal (AGCT), Rijeka, Croatia

On March 5, 2011, a Share Purchase Agreement (SPA) was executed by ICTSI Capital BV, ICTSI's wholly-owned subsidiary in the Netherlands, and Luka Rijeka D.D. (Luka Rijeka), a Croatian company, which owns 100% of the shares of AGCT. The SPA calls for the purchase by ICTSI Capital BV of 118 AGCT shares from Luka Rijeka for Croatian Kuna 92.9 million (equivalent to US$17.5 million) and the subscription of 12,088 shares in AGCT for €15 million (equivalent to US$21.0 million)which would give ICTSI Capital BV a 51% stake in AGCT.

However, the SPA is subject to several conditions precedent including the execution of a Shareholders Agreement, Escrow Agreement, delivery of certifications from Croatian Central Depository and Clearing Company evidencing ownership of the AGCT shares and the subsequent transfer thereof to ICTSI Capital BV, approval by a Commercial Court in Rijeka of the share capital increase, and appointment of ICTSI's representatives in the Supervisory and Management Boards of AGCT. The completion of the sale will take place when the parties have confirmed satisfaction of the last outstanding condition precedent or on any other day which is mutually agreed upon by the parties. Failure to comply with the conditions precedent within three months from the date of the SPA will cause the termination of the SPA, unless otherwise agreed by the parties.

The acquisition will be effected once the conditions precedent have been fully complied with.

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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*

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ICTSI Ltd. President

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

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

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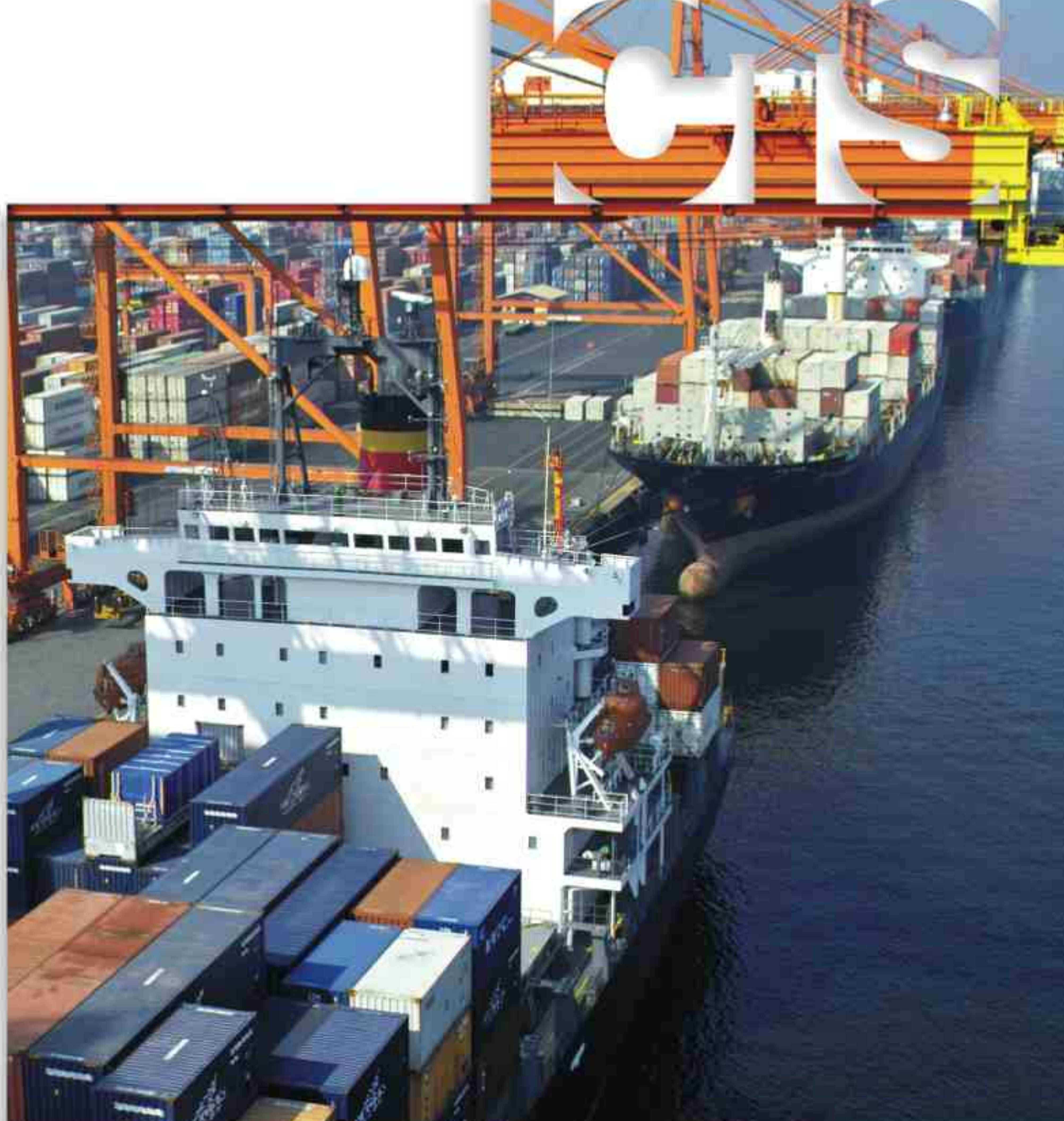

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