International Container Terminal Services, Inc.
Annual Report 2013

International Container Terminal Services, Inc.

EXCELLENCE UNCONTAINED

Contents


25 YEARS
International Container Terminal Services, Inc.
Riding from crest to crest

The Chairman's Report

In 2013, International Container Terminal Services, Inc. (ICTSI) marked a quarter of a century of operations: an unprecedented Group milestone, set against the backdrop of continuing world economic recovery.

Total Assets (USD)

3,087,640,076 **2,333,014,295**

Total Equity (USD)

1,353,237,377 **1,110,236,103**

As in the two immediately preceding years, the diversity of ICTSI's global portfolio of terminals served the Group well. Given the geographical spread of terminal operations, overall growth was posted, even as a confluence of factors exerted a subduing influence.

Characterized by the International Monetary Fund in its *World Economic Outlook* report as "low gear," 2013 global growth is pegged at 2.9 percent. The recovery is taking place at a sluggish pace, unevenly across regions, and with a subtle shifting of momentum. The dynamic growth of emerging market economies has decelerated, even as advanced economies have begun to regain traction.

On the downside, post-Arab spring developments continued to unfold, with political uncertainty persisting in areas such as Syria. Intermittent territorial strife in Asia was compounded by missile threats from North Korea. Super Typhoon Haiyan's devastation in the Philippines and Vietnam capped a year of multi-billion-dollar losses from extreme weather events, including unprecedented flooding in parts of North America and Europe, underscoring the increasing impact of climate change effects on economic growth, and the deepening urgency of addressing mitigation issues.

The larger picture of 2013, though, warranted a tempered optimism. The stabilization of the Eurozone was among several key factors, along with continuing growth in Asia, and notable growth in Sub-Saharan Africa.

Turning to the context of the maritime transport industry, the emergence of larger ships such as the post-Panamax vessels and major infrastructure developments continued, such as the widening of the Panama Canal. There was also positive growth in intercontinental as well as intra-regional trade which, overall, remained resilient.

For the ICTSI Group, total volume handled accelerated by 12 percent driven by growth in existing major terminals and new acquisitions. Given the uneven conditions across the Group's regional operations, organic volume growth was modest at two percent. Consolidated revenues rose by 17 percent vis-à-vis 2012, with organic revenue higher by seven percent.

New Acquisitions, Start Ups, Renewed Contracts & Divestment

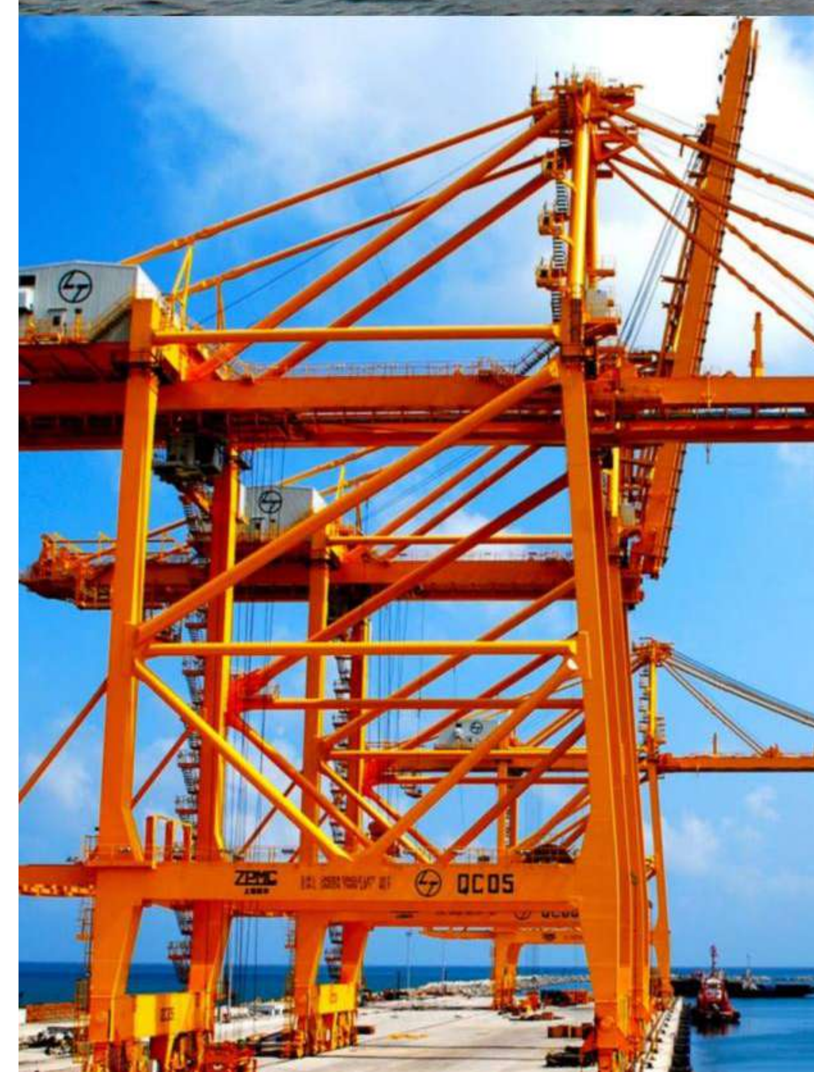
Asia

Within the ASEAN region, the Group reaffirmed its long-term commitment, especially with milestones recognized in two key markets.

The Group's first and flagship operation – the Manila International Container Terminal (MICT) handled its 25th million TEU in June, coinciding with the observance of its 25th year of existence, and the commencement of the next quarter-century covered under the 25+25 concession agreement.

In Indonesia, PT PBM Olah Jasa Andal (OJA), an Indonesian indirect subsidiary of ICTSI, inked a15-year Cooperation Agreement with PT Pelabuhan Indonesia II for international containers stevedoring services for Berths 300 to 303 at the Tanjung Priok Port. OJA, our second operation in Indonesia, also made its first full year contribution to the Group.

In South Asia, the year kicked off with the official inauguration in January of the Kattupalli International Container Terminal in Tamil Nadu, India. In Pakistan, the successful transition of democratic leadership boded well for the country's continuing growth, and Pakistan International Container Terminal Ltd. (PICT) made its first full-year contribution to the Group.



	2013	2012
Gross Revenues From Port Operations (USD)	852,394,246	729,307,945
Earnings Per Share (Diluted) (USD)	0.071	0.058

The Americas

Globally, nowhere was ICTSI's expanding footprint more evident than in the Americas: the region where the Group has the most number of greenfield projects, with a number of them now operational, and others in varying stages of development.

The Group gained its seventh terminal in the Americas when it won the international tender for the Special Container and General Cargo Terminal of Puerto Cortes in Honduras. In November, ICTSI subsidiary Operadora Portuaria Centroamericana, S.A. de C.V. (OPC) signed the takeover deed with the Commission for the Promotion of the Public-Private Alliance, the National Port Authority and Banco Financiera Comercial Hondureña, S.A. The actual takeover commenced in December 2013 for this 29-year concession. With current annual capacity already estimated at 600,000 TEUs, the terminal is poised to take on increasing operational scope and significance with the three-phase development plan to be funded by the Inter-American Development Bank.

Elsewhere in the region, Contecon Manzanillo, S.A. de C.V. (CMSA), which ICTSI established in 2010 after winning the bid in November 2009, serviced its first vessel, the 5,500-TEU *Maersk Kalamata*. The milestone marked the soft opening of the facility, which is the second Specialized Container Terminal of the Port of Manzanillo in Mexico. The terminal was officially inaugurated in January 2014. The port is the country's busiest, and the gateway for Mexican trade between the US West Coast and the Asia-Pacific.

The Group also took an important step forward in its second major acquisition in the Americas, the Aguadulce Multi-User Container Terminal in Buenaventura, Valle del Cauca, Colombia. In September 2013, ICTSI and PSA International Pte. Ltd., through their respective wholly-owned subsidiaries, signed an agreement to jointly develop, construct and operate the terminal. The sale was finalized in October.

Europe, Middle East and Africa

Two years after acquiring the Adriatic Gate Container Terminal, in Rijeka, Croatia, ICTSI completed the first phase of its expansion that included the purchase of major equipment and rehabilitation of infrastructure. These large-scale developments were well aligned with our long-term objective of transforming the Port of Rijeka as a destination for worldwide cargo intended for Central and Southeast Europe.

In 2013, the Group observed the 10th year of one of its key terminal operations: the Baltic Container Terminal in Gdynia, Poland, now a major Baltic seaport.

Meanwhile, the Batumi International Container Terminal LLC (BICT) in Georgia was recognized for having the highest growth rate in containerized cargo turnover among all Black Sea container ports. The occasion also marked the third consecutive year that BICT was cited for this key performance indicator.

Strengthening the Group's participation in the dynamic growth of the African continent, subsidiary ICTSI Cooperatief U.A. forged a business partnership with La Societe De Gestion Immobiliere Lengo for the establishment and formation of a joint venture company, ICTSI DR Congo S.A., in January 2014. This venture would focus on investing in, constructing and operating a river port, including a container terminal, in Mbengu, Matadi, Democratic Republic of the Congo (DRC). Conceived to capitalize on the facility's strategic location – as a main entry point for containers into DRC, serving the greater region and the Kinshasa market – the two-phase project is being designed as an international-standard terminal.

In Nigeria, ICTSI partnered with French liner CMA CGM port unit CMA Terminals in the development of Lekki International Container Terminal (LICT).

	2013	2012
Net Income (USD)	180,671,900	143,750,221
Cash & Cash Equivalents (USD)	242,234,539	186,844,913
EBITDA (USD)	377,322,996	307,563,275

ICTSI sold 25 percent of its stake in LICT to CMA Terminals. LICT is a joint venture of ICTSI and the Tolaram Group.

Meanwhile, Madagascar International Container Terminal Services, Ltd. continued its major expansion project in Toamasina, Madagascar. Work remained constant on the development of additional yard and gates, simultaneous with heavy equipment purchases and operating systems rollouts.

2013 Volumes

Notwithstanding downside geopolitical or financial developments and the effects of extreme weather events, the Group sustained its growth track in terms of overall volume performance in 2013.

By yearend, consolidated volume handled had reached 6,309,840 TEUs, representing 12 percent more than the 5,628,021 handled in 2012. Several volume increase drivers were noted: continuous improvement in international and domestic trade; new shipping lines and routes; full year contribution of new terminals, OJA and PICT, which were consolidated in August 2012 and October 2013, respectively; and the start of commercial operations of CMSA and of OPC.

Consolidated operations in Asia posted the heftiest volume growth at 17.4 percent over 2012, almost double the percentage growth recorded in the 2011-2012 period. This volume growth – from 3,790,334 TEUs in 2013, up from 3,228,432 TEUs in 2012 – was mainly due to the volume contribution of the new terminals OJA in Jakarta, Indonesia and PICT in Karachi, Pakistan, and strong volume performance from most of the Philippine terminals.

Excluding PICT and OJA, volume would have been relatively flat due to the slowdown in banana production and exportation at the Company's terminal in Davao.

Volume from the Company's container terminal operations in the Americas grew by nine percent in 2013 at 1,725,324 TEUs compared to the 1,576,118 TEUs handled in 2012 due to the recovery of banana production and exportation in Ecuador, the deployment of new companies in the State of Pernambuco, Brazil and the contribution of new terminals in Manzanillo, Mexico and Puerto Cortes, Honduras. Excluding the two new terminals in Mexico and Honduras, the segment's volume would have increased by five percent.

Total 2013 volume for the Europe-Middle East-Africa (EMEA) region was pegged at 794,182 TEUs, dipping from the 823,471 TEUs handled in 2012. This translated into a 3.6 percentage decline. Disaggregated volumes reflected two realities: on one hand, European operations that were either stabilizing or in the process of post-Eurozone crisis recovery; and on the other hand, healthy growth in key African operations, notably in Madagascar, which mirrored overall robust growth in the African continent.

Excluding the volume contribution from four new terminals and the effect of the cessation of operations in Syria, organic volume growth was subdued at two percent.

Summarizing contributions by regional segment, Asia continued to lead the pack, accounting for 60 percent of total consolidated 2013 volumes; followed by the Americas at 27 percent; and EMEA at 13 percent. Except for the addition of Pakistan to the roster, the key terminal operations that pulled in the highest numbers in 2013 were exactly identical to the six

operations cited in 2012: Manila, Brazil, Poland, Madagascar, China and Ecuador. All told, these seven terminals accounted for 78 percent of the Group's consolidated volume for the year in review.

Financial Performance

Volume growth was a chief factor in revenue growth, along with higher revenues from storage and ancillary services, tariff rate increases in certain key terminals, and first full year contribution of operations in Karachi, Pakistan and in Jakarta, Indonesia, and inclusion of new terminals in Manzanillo and Puerto Cortes.

Gross revenues from port operations was US$852.4 million, an increase of 17 percent over the US$729.3 million reported for the same period the previous year.

Net income attributable to equity holders of US$172.4 million, was up 20 percent compared to the US$143.2 million in 2012.

The higher net income attributable to equity holders of the parent in 2013 was mainly due to strong revenue growth, margin improvements in certain key terminals, and the contribution from the new terminal in Karachi. Diluted earnings per share for the period was likewise higher by 22 percent at US$0.071, from US$0.058 in 2012.

Excluding revenues from the newly acquired terminals and the effect of the cessation of the operations in Syria, organic revenue growth was seven percent. The Group's seven key terminal operations accounted for 84 percent of the Group's consolidated revenues in 2013.

Consolidated cash operating expenses in 2013 grew 13 percent to US$359.5 million, from US$318.9 million in 2012. The increase was driven by higher volume-related expenses, government-mandated and contracted salary rate increases in certain terminals, higher business development expenses as the Company pursued a number of opportunities within the year, full-year impact of the expenses in Karachi and Jakarta, and the inclusion of expenses of new terminals. Excluding the cash operating expenses of the new terminals as well as the expenses incurred in the Company's operation in Syria in the same period in 2012, total cash operating expenses would have increased by only three percent.

Consolidated EBITDA for 2013 increased 23 percent to US$377.3 million, from US$307.6 million in 2012 mainly due to volume growth and stronger revenues arising from favorable volume mix, higher revenues from storage and ancillary services, tariff increases in certain key terminals , and full year contribution from the Company's terminal in Karachi. Excluding the impact of four new terminals in Pakistan, Indonesia, Mexico and Honduras, as well as the effect of the cessation of the terminal operation in Syria in 2012, organic EBITDA growth is 12 percent. Meanwhile, consolidated EBITDA margin increased to 44 percent in 2013 compared to 42 percent in 2012.

Consolidated financing charges and other expenses for 2013 increased 38 percent to US$48.2 million, from US$35.0 million in 2012 due mainly to higher outstanding interest-bearing debt. ICTSI issued US$400 million of 10-year bonds in January 2013 mainly to fund its capital expenditure program for 2013 and refinance medium-term loans.

ICTSI's capital expenditure in 2013 amounted to US$477.6 million against a full year capital expenditure budget of US$550 million. Last year's capital expenditure was mainly allotted for the development of new terminals in Mexico, Argentina and Colombia; capacity expansion in Croatia; and the Company's newly acquired terminal in Honduras.

The Group's capital expenditure budget for 2014 is approximately US$310 million mainly allocated for the completion of the phase 1 development of new terminals in Mexico and Argentina, and to start the development of terminals in Honduras and DR Congo. This does not include the Group's share in the joint venture project with PSA International for the development of the container terminal in Colombia, which for 2014, is approximately US$120 million.

Fund Generation

Early in 2013, ICTSI Treasury BV, raised US$400 million through the issuance of 10-year Senior Unsecured Notes, part of its $750-million Medium Term Notes (MTN) Program to fund expansion programs.

In May 2013, ICTSI raised PHP8.19 billion from the sale of 89.999 million shares at PHP91 per share, earmarking the additional funds for 2013 capital expenditures that were expected to amount to US$550 million. The successful fund raising activity had been originally placed at US$150 million, but was later raised to US$200 million after it was 2.5 times oversubscribed.

By August, the ceiling for ICTSI Treasury BV's MTN Program had been raised, from US$750 million to US$1 billion. This was followed soon after by a bond swap offer, wherein holders of ICTSI's outstanding US$450 million 7.375 percent Senior Notes due 2020 could be exchanged for 2025 Notes. The bond exchange offer had been launched primarily as a liability management exercise aimed to extend the duration of ICTSI liabilities to match the time horizon of major projects; and to proactively manage redemption profile for principal debt notes.

ICTSI also pushed through with a key divestment in January 2014 as it sold off its subsidiary Cebu International Container Terminal, Inc. to Cebu Asian Rim Property and Development Corp. Hong Kong Land (Philippines) BV. This sale of 200,000 square meters was part of the Company's program to divest itself of non-core assets.

Typhoon Haiyan

Climate change mitigation is clearly taking an increasing role in the lives of nations and in global affairs. Nowhere was this brought home more devastatingly than in the Philippines, when, just as 2013 was drawing to a close, Super Typhoon Haiyan hit the Visayas, especially Tacloban City, with unprecedented ferocity.

ICTSI's immediate response was three-pronged. With such great need for relief supplies and aid created in so short a time, and on such a large scale, ICTSI undertook to transform the MICT into a hub for the relief efforts of the Philippine Government. Closely working with the Department of Social Welfare and Development (DSWD) as the government's lead agency, ICTSI opened its doors to local and foreign aid organizations in order to facilitate the processing of relief goods.

On ground zero, ICTSI volunteered to operate the Tacloban port for free, to ensure that incoming aid would be processed quickly enough in a working port. Coordinating with the Department of Transportation and Communication and the Philippine Ports Authority, ICTSI sent equipment and deployed personnel.

Meanwhile, at the Group's Manila headquarters, the decision was reached to forego with traditional Christmas festivities for employees – and to share the Christmas spirit instead with those directly affected. Coordinating once again with the DSWD, ICTSI diverted funds earmarked for Christmas parties to mount one huge Christmas celebration right within Tacloban City. All in all, 3,500 people gathered for the festivities, with dinner packs distributed to the attendees, along with gifts for the children.

ICTSI was among the first corporate citizens to respond to the private sector call of the Philippine Government to rebuild the devastated areas. To this end, we have adopted areas in the northern portion of Tacloban City and in the town of Balangiga in Eastern Samar, which we will help rehabilitate.

Citations

Both bottom line performance as well as governance and accountability aspects of ICTSI were recognized by the international business sector in 2013.

In January, ICTSI was the overall best managed company in Asia for the transportation / shipping sector in the *Euromoney* Best Managed and Governed Companies - Asia poll 2013.

Midyear – in June – ICTSI was named one of the Best Managed and Best Investor Relations Companies of the Philippines in *FinanceAsia*'s 2013 poll.

On the other hand, *CorporateGovernanceAsia* cited ICTSI as one of Asia's Icons in Corporate Governance during the 9th Corporate Governance Asia Recognition Awards.

Through all these developments – as a business organization, as a member of many local communities, and as a growing player in the larger maritime trade industry – ICTSI holds fast to one principle.

This principle explains why ICTSI appears to have a high threshold for volatility and uncertainty, and yet maintains a keen, spot-on insight into profitable opportunities that are seldom self-evident. It also explains why we enter into projects with full, long-term commitment to our host governments, corporate partners and clients, and community stakeholders.

Simply stated, the company always takes the long-term view of things. Our first quarter century proves the wisdom of that approach; the success of our next quarter century rests on that same foundational principle as well.

Enrique K. Razon, Jr.
Chairman and President

ICTSI Global Operations

Review of Operations

ICTSI Group

Two of the world's leading economies, the United States and the European Union, capped 2013 exhibiting "signs of recovery," reports *Containerisation International* in its January-February issue for 2014.

While the International Monetary Fund in its *World Economic Outlook* report maintains a subdued and cautious tone, increases in container trade volumes for the both the industry worldwide, and for ICTSI in most of the regions where it operates, clearly indicates a recovery path. Given the uneven recovery across and within regions, as partly mirrored by ICTSI's own regional volumes, it remains a decided advantage that ICTSI's global portfolio of terminals is a balanced market mix.

Pushing up volumes, from a 7.5 percent increase in 2012 to 12 percent in 2013 were the continuous growth in international and domestic trade; new shipping line clients and routes; the full-year operation of Jakarta and Karachi; and new and opened terminals of Mexico and Honduras, which started commercial operation in November and December, respectively. Excluding the volume contribution from the four terminals and the closure of the Group's operations in Syria in January 2013, organic volume growth increased by two percent.

The year in review opened with the inauguration in January of the Kattupalli International Container Terminal (KICT) in Tami Nadu, India. The Group's first operation in India, KICT is a joint venture of L&T Shipbuilding Ltd. and subsidiaries ICTSI Ltd. and ICTS (India) Pvt. Ltd. Located about 30 kilometers north of the Port of Chennai, KICT has an annual capacity of 1.2 million TEUs.

In February, ICTSI won the international bid for the 29-year concession of the Specialized Container and General Cargo Terminal in Puerto Cortes, Honduras. The Puerto Cortes terminal is ICTSI's seventh terminal in the Americas. In March, ICTSI subsidiary Operadora de Puerto Cortes, S.A. de C.V. (OPC) signed the concession contract, which involves a three-phase program, funded by the Inter-American Development Bank, to rehabilitate and expand facilities. OPC, later renamed Operadora Portuaria Centroamericana, S.A. de C.V., took over operations in December.

In June, ICTSI's flagship Manila International Container Terminal (MICT) completed its first 25 years of the 25+25 concession contract with the Philippine government, and officially started its next 25 years. The MICT is the Philippine government's first port privatization initiative, and thus far, the most successful public-private partnership in the country's maritime transport sector.

Also in June, ICTSI's second foray in Indonesia was secured as Jakarta-based subsidiary PT PBM Olah Jasa Andal signed a cooperation agreement with PT Pelabuhan Indonesia II, port authority of the Port of Tanjung Priok. The 15-year agreement covered handling services of international containerized cargo at Berths 300, 301, 302 and 303 of Tanjung Priok.

In July, the Adriatic Gate Container Terminal (AGCT) began servicing vessels at its new 320-meter long quay, which was completed along with an expanded container yard. With a controlling depth of 14 meters, the AGCT became capable of servicing the largest vessels sailing the Mediterranean. The completed facilities are part of the Rijeka Gateway project of the Port of Rijeka Authority financed by the International Bank for Reconstruction and Development. AGCT is being readied for expected growth, and for its eventual transition into the Eurozone's leading port of call in the Adriatic.

In August, Mexican subsidiary Contecon Manzanillo, S.A. de C.V. serviced its first vessel, the 5,500-TEU *Maersk Kalamata*, at the Specialized Container Terminal-2 (SCT-2) in the Port of Manzanillo. Acquired in 2009, the 34-year concession covers the development and operation of SCT-2. Located on the Pacific coast of Mexico, Manzanillo is the country's busiest port and the one nearest the capital, Mexico City. It was formally inaugurated in January 2014.

In September, ICTSI and PSA International Pte. Ltd. (PSA) of Singapore signed an agreement enabling them to jointly develop, construct and operate the container terminal and ancillary facilities located in the Peninsula of Aguadulce, Buenaventura, Valle del Cauca, Colombia. Back in 2007, ICTSI, through Sociedad Puerto Industrial Aguadulce S.A., signed a 30+30 concession agreement with the Colombian National Concessions Institute covering construction and development of a new multi-user container terminal at the Port of Buenaventura. The greenfield development is seen to improve container traffic at the port, which is the largest and busiest in Colombia.

In November, ICTSI entered into a conditional Share Purchase Agreement to sell off its subsidiary Cebu International Container Terminal, Inc. (CICTI) to Cebu Asian Rim Property and Development Corp. and Hongkong Land (Philippines) BV. The sale of the Cebu unit was completed in January 2014.

Aligned with ICTSI's continuing expansion efforts, the Group actively maximized business development opportunities across the globe that arose throughout the year. Trade conventions and maritime industry initiatives and events which the Group took part in included the Seventh Philippine Ports and Shipping International in Manila in January; the Indian Ocean Ports and

January – Euromoney names ICTSI as Asia's best managed company for the transportation / shipping sector in the publication's 'Best Managed and Governed Companies Asia Poll 2013.'

30 January – ICTSI officially opens the Kattupalli International Container Terminal in Tamil Nadu, India.

4 February – ICTSI wins bid for the 30-year concession of the Specialized Container and General Cargo Terminal of Puerto Cortes, Honduras. This is ICTSI's sixth terminal in South America.

22 March – Honduran subsidiary Operadora de Puerto Cortes, S.A. de C.V. signs the Puerto Cortes 29-year concession agreement.

June – ICTSI's flagship, the Manila International Container Terminal, handles its 25th million TEU since it commenced operations in 1988.

5 June – Indonesian subsidiary PT PBM Olah Jasa Andal signs a 15-year Cooperation Agreement with PT Pelabuhan Indonesia II for Berths 300, 301, 302 and 303 of the Port of Tanjung Priok in Jakarta.

12 June – ICTSI celebrates its 25th anniversary.

19 June – FinanceAsia cites ICTSI as one of the best managed and best investor relations companies in the Philippines.

25 June – CorporateGovernanceAsia names ICTSI as one of Asia's Icons on Corporate Governance during the 9th Corporate Governance Asia Recognition Awards. Enrique K. Razon Jr., ICTSI Chairman and President, is also a recipient of its Asian Corporate Director Recognition Award.

18 September – ICTSI and PSA International Pte. Ltd. sign an agreement for the joint development, construction and operation of the container terminal and ancillary facilities of Colombian subsidiary Sociedad Puerto Industrial del Aguadulce S.A. in Aguadulce, Buenaventura.

November – ICTSI mobilizes the ICTSI Foundation to coordinate the Group's contributions and assistance to the massive national and international relief efforts for survivors of Typhoon Haiyan in central Philippines. ICTSI opened its MICT facilities to receive and expedite the processing of aid, and lent a mobile harbor crane to the Port of Tacloban to support relief efforts in the devastated areas.

December – Honduran subsidiary OPC takes over operations of the Specialized Container and General Cargo Terminal of Puerto Cortes.

20 December – The ICTSI Foundation and the Philippine Department of Social Welfare and Development organize a holiday celebration for over 3,000 Typhoon Haiyan survivors in Tacloban.

Logistics Summit in Mozambique in February; *The Economist* Nigeria Summit held in Lagos; the second annual Port Expansion Summit in Istanbul Turkey; the SupplyLink Conference in Manila in March; the Third Logistics and Foreign Trade Exhibit; and 30th ALACAT International Congress both held in Guayaquil, Ecuador, 23rd World Economic Forum on Africa in Cape Town, South Africa; and the First Mediterranean Ports Conference in Alexandria, Egypt.

The Group participated in the Africa Ports and Harbors Show in Johannesburg, South Africa in June; 22nd Mindanao Business Conference in Davao City, and the Philippine Port Development Summit in August; the inaugural *FinanceAsia* Rising Stars of the Philippines Forum, and the 39th Philippine Business Conference and Exhibit, both held in Manila in October; the Second International Investment Forum held in Opatija, Croatia, and Trans Pacific Markets Asia Conference in Shenzhen, China in October; and the Freight Forwarders Conference in Budapest, Hungary and the annual conference of the Association of Logistics and Forwarders of the Slovak Republic in November.

World-class standards in operational efficiencies, high ethical standards in management and corporate governance as well as investor relations, and other areas of the entire organization: ICTSI continued its drive for excellence in 2013.

In January, leading business magazine *Euromoney* named ICTSI as winner of the overall best managed company in Asia for the transportation / shipping sector in its 'Best Managed and Governed Companies - Asia poll 2013.' The poll was the 14th annual ranking of the Best Managed and Governed Companies in Asia that *Euromoney* has published, and is seen as the benchmark survey of the opinions of equity analysts in the region. Analysts praised ICTSI for its leading role in promoting transparent communication to investors, citing that "the Company has a clear strategy and good visibility."

In March, ICTSI was cited as Best Investor Relations Company during the Third Asian Excellence Recognition Awards of *CorporateGovernanceAsia* held in Hong Kong. This citation follows on the heels of a similar recognition in 2012, where the publication noted ICTSI's continuing commitment to the development of corporate governance in the region.

In June, the ICTSI emerged as one of the Best Managed and Best Investor Relations Companies of the Philippines in *FinanceAsia*'s 2013 poll. ICTSI placed fifth in the Best Managed category, and placed ninth in the Best Investor Relations category.

Also in June, *CorporateGovernanceAsia* cited ICTSI as one of Asia's Icons on Corporate Governance during the Ninth Corporate Governance Asia Recognition Awards. The publication also recognized Enrique K. Razon Jr., Chairman and President, as one of the Asian Corporate Director Recognition Awardees for 2013.

As ICTSI celebrated its 25th anniversary and registered continuing growth by yearend 2013, the Group counted among its operations a total of 28 terminals in varying stages of development and operations. Spread across 20 countries in three major regions – Asia, the Americas, and that of Europe-Middle East-Africa – the portfolio of terminals comprises a mix of both greenfield and brownfield developments and full operating terminals, in advanced as well as emerging economies.

Drawing from the quarter-century of ICTSI's solid experience, the Group pursues continuing expansion, capitalizing on opportunities to leverage public-private partnerships to build successful gateway ports, particularly in emerging economies.

Asia Region

The picture emerging from Asia is one of continuing growth. Recovery from weather events in both 2012 and 2013 continued to depress trade volumes in certain affected areas, and caused growth rate deceleration in others. The following accounted for the strong performance of the region: the continuing global economic recovery, which supported international, intra-regional and domestic trade; and solid domestic demand in the larger economies of the ASEAN sub-region (including the Philippines, where ICTSI operates eight terminals).

ICTSI's overall throughput results for Asia showed a 17.4 percent volume growth for 2013 over 2012 volumes. This growth rate is almost double 2012's 9.2 percent growth. Translated into actual volumes, ICTSI's Asian operations handled 3,790,334 TEUs in 2013, up from 3,228,432 in 2012. The increase was mainly due to the full year volume contribution of the new terminals in OJA in Jakarta and PICT in Karachi. Excluding OJA and PICT, Asian volume would have been relatively flat due to the slowdown in banana production and exportation in Davao, Philippines.

The increasing impact of climate change was evident in some operations such as in Davao. Subsidiary Davao Integrated Port and Stevedoring Services Corp. continued to register declining volumes as the agricultural exports sector, particularly bananas, remained slow paced in its recovery, post-Typhoon Bopha (Pablo), which hit eastern Mindanao in late 2012.

In the broader context of total Group throughput, Asia contributed a robust 60 percent of 2013 consolidated volumes, representing a steady increase from the 57 percent contributed in 2012.

The MICT: Flagship and Benchmark

With the continuing strong run of the Philippine economy, the Port of Manila is expected to remain a vital and vibrant trade link, particularly when it comes to global trade. Standing as the 25th largest non-transshipment port in the world, it is also the 37th largest container point overall in terms of capacity and actual throughput.

Maintaining a dominant 65 percent market share in the Port of Manila is the Manila International Container Terminal (MICT), the ICTSI Group's first and flagship operation.

In June, the observance of the Group's 25th year of existence coincided with the commencement of the next quarter-century covered under the 25+25 MICT concession.

Still in June of 2013, the MICT officially handled its 25th million TEU. To date, the terminal is the country's largest with an annual capacity of 2.5 million TEUs. With over 100 hectares of terminal area, the MICT has the country's longest quay line at 1,750 meters capable of servicing six to seven vessels at one time. It offers the Philippines' largest and most modern container handling equipment fleet with 13 quay cranes at the berths, and the country's only full rubber tired gantry (RTG) container yard operations at 45 RTGs.

The MICT has operations and administration that are automated and synced. It was one of the first terminals in the world to run the complete platform of Navis Sparcs N4 terminal operations system.

In July, the MICT – which serves as the benchmark for ICTSI's other terminals – further sharpened this competitive advantage as it deployed the ComOps Microster workforce optimization software. The new system is designed to efficiently manage variable labor costs, enhance workplace health and safety, and boost productivity and efficiency.

Foothold in Jakarta

In June, subsidiary PT PBM Olah Jasa Andal (OJA) signed a 15-year cooperation agreement with Indonesia Port Corp. II, port manager of the Port of Tanjung Priok, for container handling services of international cargo at Berths 300, 301, 302 and 303 of Tanjung Priok in Jakarta, Indonesia. Tanjung Priok is Indonesia's largest port.

As part of Phase 1 of OJA's fleet expansion, 30 brand new prime movers were deployed to further improve terminal operations. In line with the deployment, operators and mechanics underwent training for the newly acquired tractors and chassis. The investment reduced truck turnaround time, and ultimately boosted overall terminal performance.

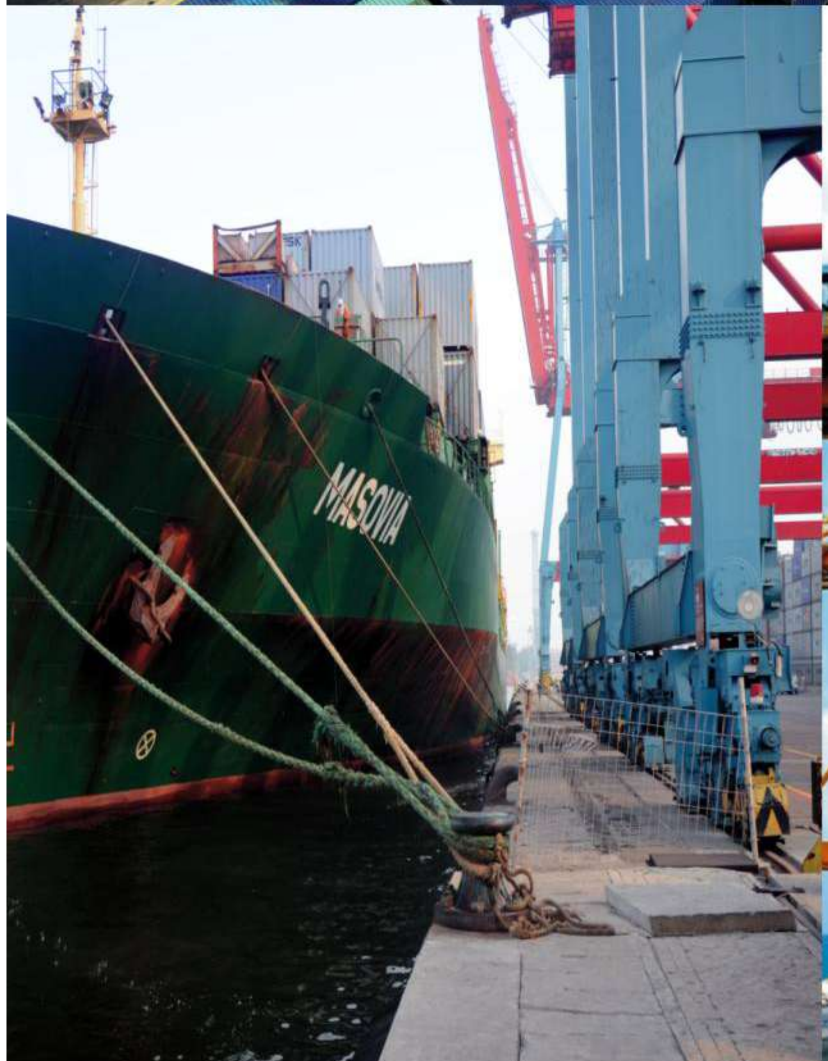
OJA is ICTSI's second terminal in Indonesia. The Group's first, PT Makassar Terminal Services (MTS), operates at the Makassar Container Terminal in the Port of Makassar in South Sulawesi. MTS was acquired in 2006. The two ICTSI operations are strategic in light of the country's status as the largest economy in the ASEAN.

Shifting to higher gear in Kattupalli

In Asia's third largest economy, ICTSI officially inaugurated the Kattupalli International Container Terminal (KICT) in January. The KICT is located at the mega shipyard and port complex of Larsen & Toubro (L&T) Shipbuilding near Chennai in Tamil Nadu, one of the key economic states and trade hubs in India.

In February, L&T Ports Kattupalli held a trade meet where subsidiary International Container Terminal Services (India) Pvt. Ltd. highlighted the terminal's operational readiness, and the strategic position in the eastern coast of India in relation with Tamil Nadu's growing local economy. KICT, whose immediate hinterland is an industrial estate, is designed to handle containerized and project cargo, particularly steel and steel products.

In September, KICT received and serviced its first commercial vessel, *Iwaki*, owned and operated by Japanese liner NYK. The arrival of the NYK vessel marked the commencement of the regular weekly service of the Thailand-Chennai Express (TCX) at KICT.



ICTSI entered into its first venture in India in 2011 through KICT. Through subsidiaries ICTSI Ltd. and ICTS India, ICTSI partnered with L&T Shipbuilding Ltd., a joint venture between Larsen & Toubro Ltd. and Tamil Nadu Industrial Development Corp., in the development and operation of the terminal. ICTSI India is the exclusive developer and operator of KICT under a 21-year agreement.

Trailblazing in Karachi

Apart from logging its first full year of operation and becoming among the top-contributing terminals in the ICTSI Group, subsidiary Pakistan International Container Terminal (PICT) in the Port of Karachi continued improving its operations and services in 2013.

During the year in review, PICT, NYK Pakistan and Express Feeder Pakistan launched Japanese liner NYK's Hercules Service. Hercules covers eastbound sea routes plying the ports of Karachi, Nhava Sheva, Colombo, Singapore and Laemchabang. The new service allows liners to attain additional niches for Karachi to Singapore routes, and provides a more competitive and commercial advantage to PICT.

With its culture of service excellence, PICT received accolades and citations in 2013. In April, PICT placed third in the overall category of the 8th Best Practices in Occupational Safety, Health and Environment Awards in Karachi, Pakistan. This was soon followed by another award in July at the 10th Annual Environment Excellence Awards organized by the National Forum for Environment and Health in Karachi.

Capping the series of awards was PICT's ranking as sixth overall among 27 finalists in the large sector industry category of the Employer of the Year Award held in September. The Employers' Federation of Pakistan launched the award in recognition of the efforts of enterprises towards the creation of skilled workforce and the provision of a safe work environment.

Americas Region

The IMF's *World Economic Outlook* for 2013 points out how "the United States economy remains at the center of events," and reports "subdued" growth for Latin America. For its part, *Containerisation International*, citing MDS Transmodal's global trade data on maritime container volumes, estimates global container trade growth at 4.3 percent for the year ending September 2013 – and mentions how North America's "positive performance sits alongside expectations of global growth."

For ICTSI's operations in the Americas, volume growth for the year in review accelerated, posting a 9.5 percent increase over 2012 throughput.

In terms of actual volumes handled, 2013 results for the region was 1,725,324 TEUs handled versus 1,576,118 in 2012. Americas made the second largest contribution at 27 percent, next to Asia, representing a slight decrease from the region's 28 percent contribution in 2012. The increase in volume was mainly a result of new shipping lines and the recovery of banana production and exportation in Ecuador, the deployment of new companies in the State of Pernambuco, Brazil and the contribution of new terminals in Manzanillo, Mexico and Puerto Cortes, Honduras. Excluding the two new terminals in Mexico and Honduras, the segment's volume would have increased by five percent.

Worth noting is the Group's seven operations in the region: in Brazil, Ecuador, Colombia, Argentina, Mexico, US and Honduras. This is also where the Group has the most number of greenfield projects. It is a regional expansion that began in 1997 in Argentina, and continued as recently as 2013, when it won the international tender for the Specialized Container and General Cargo Terminal in Puerto Cortes, Honduras. Operations in Brazil and Ecuador are among the Group's top seven terminal operations worldwide that account for a substantial portion of consolidated group volumes.

Puerto Cortes: Leveraging in the Caribbean

In February, ICTSI acquired its seventh terminal in the Americas when it was awarded the 29-year concession for the development, management and operation of the Specialized Container and General Cargo Terminal in Puerto Cortés, Honduras. The Puerto Cortes terminal is ICTSI's first project in the Caribbean, a thriving island cluster market pumped by a booming tourism industry and inter-island trade.

In March, ICTSI and ICTSI Brazil Ltd. established Operadora Portuaria Centroamericana, S.A. de C.V. (OPC), formerly Operadora de Puerto Cortés, S.A. de C.V., to sign an agreement with the Honduran government, acting through the Commission for the Public-Private Alliance Promotion (COALIANZA).

Upon full development, the Puerto Cortes terminal will offer 1,100 meters of quay for containers and 400 meters for general cargo, and will be capable of handling an annual capacity of approximately 1.8 million TEUs.

The terminal is within the Puerto Cortes seaport located on the north Atlantic coast of Honduras. In terms of volume, it ranked 36th among all worldwide seaports that export containers bound for the United States. It was also the first seaport in Central America to join the U.S. Container Security Initiative.

By November, OPC signed the takeover deed with COALIANZA, the National Port Authority and Banco Financiera Comercial Hondureña, S.A., and began commercial operation of the terminal in December.

New partnership in Colombia

ICTSI's Aguadulce project was acquired in 2007. Back then, ICTSI bought controlling stakes in three companies and gained control of Sociedad Puerto Industrial Aguadulce S.A. (SPIA), to which the Colombian National Institute of Concessions awarded a 30+30 concession for a multi-user container terminal located in Aguadulce, Buenaventura, Valle del Cauca, Colombia.

In September of 2013, ICTSI and PSA International Pte. Ltd. (PSA) of Singapore, through their respective subsidiaries, signed an agreement enabling the two port operators to jointly develop, construct and operate the terminal.

The following month, PSA finalized and completed its investment in SPIA; and as a result, ICTSI and PSA now jointly own 91.28 percent of the issued and outstanding share capital of SPIA.

The future terminal is part of Colombia's largest and busiest seaport: Buenaventura. It is the only Colombian port in the Pacific littoral, and the first major port on the Pacific before and after the Panama Canal. Once fully operational, the terminal – a 120-hectare project – will handle containerized cargo, bulk liquids, bulk solids and petroleum products. It is envisioned to become a vital infrastructure that will help push Colombia's trade growth.

SCT-2 in Manzanillo launched

In August, Contecon Manzanillo, S.A. de C.V. (CMSA) serviced its first vessel, the 5,500-TEU *Maersk Kalamata* at the Specialized Container Terminal-2 (SCT-2) in the Port of Manzanillo, Colima, Mexico. The post-Panamax vessel commenced with its weekly calls at the terminal, marking the return of Maersk to Manzanillo. Earlier in the year, in February, SCT-2 received four super post-Panamax quay cranes: the fastest and largest cranes operating in the ICTSI Group.

In 2009, the Administracion Portuaria Integral de Manzanillo, S.A., de C.V. awarded the 34-year concession for the development and operation of SCT-2 to ICTSI. The following year, the concession was signed, with ICTSI establishing CMSA to operate SCT-2.

SCT-2 is designed to accommodate super post Panamax vessels. Based on the three-phase project plan, which covers about 77 hectares of land and 1,080 meters of berth, SCT 2 will have an annual capacity of 1,700,000 TEUs upon completion of all construction phases. The terminal is located in the north zone of the Port of Manzanillo, and is positioning itself to become the country's most dynamic and most modern container terminal.

Situated on the Pacific Coast of Mexico, the Port of Manzanillo is the country's busiest port, and the one nearest to the country's capital, Mexico City. The Port of Manzanillo is the gateway for Mexican trade between the US West Coast and the Asia-Pacific.

Technology in La Plata

In October, TecPlata S.A. (TecPlata) rolled out its Reefer Asset Management System to wirelessly automate refrigerated container monitoring and control at its La Plata Container Terminal in Buenos Aires, Argentina.

Designed to safeguard the condition of chilled and frozen container cargo transiting the terminal, the system allows for monitoring of refrigerated containers from a central location in the terminal. Argentina is the second largest exporter of perishable produce in South America's East Coast, and refrigerated container traffic is expected to make up a significant percentage of TecPlata's throughput. Deployment of this system constitutes a major step towards ensuring readiness for commercial operations by 2014.

TecPlata aims for a high degree of process automation technology to drive operational efficiency, reliability and safety in the terminal, which is designed to serve the new generation of large container vessels such as post Panamax ships calling at the River Plate.

EMEA Region

From the macro perspective, the IMF's *World Economic Outlook* sees some signs of recovery in Europe. The region's advanced economies have begun to stabilize, and among the emerging economies, there is a recovery from the recession as well as a "bounce-back" from adverse weather events.

In the Middle East-North Africa, several factors – among them the prolonged challenge of navigating post-Arab Spring transitions, along with their impact on oil production and trade – affected growth. Sub-Saharan Africa, meanwhile, posted "robust growth," according to the IMF report, with strong domestic demand throughout much of the region.

Within the ICTSI Group's container trade results for 2013, total volume output for the Europe-Middle East-Africa (EMEA) region posted 794,182 TEUs, dipping from the 823,471 TEUs handled in 2012. This translated into a 3.6 percent percentage decline for 2013, compared with the 16.6 percent growth over the 2012. Disaggregated volumes reflected the mixed trends: European operations that were already on track towards stabilization; operations in countries still in the process of post-Eurozone or, in some countries, post-crisis recovery, and, generally healthy growth in African operations.

Summarizing contributions by regional segment, EMEA contributed 13 percent to total Group volume for 2013, slightly lower than its 2012 contribution, which was 15 percent.

In terms of market potential in EMEA, ICTSI remains optimistic in Africa, particularly in the Sub-Saharan region. The business opportunity lies in the economic growth for many of the component nations, including both oil- and non-oil producing economies; increasing intra-regional trade; the call for ramped-up expenditures for critical, large-scale national and regional infrastructure projects including ports; and, in response to that call, the increasing willingness of governments to enter into public-private partnerships for such projects, along with the actual rise in opportunities for financing them.

AGCT opens Berth 2

In July, the Adriatic Gate Container Terminal (AGCT) in the Port of Rijeka officially launched its new 328-meter berth with *Maersk Kawasaki* as the first vessel to dock in the terminal's latest facility. AGCT's second berth has a 14-meter deep wharf equipped with two new post-Panamax quay cranes. It is backed up by a 21,893-square meter container yard deployed with new six rubber-tired gantries.

The new berth enabled the terminal to service two vessels at one time, boosting annual capacity to 450,000 TEUs. Plans are underway to connect the two berths with rails that will enable three cranes to work simultaneously on one vessel, boosting efficiency and vessel productivity. The intermodal yard upgrade will further increase capacity to 600,000 TEUs once the rails are completed in 2015.

AGCT's terminal expansion is a strategic move with the accession of Croatia to the European Union in July 2013, and the large-scale alliance of the world's three biggest container lines: Denmark's Maersk, France's CMA CGM and Switzerland's MSC. The three megaliners agreed in principle to establish a long-term operational alliance on EastWest trades, called the P3 Network. The alliance confirmed the Port of Rijeka as among the key ports included in the service by the second quarter of 2014.

In April, the terminal's border inspection point (BIP) station became operational, after undergoing inspection by Croatian and EU inspectors. AGCT's BIP station is the only certified and operational BIP as of date in the east Adriatic region. With Croatia's EU accession, the presence of the BIP in AGCT became vital, enabling Rijeka to be the first port of call in the northern Adriatic region. This is because cargo imported into EU member-countries will be inspected within their ports.

With its multi-stage development covered by a 30-year strategic partnership between ICTSI and Luka Rijeka d.d., Croatia's largest port operator and marine services and logistics provider, AGCT is a crucial infrastructure in the larger vision for the Port of Rijeka. As Croatia's largest seaport, Rijeka's container facilities must be capable of handling the expected post-EU accession trade growth.

Aside from serving Croatia, AGCT is being primed to become the international trading gateway for central and southeastern Europe serving Hungary, Czech Republic, Slovakia, southern Poland, Serbia and Bosnia and Herzegovina, all of which are natural hinterlands of Rijeka.

BCT at 10: priming for 1.2 million TEUs capacity

In May 2013, the Group marked another milestone as the Baltic Container Terminal (BCT) in the Port of Gdynia celebrated its 10th year as a privatized terminal – a first in the country – under the management and operation of ICTSI. The most modern and leading trading gateway in Poland, BCT is currently the fourth largest container terminal in the Baltic region.

Through investments in the last 10 years, ICTSI has increased BCT's annual capacity from 400,000 TEUs in 2005 to the current 700,000 TEUs. Infra and superstructure upgrades will continue to eventually raise terminal capacity to 1.2 million TEUs annually. BCT now accounts for 58 percent of the market share in Gdynia and 29 percent market share in the whole of Poland.

BCT is among the pioneering ICTSI terminals in the area of innovation and technology. Its originally designed and fabricated cross-beam innovation used for loading and unloading heavy and large loose cargo into containers won the Gold Innovation Award from the Centre for Analyses of Transport and Infrastructure Foundation and the Polish Foundation for Management Promotion during the Transport Innovations Forum.

On the other hand, BCT's TOPIK system, a new module for planning and management of operations in the terminal, won the Bronze Innovation Award. Plans are underway to rollout TOPIK in select ICTSI terminals worldwide.

Doubling capacity in Toamasina

In 2013, development continued in ICTSI's first operation in Africa, the Madagascar International Container Terminal, in the Port of Toamasina, Madagascar's largest and leading gateway port.

The terminal's container yard was expanded from 12 hectares to 19 hectares. Additional two rubber tired gantries (RTG) were deployed to its existing fleet of four RTGs. At the berths, mobile harbor cranes (MHC) were increased from four MHCs to five MHCs. The Navis SPARCS terminal operating system was also rolled out.

The above terminal improvements aim to double the annual capacity from 220,000 TEUs to 400,000 TEUs. Since ICTSI took over the Madagascar terminal in 2005, volumes increased two-fold volume and reduced vessel-waiting time to zero. The terminal now holds 95 percent market share for the whole Madagascar.

Expanding in Africa: DR Congo

In January 2014, ICTSI entered into a joint venture with La Societe De Gestion Immobiliere Lengo (SIMOBILE) to develop a river port in Mbengu, Matadi, Democratic Republic of the Congo. The joint venture, ICTSI D.R. Congo S.A. (IDRCSA), will develop, manage and operate a new port on the Congo River in the Port of Matadi. ICTSI owns 60 percent of IDRCSA, while the remaining is owned by SIMOBILE.

The Matadi terminal is envisioned to become a modern and state-of-the-art port that will support and facilitate the country's economic growth through international trade. Soft launching of the terminal will be in late 2015, while full swing operation is scheduled in mid 2016.

The 9.5-hectare future terminal will be capable of handling containerized and non-containerized cargo at annual capacities of 120,000 TEUs and 350,000 metric tons, respectively. The two-berth terminal will have a 350-meter long wharf at a controlling depth of 12 meters. It will be initially equipped with two mobile harbor cranes (MHC). The berths will be designed to accommodate up to three MHCs.

The container yard, on the other hand, will have an area of 5.5 hectares. A minimum of seven and a maximum of 10 reach stackers will be deployed to operate in the yard. Key areas of the terminal will be automated including the roll out of IT systems, hardware and software.

Matadi is the most important port on the Congo River. Approximately 150 kilometers upstream from the Atlantic, Matadi is a major import and export point for the whole of D.R. Congo.

New partner in Lekki

In January 2014, ICTSI partnered with French liner CMA CGM in the development of the Lekki International Container Terminal (LICT) in Nigeria when ICTSI sold 25 percent of its stake in the Nigerian joint venture Lekki International Container Terminal Services LFTZ Enterprise to CMA CGM subsidiary CMA Terminals. LICT is a joint venture of ICTSI and Singapore-based Tolaram Group.

The future Lekki terminal is seen to ease the current cargo congestion in the local market. Aside from serving Nigeria's trade, LICT is envisioned to become a regional transshipment hub in West Africa, serving countries connected with the hub.

LICT, which is 60 kilometers east of metropolitan Lagos, will have a quay line of 1,200 meters, a yard area of 66 hectares, and state-of-the-art facilities, including 14 post-Panamax quay cranes.

Expected to open in 2017, LICT will have an annual capacity of 2.5 million TEUs. The capacity will serve the Nigerian market over the long term and will relieve capacity pressure. The terminal is designed to further grow capacity exceeding the initial 2.5 million TEUs.

ICTSI Foundation, Inc.

The ICTSI Group has sought ways to help communities where ICTSI terminals operate. These corporate social responsibility (CSR) initiatives were institutionalized and expanded when the ICTSI Foundation opened in 2010.

In 2013, the Foundation sustained its support for ongoing programs while jumpstarting new efforts in ICTSI's host communities in Manila, Luzon and Mindanao, under its three development pillars: education, community welfare and sports.

The Foundation kicked off 2013 with the holding of the Third Annual Forum with Partners in January. The forum provided a venue for the Foundation and its project partners in Manila, together with public schools, government agencies and non-government organizations, to discuss the accomplishments of the previous year and its 2014 lineup of projects.

Education

The Foundation's education initiatives address a wide range of concerns: from institutional capability building, through materials and equipment support, and curriculum enhancements, to upgrading teaching competencies such as training sponsorships, to scholarships and support for literacy and alternative learning programs.

Scholarship program – In partnership with Philippine Business for Social Progress (PBSP) and six public high schools under the Philippine Department of Education, the Foundation continued its scholarship program for 95 high school students. In 2013, the program expanded to include college students. Five college freshmen students enrolled in Manila universities were the Foundation's pilot college scholars.

Technology and livelihood education assistance – Under this program, the Foundation provides equipment and course-specific tools needed to strengthen the curriculum of public schools. In 2013, three schools in Manila, Batangas and Davao benefitted from this project.

Support for alternative learning systems (ALS) – Apart from supporting formal schooling through scholarship grants, the Foundation has been championing alternative learning. In 2013, 580 learners were provided a better learning environment through the Foundation's renovation of an ALS facility in Davao and the provision of multi-media equipment. Training was also provided to ALS instructors.

Reading Nook – Through its My Reading Nook Project, and in partnership with children's book publisher Adarna House, the Foundation provided seven elementary schools in Olongapo, General Santos City and Misamis Oriental with children's books, bookshelves and other teaching aids. The literacy project also trained 46 teachers in Olongapo on storytelling.

Support to day care centers – PBSP, as an implementing partner of the Foundation, facilitated the donation of Lego Duplo and Blocks to 10 Parola day care centers. The Foundation assisted in the training on the use of the teaching materials.

The Foundation also supported the Parola day care centers' conduct of a Family Day. Aiming to help strengthen families as a cohesive unit of society, the project involved around 1,000 children and parents who were treated to a fun-filled day of activities. Close to 2,000 pupils from 12 day care centers were also treated to a party during the Christmas holiday.

Parola, an informal settlement within the Port of Manila, is the immediate community of ICTSI's flagship MICT.

Donation of photocopying machine – The Foundation donated a risograph machine and paper supplies to the Department of Education in General Santos City. The equipment and supplies are for the reproduction of teaching and reference materials for 94 public schools in the area.

Project TEACH (Teacher Empowerment and Capacity Honing) – Under this program, 191 public high school teachers from 11 schools in Batangas, General Santos, Davao and Misamis Oriental were provided training on the integration of information and communication technology in their teaching modes. The training aims to equip the teachers in creating lesson plans that will be more current, interesting and effective.

Other educational assistance – The Foundation supported Pater Benedictus Movement, a non-government organization, in their staging of a Christmas program along with the distribution of Christmas packs for 123 primary school students in a primary school in Cavite province.

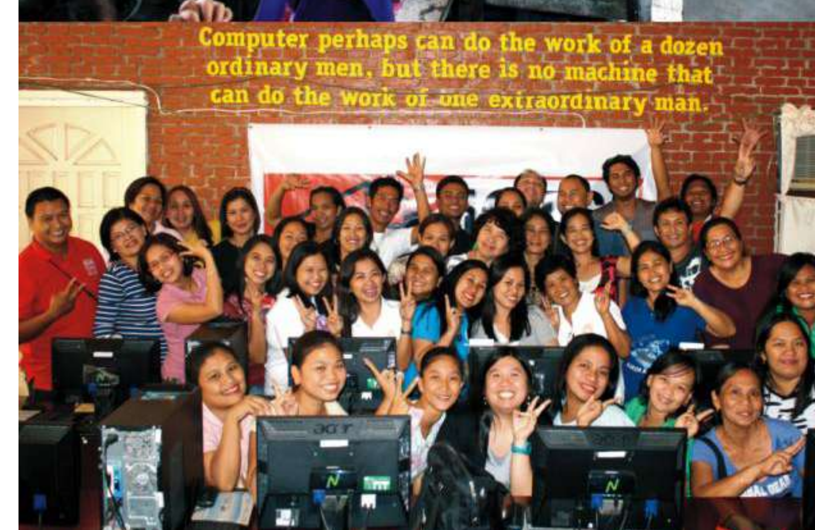
Community Welfare

Directly addressing various aspects of community life, the Foundation's community welfare advocacy includes both short- and long-term projects to promote livelihood / sustainable income generation, health, sanitation and the environment. Under this advocacy, the









Foundation partners actively with social welfare organizations and institutions such as government agencies, non-government organizations (NGO), people's organizations, and other private sector CSR groups.

Parola Solid Waste Management Project – In April 2013, the Foundation embarked on a major undertaking right in the host community of the Group's flagship operation: the Parola informal community in Manila.

The project in two boroughs of Parola initially aims to address indiscriminate garbage dumping and littering in these areas. The long-term view, however, is to actively push for stronger consciousness towards proper solid waste management in other priority areas of the Foundation, both in the communities and schools.

The project is in partnership with the Department of Environment and Natural Resources, Department of Social Welfare and Development, PBSP and the City of Manila including the local government councils of Parola.

The program covers the organization, training and deployment of 62 community-based Eco-Patrols, solid waste management champions, in the 30 Parola community gates. This Eco-Patrols were deployed in August 2013. Along with the project's information, education and communication phase, 32 solid waste management seminars were conducted which benefitted 2,822 residents.

Research done to assess initial project impact showed improved efficiency in garbage collection and, among residents, higher compliance with collection schedules as well as increased initiative to assist the Eco-Patrols in clearing activities.

With the project envisioned to eventually gain buy-in among and benefit the estimated 30,000 residents, continued implementation is set for 2014. This would include information, education and communication activities along with effective at-source waste segregation campaigns.

Mobile free clinics – Two medical-dental mobile clinics were conducted in 2013 in Olongapo and Davao City benefitting some 2,500 residents. In Manila, in partnership with Quota International, an NGO serving the hearing-impaired youth and disadvantaged women and children, some 600 beneficiaries availed of the free medical and dental consultations and medicines.

Microscope donation – A rural health laboratory in the coastal town of Bauan, Batangas, where ICTSI's car carrier terminal operates, was in need of an LED light microscope to be used for the accurate readings of tuberculosis-afflicted residents in the community. The Foundation provided the microscope, which was key in the control and total eradication of tuberculosis in the area by 2015. The public laboratory covers 24 boroughs with a total population of 50,275.

Kalipay Negrense Foundation – In 2013, the Foundation turned over cash donations that were raised during a fundraising campaign in December 2012 to the Kalipay Negrense Foundation, a Bacolod City-based NGO that espouses the protection of disadvantaged children, including the homeless, the physically and sexually abused and the malnourished. To raise the funds, a number of ICTSI officers did away with corporate gifts to clients and partners, opting instead to give donations under the names of the recipients. ICTSI management also gave a cash donation. The Foundation, along with concerned ICTSI employees, also donated by way of cash, gift checks and clothes.

2013 Christmas outreach program – Four social welfare institutions of the government, namely *Nayon ng Kabataan*, Elsie Gaches Village, Manila Boys Town and Graces, along with one private religious institution, the Sisters of Charity, were given packed meals and assorted items. The outreach benefited some 1,686 differently-abled children, abandoned children, mentally challenged and elderly persons under said institutions' care.

Sports

In its sports advocacy, the Foundation served two segments of the athletic youth: young athletes from the marginalized sector, and local or regional sports champions who represented the Philippines in international competitions.

Sponsorship of the Tuloy Foundation football team – Tuloy Foundation is an NGO for boys and girls in distress, particularly poor, abandoned and orphaned street children. The organization's 54-member football team received assistance from the ICTSI Foundation in the form of sponsorship of uniforms, training and participation in local and international competitions.

Taekwondo room renovation – The Foundation supported the taekwondo team of Tagoloan National High School in Misamis Oriental through the renovation of their training room and provision of uniforms and equipment. This benefitted some 240 students, 40 of whom won silver and gold medals in two local and national championships.

Team Manila – Little League Philippines – The Foundation sponsored the participation of Little League Philippines' Team Manila, 15 lady softball athletes representing the Philippines, in their campaign to defend their 2012 Big League World Series championship. The team won the 2013 regional games, the Asia-Pacific Regional Softball Competition in Clark Field, Pampanga in July, which earned them the berth to represent Asia-Pacific in the 2013 Big League Softball World Series in Delaware, USA in August. Team Manila gave their best shot in defending their crown.

Project Lipad – Manila Jeepney Football Club – The Foundation supported Project Lipad of the Manila Jeepney Football Club, the official soccer team of the City of Manila in the United Football League. Through the project, Manila Jeepney FC aims to train local talent from a pool of some 500 street kids in Manila.

Philippine Specials – Henry Moran Foundation – The Foundation sponsored the Philippines' 15 mentally challenged athlete representatives to the 2013 Special Olympics Asia-Pacific Games in Newcastle, Australia in December. The sponsorship was done in partnership with the Henry Moran Foundation, which organized the participation of the Philippine Specials Football Team to the international event. The team eventually won second place, and qualified to participate in the 2015 Los Angeles Special Olympics.

2013 ASEAN Schools Games Golf Tournament – The Philippine Department of Education tapped the Foundation to sponsor and co-manage the staging of the 2013 ASEAN Schools Games Golf Tournament in Batangas in November. Junior golfers from ASEAN member nations Indonesia, Brunei, Malaysia, Singapore, Thailand, and the Philippines participated in the tournament, which, for 2013, was dedicated to those affected by the Bohol earthquake and Typhoon Haiyan.

ICTSI Group

Mirroring ICTSI's corporate citizenship advocacies in the ICTSI Foundation, the ICTSI Group, outside of the Foundation, supported programs still related to education, social services and sports. ICTSI further extended its scope by supporting programs that enhanced cultural and trade relations between the Philippines and countries where ICTSI operates, and partnerships between ICTSI and Port of Manila stakeholders.

ICTSI Philippine Kiteboarding Tour (PKT) – To promote interest in the new sport of kiteboarding in the Philippines, the Philippine Kiteboarding Association (PKA) tapped ICTSI to support the inaugural season of the 2013-2014 PKT. The five-stop PKA tour lured over 200 local and foreign kiteboarders. Regional league Kiteboard Tour Asia recognizes the PKT as a national tour.

De La Salle University (DLSU) Green Archers basketball team – ICTSI continued its support to DLSU's sports program through the university's men basketball team, the Green Archers. The team won the 2013 championship of the University Athletic Association of the Philippines' basketball games.

Philippine Equestrian Team – ICTSI supported the Philippine Equestrian Team in the team's campaign for gold in the 2014 Asian Games in Incheon, South Korea in September. In the 2002 Asiad in Busan, also in South Korea, the Philippines won gold and silver medals in the individual and team jumping events, respectively.

Support for cultural and international trade programs – To help enhance cultural and trade ties among countries belonging to ICTSI's network of ports and terminals, ICTSI supported the Philippine Independence Day celebration of the Philippine Embassy in Washington D.C. in June, the Kadayawan Festival in Davao City in August through its Davao subsidiary, and the Mexican Independence Day celebration in Manila in September. ICTSI also sponsored the 2013 International Bazaar at the Philippine International Convention Center in November. The bazaar is an annual trading event participated by the diplomatic and consular corps in the Philippines, and local concessionaires.

Support for port stakeholders – Trade organizations with stakes and activities at the Port of Manila sought ICTSI's support in their various CSR programs and projects. These were

the Port Users Confederation, Philippine Interisland Shipping Association, Federation of Philippine Industries, Philippine International Sea Freight Forwarders Association, Association of International Shipping Lines, United Port Users Confederation, Foreign Buyers Association of the Philippines, Filipino Ship Owners Association, Foundation of the Society of Fellows in Supply Management, European Chamber of Commerce in the Philippines, Philippine Chamber of Commerce and Industry, Financial Executives Institute of the Philippines, and the Confederation of Truckers Association of the Philippines

The Group also supported the Ronald McDonald House of Charities, the restoration project of Our Lady of Remedies Church in Malate, Manila, the breast cancer awareness program of the I Can Serve Foundation, and the various programs of the Rayomar Outreach Foundation.

Super Typhoon Haiyan Assistance

The aftermath of Super Typhoon Haiyan: an unprecedented catastrophe that called for unprecedented response. An extreme weather event that hit central and eastern Philippines in November 2013, Haiyan's combination of strong winds and a storm surge left several thousand dead, and almost two thousand more missing. An estimated 14 million people were affected, in some of the poorest communities of the region.

In the wake of the large-scale calamity, a multi-sectoral and multinational rescue, relief and recovery effort was mounted. However, given the magnitude of the aid pouring in, along with the large numbers of personnel involved, from the military and national government agencies, from non-government organizations, and from the international community, a key concern arose: how to ensure the most efficient mobilization and deployment of personnel, as well as the most efficient means of receiving, processing and delivering critical relief goods and equipment.

ICTSI's response helped address that concern.

MICT Relief Center – In Manila, the ICTSI Foundation closely coordinated with the Department of Social Welfare and Development (DSWD), the Philippine government's lead agency for the relief campaign, in offering the MICT to become the hub for the relief efforts of the Philippine government. Thus, the DSWD Relief Operations Center was quickly set up at MICT.

ICTSI converted one of its container freight stations (CFS) into the staging area of the massive relief operations. Volunteer ICTSI employees and equipment worked round-the-clock handling the unloading of deliveries, and loading of repacked goods to containers and trucks, and to ships bound for Tacloban.

The MICT Relief Center also served as the command center of a multi-partite group planning for the dispatch of relief goods to Tacloban. Representatives from various government agencies, shipping lines, truckers, barge operators and port operators pitched in resources and manpower for this task. About 150 soldiers, backed up by volunteers from member organizations and companies of the multi-partite group, were deployed for the operations of the relief center.

Repair and Operation of the Port of Tacloban – On ground zero – Tacloban City, the hardest hit as it bore brunt of the storm surge – ICTSI volunteered to repair and operate the Tacloban port for free until the situation normalizes. This would ensure that incoming aid would be offloaded or processed quickly enough in a working port. For this purpose, ICTSI coordinated with the Department of Transportation and Communication and the Philippine Ports Authority.

A 25-personnel team from ICTSI was deployed to work in the docks. ICTSI also lent port equipment such as forklifts, chassis and tractors from the MICT, and a brand new mobile harbour crane (MHC) from its Mindanao operations. ICTSI tapped stakeholders in its value chain such as barge operators, construction companies, and local shipping lines in helping transport the equipment, fuel and other logistical services necessary to operate the Port of Tacloban.

Christmas Party for the immediate community of the Port of Tacloban – ICTSI was one of the many companies that cancelled the traditional holiday festivities in solidarity with the survivors of Haiyan. Instead of holding the annual company Christmas party, ICTSI, through the Foundation, co-organized together with DSWD a Christmas celebration for Haiyan survivors in Tacloban. The party theme adopted was "*Pasko na Tacloban, Magrisyo Kita!*" (Tacloban, It's Christmas, Let us Celebrate!).

Over 3,500 residents from communities around the Port of Tacloban were gathered at the Tacloban Convention Center last 20 December 2013. Aside from the games and entertainment, the Foundation distributed 3,500 lunch packs, 3,050 teddy bears and 1,550 *noche buena* (Christmas dinner) packs. An additional 1,800 lunch packs were also distributed to other evacuation centers.

Assistance to families of ICTSI employees affected by Haiyan – Back in the Group's Manila headquarters, several efforts were undertaken to directly reach out to those affected. For ICTSI employees affected by Haiyan, the Foundation facilitated assistance to employees by releasing cash assistance to 72 employees. This represented support for their immediate families, and aid for their repair efforts.

Assistance to long-term rehabilitation – As efforts shifted to long-term recovery, ICTSI was among the first corporate citizens to respond to the private sector call of the Philippine Government to rebuild the devastated areas. The Group, together with Bloomberry Resorts Corporation, adopted areas in the northern portion of Tacloban City. The Foundation, on the other hand, will construct day care centers in the historic coastal town of Balangiga in Eastern Samar.

Other calamity-related assistance – In September, the Foundation conducted relief operations for Typhoon Usagi survivors in Olongapo, Zambales. The assistance benefited 1,035 families, 55 of which are employees of ICTSI's Subic subsidiary. Earlier in the year, the Foundation also assisted DSWD in relief efforts after the heavy downpour and floods caused by Tropical Storm Trami and the southwest monsoon rains.

ICTSI Golf Program

ICTSI remains the leading corporate benefactor of the sports of golf in the Philippines. The ICTSI Golf Program, which was launched in 2005 when the Philippine government tapped ICTSI as its private sector partner in the golf event of the 23rd Philippine Southeast Asian Games, continued with its three-pronged approach in helping Philippine golf thrive locally and globally.

Professional program – In 2013, ICTSI continued supporting the Philippine Golf Tour (PGT), Southeast Asia's largest national tour. Now on its fourth year, the PGT held 17 tournaments highlighting golf tourism as the events were spread over the country's beautiful golf courses. On a global scale, one tournament was part of the regional Asian Tour, while the Asian Development Tour sanctioned two tournaments.

The PGT also marked another first in Philippine golf with the launching of the Ladies PGT. On its inaugural 2013 staging, the LPGT kicked off with a five-leg circuit.

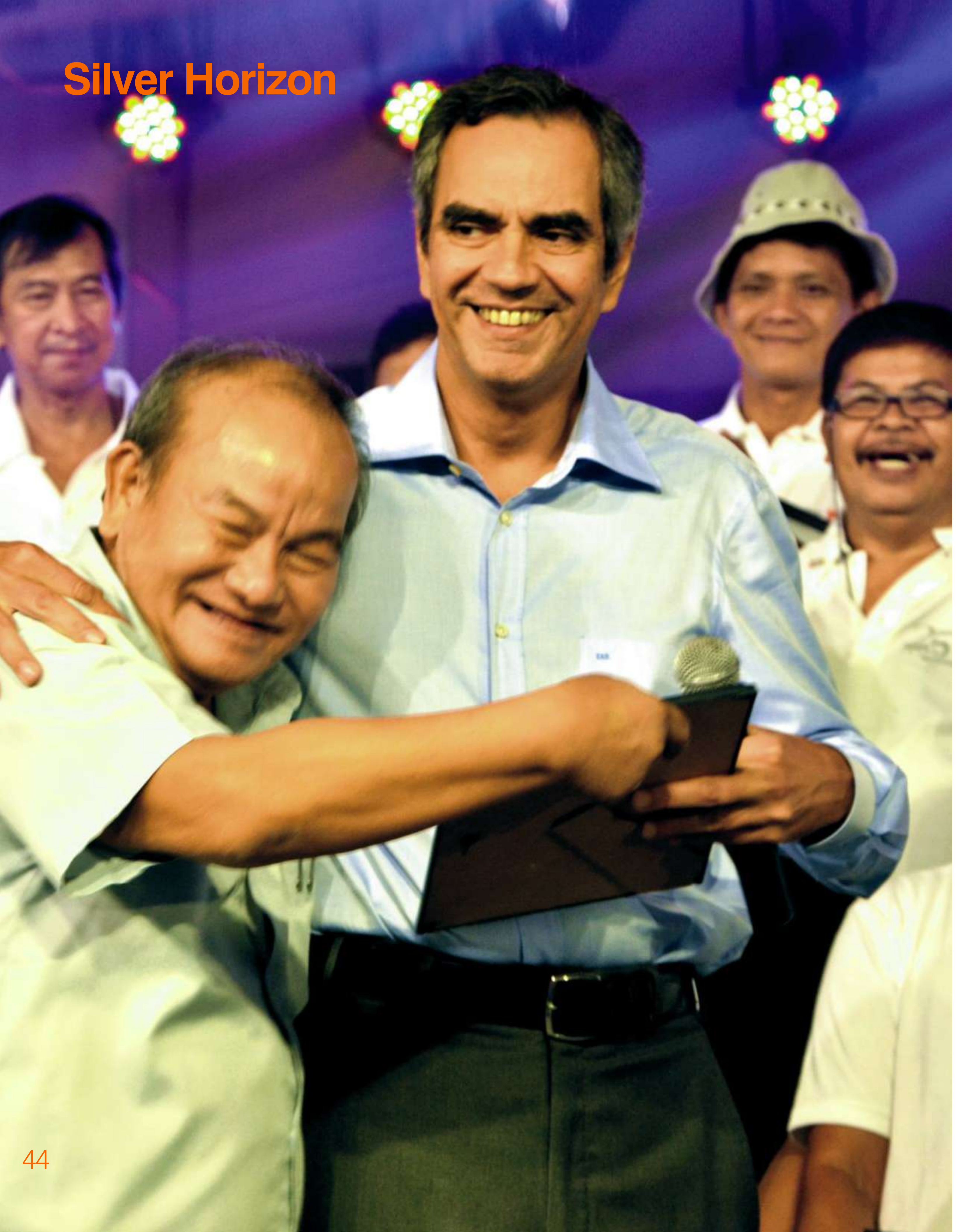
Through a golfer management program, ICTSI assisted select and leading professional golfers in their local and international campaigns. With the LPGT, the golfer management program was expanded to include Filipina golfers.

Amateur program – The year was highlighted with Princess Superal, a stalwart of the ICTSI Amateur Golf Program, winning two gold medals for the Philippines – individual and team – in the 2013 Myanmar South East Asian Games. Another member of the program, Pauline del Rosario, won the championship in the Callaway Junior World Championships.

Currently, eight young lady amateur golfers are part of the program. The ICTSI-sponsored amateur golfers played in 23 international tournaments, five of which are championship wins, and 17 local tournaments with five wins. All the players were division winners in their respective age brackets.

Junior program – ICTSI, together with the Junior Golf Foundation of the Philippines (JGFP), revitalized the country's junior scene. In 2013, JGFP organized 87 junior golf tournaments pitting a total of 419 young talents from participating schools and golf clubs nationwide.

JGFP continues to send the country's top jungolf players to international circuits and tournaments such as the Faldo Series Asia, Asia-Pacific Juniors, San Diego Junior Masters, Callaway Junior World Championships, Veritas Junior World in Las Vegas, US Kids in North Carolina and Optimist International in Florida.



Even as ICTSI marked a milestone at its first and flagship operation – with the MICT handling its 25th million TEU in June 2013 – the entire Group came together to celebrate the first quarter century of success as port developer, manager and operator.

It was a timely occasion for both retrospective and prospective: from a one-project, one-country focus in 1988, to a full-fledged Group with 28 ports in 20 countries. The quality, breadth and depth of commitment ICTSI brought to the MICT is the very same pioneering spirit that the Company brings to each port project.

A series of events culminating to a gala night celebration in June was organized for ICTSI's silver anniversary:

Silver Run / 2 June – a marathon / fun run for ICTSI employees and MICT stakeholders such as shipping line clients, consignees, exporters, importers, freight forwarders, customs brokers, suppliers, truckers and government employees held at the Bonifacio Global City. ICTSI's first fun run lured over 800 runners and just as many cheerers.

Operations Smile / 6-9 June – the ICTSI Foundation partnered with Operation Smile for the free surgery of indigent children with cleft lip, cleft palate and other facial deformities at the Santa Ana Hospital in Manila. Some 50 children now have prettier smiles.

Silver Golf Tournament / 10 June – a golf tournament for ICTSI clients and business partners held at the Santa Elena Golf Club in Laguna.

Calibre Beinte Cinco / 11 June – an anniversary celebration for ICTSI management and staff held at the MICT. Over 1,300 officers and staff, an unprecedented gathering in the Group, attended the event. A highlight of the program was the recognition of 205 employees who worked for ICTSI since 1988.

25 Years: Riding from Crest to Crest Gala Night / 14 June – an unforgettable evening of world-class entertainment held at the grand ballroom of the Solaire Resorts and Casino. Invited were the 25-year ICTSI service awardees, ICTSI management and terminal / subsidiary heads, clients, partners, government officials and the diplomatic corps.

Silver Collaterals – To commemorate the once-in-a-lifetime event, three five-minute videos were launched: *ICTSI Excellence* video, a story on ICTSI's capability and growth into a world-class port management company; *Heroes*, a video honoring the men and women of ICTSI; and the *ICTSI Foundation* video, which highlights the advocacies, projects and accomplishments of the Foundation since 2009.

The ICTSI Silver Brochure Series was also released in time for the two-week anniversary celebrations: the *ICTSI Profile*, which provides the Company's capability statement and institutional overview; *ICTSI Silver Horizon*, a commemorative brochure chronicling ICTSI's 25-year history; and the *ICTSI Factbook*, which details the Group's terminal portfolio worldwide.

The brochure series would eventually garner two major professional public relations awards: the 2013 Philippine Quill Award of Excellence given by the country chapter of the San Francisco-based International Association of Business Communicators; and the 2014 Anvil Award of Merit conferred by the Public Relations Society of the Philippines.







Corporate Governance

Our Vision, Mission and Corporate Objectives

ICTSI intends to be a leading global port management company with the end view of building long-term shareholder value. The company aims to accomplish this by presenting an efficient and integrated system of transport and distribution to give its clients a competitive advantage in the world of commerce. ICTSI will accomplish this by maintaining its reputation for efficiency, reliability, professionalism and profitability. ICTSI believes that if it focuses on its goals and lives up to its commitments, profitability will follow.

The Company's corporate objectives are to provide superior services, deliver equitable shareholder returns, provide excellent growth opportunities for our employees and build successful, mutually rewarding businesses with our corporate partners.

Board of Directors

ICTSI's Board of Directors ("Board") is responsible for good governance and ensures accountability, fairness, and transparency in ICTSI's relationship with all stakeholders. The company, through its Board, has fully complied with its Revised Manual on Corporate Governance ("CG Manual").

The Board likewise formulates the Company's vision, mission, strategic objectives, policies and procedures that guide its activities, including the means to effectively monitor management's performance. The Board reviews ICTSI's mission and vision at least every five (5) years.

The Board is composed of seven (7) directors elected by the stockholders in accordance with the law and the Company's Articles of Incorporation and By-laws. Two (2) of directors are independent directors (Octavio Victor R. Espiritu and Joseph R. Higdon) and only one (1) is an executive director (Enrique K. Razon, Jr.). As defined in ICTSI's CG Manual, an independent director is a person who is independent of management and free from any business or other relationship which could reasonably be perceived to materially interfere with his exercise of independent judgment in carrying out his responsibilities as a director. The Board may require the presence of at least one (1) independent director in all its meetings.

Directors' Profile

In 2013, the members of ICTSI's Board of Directors are:

Enrique K. Razon, Jr., age 54, Filipino

Mr. Razon is the Chairman and President of International Container Terminal Services, Inc., ICTSI Ltd., International Container Terminal Holdings, Inc., Razon Industries, Inc. and Sureste Realty Corp. He chairs ICTSI Warehousing, Inc., and Sureste Properties, Inc. He is the Chairman and President of Provident Management Group, Inc. Mr. Razon is Chairman of Monte Oro Resources and Energy, Inc. and Australian International Container Terminal Ltd. Moreover, Mr. Razon is President of Tecon Suape, S.A. and Tecplata S.A.

He is a director of Madagascar International Container Terminal Services Ltd.; ICTSI Hongkong Ltd.; Yantai Rising Dragon International Container Terminal Ltd.; ICTSI Capital B.V., ICTSI Georgia Corp.; ICTSI Brazil Limited; Global Procurement Ltd.; Pentland International Holdings Ltd.; CLSA Exchange Capital; and Xcell Property Ventures, Inc.; Pakistan International Container Limited; and a Director A of Contecon Guayaquil SA. Mr. Razon is the President of the Board of Directors of Contecon Manzanillo SA. He is also the Director and Chairman of Bloomberry Resorts and Hotels, Inc.

In 2009, Mr. Razon was named Chairman and President of ICTSI Foundation, Inc. Mr. Razon is a Member of American Management Association, the Management Association of the Philippines, the World Economic Forum, and the US Philippines Society.

Mr. Razon has been a Director of ICTSI from 1987 to the present, and has been the Chairman from 1995 to the present.

Jon Ramon Aboitiz, age 65, Filipino

Mr. Aboitiz has been a Director of ICTSI from 2008 up to the present. He was appointed as a Member of the ICTSI Audit Committee in April 2010.

Mr. Aboitiz is the Chairman of Aboitiz & Co., Inc. and Aboitiz Equity Ventures, Inc., and Vice Chairman of Aboitiz Power, an investment and management conglomerate, engaged in numerous and diverse business concerns ranging from power generation and distribution, banking and financial services, real estate development, construction, marketing, food and ship building. He started his career with the Aboitiz Group in 1970, right after graduation from the Sta. Clara University, California with a degree of B.S. Commerce major in Management.

In 1991, he became President and CEO of the Aboitiz Group until 2008. Presently, he holds various positions in the Aboitiz Group including Vice Chairman of Aboitiz Power, Vice Chairman of Unionbank of the Philippines and Chairman of the said bank's Board Committees namely: Executive Committee, Risk Management Committee and Compensation & Remuneration Committee. He is also a Director of Bloomberry Resorts Corporation and is the Chairman of its Audit Committee. He is the Vice President and Trustee for the Ramon Aboitiz Foundation, a Trustee and a Member of the Executive Committee of The Philippine Business for Social Progress. He is a Trustee of The Santa Clara University - California, U.S.A. and a member of the Board of Advisors of the Coca-Cola Export Corporation (Philippines).

Mr. Aboitiz attended trainings on Economic Briefing by Leif Eskesen and Trinh Nguyen of HSBC, Board Retreat, Boardbooks User Training, Ancillary Service Briefing and (AON) Directors & Officers Liability Insurance. He is likewise currently undergoing a year - long Leadership Circle Executive Development Program, which started in April 2013.

Octavio Victor R. Espiritu, age 70, Filipino

Mr. Espiritu has been an independent Director of ICTSI since 2002. A three-term former President of the Bankers Association of the Philippines (BAP) and former President and Chief Executive Officer of Far East Bank and Trust Company, and Chairman of the Board of Trustees of the Ateneo de Manila University for 14 years.

He is currently Chairman of GANESP Ventures, Inc., and a member of the Board of Directors of Bank of the Philippine Islands, SM Development Corporation, Philippine Dealing System Holdings Corp. and Subsidiaries, Phil Stratbase Consultancy Inc. and Netvoice, Inc.

Mr. Espiritu is the Chairman of the Audit Committee and a member of the Nomination Committee of ICTSI effective February 2011.

Joseph R. Higdon, age 72, American

Mr. Higdon has been an independent Director of ICTSI from January 2007 to present. He is also an Independent Director of SM Investments Corporation, Security Bank Corporation and two (2) non-profit organizations in Maine (The Island Institute, a non-profit organization seeking to preserve island communities along the coast of Maine and Trekkers, a community based mentoring organization).

Mr. Higdon was Senior Vice President of Capital Research and Management, a Los Angeles (USA)-based international investment management firm, until June 2006. He joined Capital Research and Management in 1974, and has covered Philippine stocks from 1989 to 2006. He was Vice President of the New World Fund, which focused on companies doing business in emerging countries, and was a Director of Capital Strategy Research. Mr. Higdon has a BS degree from University of Tennessee, and was a U.S. Peace Corps Volunteer in the Philippines from 1962-1964.

Jose C. Ibazeta, age 71, Filipino

Mr. Ibazeta is a Director of ICTSI since 1987. In 2009, he was named Trustee and Vice-President of ICTSI Foundation, Inc He was a member of the Audit Committee until April 2010 and a member of the Nomination Committee of ICTSI effective February 2011. He served as ICTSI's Treasurer until February 2007, when he was appointed President of the Power Sector Assets and Liabilities Management Corp. (PSALM) by the President of the Republic of the Philippines. He served as PSALM President and CEO from March 1, 2007 to March 30, 2010. In April 2010, he declined his nomination to be a Director of ICTSI by reason of his appointment as Acting Secretary of the Department of Energy, a position he held from April 1, 2010 until June 30, 2010. He was reinstated as a Director of ICTSI in August 2010.

Mr. Ibazeta is a Consultant to the Chairman and a Director of A. Soriano Corp. He is a Director of the following: ICTSI Ltd., ICTHI, A. Soriano Corp., Anscor Consolidated Corp., Anscor Property Holdings, Inc., Island Aviation, Inc., Minuet Realty Corp., Anscor Land, Inc., Phelps Dodge Philippine Energy Products Corp., Newco, Inc., Seven Seas Resorts and Leisure, Inc., A. Soriano Air Corp., Vicinetum Holdings, Inc., Vesper Industrial and Development Corp., Toledo Mining and Industrial Corp., Columbus Technologies, Inc., ASC Mining and Industrial Corp. He is a member of the Finance Committee of the Ateneo de Manila University, and the Board of Trustees of Radio Veritas.

Stephen A. Paradies, age 60, Filipino

Mr. Paradies has been a Director of ICTSI from 1987 to the present. He is also a Director of ICTSI Ltd. and ICTHI. He is the Chairman of the Nomination Committee of ICTSI effective February 2011, and is currently a member of the Audit Committee and the Stock Incentive Committee of ICTSI. He is also Senior Vice President / Chief Finance Officer of Aboitiz Equity Ventures. He sits on the Boards of Union Bank of the Philippines, Pilmico Animal Nutrition Corp., City Savings Bank, Aboitiz Construction Group, Inc. and Pilmico Foods Corporation. He serves as a Trustee of the Aboitiz Foundation, Inc.

To enhance his corporate governance awareness, Mr. Paradies attended the 2012 Enterprise Risk Management Forum. He is also currently undergoing a year - long Leadership Circle Executive Development Program, which started in April 2013.

Andres Soriano III, age 62, American

Mr. Soriano has been a Director of ICTSI from July 1992 to present. He is the Chairman and Chief Executive Officer of A. Soriano Corp., Chairman and President of Anscor Consolidated Corp. Mr. Soriano is also the Chairman of the Andres Soriano Foundation, Inc., Phelps Dodge International Philippines, Inc., Phelps Dodge Philippines Energy Products Corp., Seven Seas Resorts and Leisure, Inc. He is a Director of ICTSI Ltd. and ICTHI, and Cirrus Medical Staffing, Inc. He sits on the Boards of Anscor Property Holdings, Inc., A Soriano Air Corporation, Anscor Casto Travel Corp., and The Manila Peninsula Hotel, Inc. Mr. Soriano is also the Chairman of ICTSI's Compensation Committee.

Mr. Soriano was formerly President and Chief Operating Officer of San Miguel Corp., and was subsequently Chairman and Chief Executive Officer of San Miguel Corp. He was the Chairman of Coca Cola (Philippines), Coca Cola Amatil (Australia) and Nestle (Philippines). He was a Director of SPI Technologies, Inc. and eTelecare Global Solutions, Inc. until 2006. He was also a Member of the G.E. Asian Advisory Board and the Wharton East Asia Executive Board.

Remuneration of the Board of Directors

The following is the breakdown of the aggregate amount of compensation paid in 2012 and 2013, and estimated to be paid in 2014 to all directors and executive officers, as a group (amounts in millions):

Nature	2012 (Actual)	2013	2014 (Estimate)
Salaries	US$0.6	US$1.0	US$1.1
Bonuses and others	3.6	5.3	7.0
Total	US$4.2	US$6.3	US$8.1

The members of the Board receive directors' fees as compensation in accordance with the Company's By-Laws. There are no material terms of any other arrangements or contracts where any director of ICTSI was compensated or is to be compensated, directly or indirectly, in 2012, 2013 or in the coming year, for any service provided as a director.

Dealings with Company's shares

Directors are required to report their dealings in Company shares within three (3) business days from all ICTSI share-related transactions.

ICTSI discloses to the Philippine Stock Exchange (PSE) the ownership (direct and indirect) and any acquisition or disposal of ICTSI securities by ICTSI directors and officers pursuant to the PSE Revised Disclosures and Securities Regulations Code. Directors and officers are likewise prohibited from buying or selling ICTSI securities (e.g. shares of stock) during the period within which material non-public information is obtained and up to two (2) full trading days after the price sensitive information is disclosed.

The ICTSI shares held by its Directors in FY 2013 are as follows:

Directors	**Jan.1, 2013**	**Dec. 31, 2013**
Enrique K. Razon Jr.	**957,143,325**	**957,143,325**
Andres Soriano III	**150,050**	**150,050**
Jose C. Ibazeta	**2,749,420**	**3,058,560**
Jon Ramon M. Aboitiz	**10,000**	**10,000**
Stephen A. Paradies	**4,087,573**	**4,087,573**
Octavio Victor R. Espiritu	**300,000**	**300,000**
Joseph R. Higdon	**141,000**	**141,000**

Board of Directors' Attendance

Pursuant to the Company's by-laws, the Board should hold a regular meeting every month, but special meetings may also be called by the Chairman of the Board or the President.

The attendance of the Board for both regular and special meetings in 2013 is as follows:

	Jan 03	Jan 04	Jan 09	Jan 28	Feb 11	Feb 25	Mar 22	Apr 18*	Apr 18*	Apr 18*	May 14	Jul 04	Jul 10	Aug 29	Sep 17	Oct 11	Oct 22	Oct 24	Nov 21	Dec 27
Enrique K. Razon Jr.	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P
Jose C. Ibazeta	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P
Stephen A. Paradies	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P
Andres Soriano III	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P
Jon Ramon Aboitiz	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P
Joseph Higdon	P	P	P	P	P	P	P	P	P	P	P	P	P	P	A	P	P	P	P	P
Octavio V. Espiritu	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P	P

Board Committees

ICTSI has three (3) Board Committees, i.e. Audit, Compensation & Remuneration and Nomination Committees.

Audit Committee

The Audit Committee is comprised of three (3) Board members, who are Octavio Victor R. Espiritu, Jon Ramon Aboitiz and Stephen A. Paradies, where Mr. Espiritu, as the independent director, serves as the committee chairman.

The Audit Committee reports to the Board and is required to meet at least four (4) times a year. Each member of the Committee is financially literate, and has attended various trainings on governance, risk management and IFRS updates.

The Audit Committee's responsibilities are embodied in the Audit Committee Charter approved by the Board. It is responsible for assisting the Board in fulfilling its oversight responsibilities to the shareholders relating to the Company's financial statements and financial reporting process, governance, risk management and internal control systems, the internal and external audit process, and the process for monitoring compliance with contracts, laws and regulations and the Code of Conduct.

For the year 2013, the Audit Committee held four (4) regular meetings and attendance of each member is shown below:

	Mar 7	May 8	Aug 7	Nov 7
Octavio V. Espiritu (Chairman)	P	P	P	P
Jon Ramon Aboitiz	P	P	P	P
Stephen A. Paradies	P	P	P	P

*P - Present

The Audit Committee's accomplishments for 2013 are the following:

- Reviewed the annual and quarterly consolidated financial statements before their submission to the Board as well as the regulatory submissions to SEC and PSE
- Reviewed the external auditors (SGV & Co.) plan for the audit of 2013 consolidated financial statements, internal controls over financial reporting, audit results of the 2012 consolidated financial statements and evaluated the performance of SGV & Co. for 2012
- Reviewed and approved the 2013 internal audit plan and 2012 annual accomplishment report as well as the quarterly status reports of accomplishments, including audit areas covered, significant risk exposures, adequacy and effectiveness of internal controls and management actions taken on significant issues reported
- Reviewed and discussed the status of corporate governance compliance reporting to SEC and PSE as well as the compliance with applicable laws, regulations and significant compliance requirements with its concession contracts.
- Conducted a self-assessment of 2012 performance based on its charter and the SEC prescribed self-assessment checklist. Minor improvements in documentation have been identified in the areas of risk management, compliance and reporting.

Enterprise Risk Management (ERM)

As stated in ICTSI's CG Manual, the Audit Committee provides for an oversight over the Company's Enterprise Risk Management (ERM) activities in managing credit, market, liquidity, operational, legal and other risks of the company. This function includes regular receipt from management of information on risk exposure and risk management activities.

In 2013, ICTSI conducted a comprehensive and focused identification of potential risks to the company where its significance, likelihood and impact were determined and how these risks should be managed. This risk assessment was conducted by ICTSI's relevant Business Units (BU) and its staff members representing all the major functions of the organization. The assessment has been carefully planned, documented and carried out methodically.

ICTSI's ERM is imbedded into business decision activities such as strategic and business planning activities to help provide better perspective to management on the most critical risks affecting realization of business goals and on how best to mitigate such risks. The company's ERM process is intertwined with operating activities of the BU's. ICTSI believes that by improving its ERM system, the Company will have a greater capability to implement its strategy and achieve its vision, mission and corporate objectives.

The Audit Committee finds ICTSI's Enterprise Risk Management system to be adequate.

Related Party Transactions

The Board, through its Audit Committee, formulates and implement policies and procedures that would ensure the integrity and transparency of related party transactions between and among the Company and its joint ventures, subsidiaries, associates, affiliates, major stockholders, officers and directors including their spouses, children and dependent siblings and parents, and interlocking director relationships by members of the Board. The Audit Committee reviews the company's related party transactions (or RPT) and ensures that these are conducted in a fair and at arm's length manner.

Compensation and Remuneration Committee

The members of the Compensation and Remuneration Committee are Andres Soriano III as Chairman and Stephen A. Paradies and Octavio Victor R. Espiritu as Members. The Committee aims to establish a formal and transparent procedure for developing a policy on remuneration of directors and officers to ensure that their compensation is consistent with the Company's culture, strategy and the business environment in which it operates.

Nomination Committee

The Nomination Committee is composed of Stephen A. Paradies as Chairman and Jose C. Ibazeta and Octavio Victor R. Espiritu as Members. The Committee reviews and evaluates the qualifications of all persons nominated to the Board and other appointments that require Board approval. The Committee also assesses the effectiveness of the Board's processes and procedures in the election or replacement of directors. The Company's by-laws allows non-controlling shareholders to nominate a candidate for the Board.

Internal Audit

ICTSI's management is primarily responsible for risk management, internal controls and good corporate governance and commits to maintain its adequacy and effectiveness. The company's **Audit and Compliance Group (ACG)** contributes to the improvement of the ICTSI Group's operations by providing timely feedback and appropriate recommendations for strengthening risk management, internal controls and governance processes. The purpose, authority and responsibility of the ACG are defined in its charter approved by the Chairman of the Board and Audit Committee.

The ACG establishes a risk-based annual audit plan to determine the priorities of the internal audit activity, consistent with the organization's goals, taking into account the organization's risk management framework, including the risk appetite levels set by management for the different activities or parts of the organization. The ACG is guided by the International Standards for the Professional Practices of Internal Auditing (ISPPIA) and all members of the ACG adhere to the Code of Ethics of the Institute of Internal Auditors.

Dividends and Dividend Policy

Dividends may be declared only out of the unrestricted retained earnings. A board resolution is required for declaration of dividends. In addition, approval of stockholders representing at least two-thirds (2/3) of the outstanding capital stock is required for the payment of stock dividends. Dividends are payable to all common stockholders, on the basis of outstanding shares held by them, each share being entitled to the same unit of dividend as any other share. Dividends are payable to stockholders whose names are recorded in the stock and transfer book as of the record date fixed by the Board. Preferred A shareholders are entitled to dividends at rates to be fixed by the Board. As of December 31, 2013, the Board has not set the dividend rate for Preferred A shares. On the other hand, Preferred B shareholders shall earn no dividends.

Employee Welfare

ICTSI, through the Human Resources Department, has established policies and programs in Manila which promote the health, safety and productivity of its employees.

The company has two (2) fitness centers and sports facilities available for use by its employees. Medical and dental facilities are likewise available 24 hours for the use of the employees and their dependents. ICTSI held several interdepartmental sports tournaments to promote health, fitness and camaraderie. Seminars on health related matters such as awareness on the adverse effects of diabetes and hypertension were conducted by ICTSI. To further ensure its employees' good health, all employees are required to undergo annual physical examination and flu vaccination, paid for by ICTSI.

ICTSI also conducts new employee orientation to give a comprehensive overview about the company, as well as employee benefits and discipline.

To encourage its employees' productivity and efficiency, ICTSI established an Operations Incentive Program, which is a platform to recognize the hard work and dedication of its employees though monetary incentives on top of their compensation. The company maintains its industrial peace through various programs such as: Labor Management Cooperation which is a forum where work related problems are easily addressed through meetings and discussions between the management and the union leadership and through the regular conduct of *Ugnayan sa Pantalan*, which is a venue where employees are given the opportunity to air their redress, grievances and other work - related problems.

ICTSI's other local and foreign subsidiaries also have their respective policies and activities which foster the health, safety and productivity of its employees as well as trainings and development programs.

YEARS

Management's Discussion and Analysis or Plan of Operations

The following discussion and analysis relate to the consolidated financial position 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, 2013. 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 Group 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 2,500,000 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. Currently, the Group is involved in 28 terminal concessions and port development projects in 20 countries worldwide. There are 23 operating terminals in seven key ports in the Philippines, two in Indonesia and one each in Brunei, Japan, China, the United States of America (U.S.A.), Ecuador, Brazil, Poland, Georgia, Madagascar, Croatia, Pakistan, India, Honduras and Mexico; two ongoing port development projects in Colombia and Argentina; and three recently concluded negotiations to develop, manage and operate ports in Nigeria, Congo, and another port in Davao, Philippines. The projects in Mexico and Honduras have commenced commercial operations in November 2013 and December 2013, respectively, while the project in Argentina is expected to commence commercial operations in 2014.

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. International acquisitions principally in Brazil, Poland, Madagascar, Ecuador, China, and recently, in Pakistan, 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, Philippines (MICT)
  - Zambales - New Container Terminal (NCT) 1 and 2, Subic Bay Freeport Zone, Olongapo City, Philippines (SBITC/ICTSI Subic)
  - Batangas - Bauan Terminal, Bauan, Philippines (BIPI)
  - Davao - Sasa Wharf, Port of Davao (DIPSSCOR) and Hijo International Port Services, Inc., Davao del Norte, Philippines (HIPS)
  - General Santos - Makar Wharf, Port of General Santos, Philippines (SCIPSI)
  - Misamis Oriental - Phividec Industrial Estate, Tagaloan, Philippines (MICTSI)
  - Japan - Naha Port Public International Container Terminal, Okinawa, Japan (NICTI)
  - Indonesia - Makassar Port Container Terminal, Makassar, South Sulawesi, Indonesia (MTS) and Port of Tanjung Priok, Jakarta, Indonesia (OJA)
  - China - Yantai Gangtong Terminal, Shandong Province, China (YRDICTL)
  - Brunei - Muara Container Terminal, Brunei Darussalam (NMCTS)
  - India - Kattupalli Container Terminal, Tamil Nadu, India (ICTSI India)
  - Pakistan - Pakistan International Container Terminal, Karachi, Pakistan (PICT)
- Europe, Middle East and Africa (EMEA)
  - Poland - Baltic Container Terminal, Gdynia, Poland (BCT)
  - Georgia - Port of Batumi, Batumi, Georgia (BICT)
  - Croatia - Brajdica Container Terminal, Rijeka, Croatia (AGCT)
  - Madagascar - Port of Toamasina, Toamasina, Madagascar (MICTSL)
  - Nigeria - Deep Water Port, Ibeju-Lekki, Lagos State, Federal Republic of Nigeria (LICTSLE)
  - Congo - Mbengu, Matadi, Democratic Republic of Congo

- Americas
  - Brazil - Suape Container Terminal, Suape, Brazil (TSSA)
  - Ecuador - Port of Guayaquil, Guayaquil, Ecuador (CGSA)
  - Argentina - Port of La Plata, Buenos Aires Province, Argentina (Tecplata)
  - Oregon, USA - Port of Portland, Oregon, USA (ICTSI Oregon)
  - Mexico - Port of Manzanillo, Manzanillo, Mexico (CMSA)
  - Colombia - Port of Buenaventura, Buenaventura, Colombia (SPIA)
  - Honduras - Port of Puerto Cortés, Republic of Honduras (OPC)

ICTSI's concession for MICT was extended for another 25 years up to May 18, 2038, subject to certain conditions including the completion of agreed additional investments in port equipment and infrastructures prior to 2013, payment of upfront fees amounting to ₱670.0 million (US$16.4 million), and turnover and execution of Deed of Transfer of port facilities and equipment currently being used at MICT and part of committed investment under the original concession agreement, among others.

ICTSI recognized new concession rights when the renewal agreement became effective on May 19, 2013 to the extent that ICTSI received a license or right to charge users for the public service it provides. Concession rights consisted of: (i) upfront fee of US$16.4 million (₱670.0 million); and (ii) the present value of fixed fee consideration computed using the discount rate at the effectivity date of the renewal agreement of US$348.5 million. Amortization of concession rights comprising of upfront fees and the present value of fixed fee consideration amounted to US$9.0 million for the year ended December 31, 2013 and US$14.6 million per year thereafter. Interest expense on concession rights payable amounted to US$11.8 million for the year ended December 31, 2013, and is expected to be US$18.4 million in 2014, and subsequently calculated based on the diminishing balance of concession rights payable using the effective interest rate. On the other hand, variable fees are recognized as expense when incurred.

Concession rights also consisted of port infrastructure, mainly for berth 6, of US$231.1 million. Amortization of port infrastructure amounted to US$6.8 million for the year ended December 31, 2013, and is expected to be US$9.2 million per year thereafter.

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

Port of Rijeka, Croatia. In March 2011, the Company, through its wholly-owned subsidiary, ICTSI Capital BV, entered into a Share Purchase Agreement with Luka Rijeka D.D. (Luka Rijeka), a Croatian company, to purchase a 51% interest in the Adriatic Gate Container Terminal (AGCT) for an aggregate consideration of US$39.7 million (296.2 million Croatian Kuna). AGCT operates the Brajdica Container Terminal in Rijeka, Croatia with a concession period of 30 years until 2041. With the acquisition of 51% aggregate interest in AGCT, ICTSI gained control of AGCT effective April 15, 2011, the same date of ICTSI's formal take-over of AGCT's operations.

Port of Kattupalli, India. In April 2011, ICTSI, through ICTSI Ltd. and International Container Terminal Services (India) Private Limited (ICTSI India), and L&T Shipbuilding Ltd. (LTSB) signed a container port operation agreement for the management and operation of the Kattupalli International Container Terminal (KICT) in Tamil Nadu, India. KICT is ICTSI's first venture in India. The terminal is located near Chennai in Thiruvallur District. LTSB is the developer of an integrated shipyard cum port with a 1.2 million-TEU annual capacity container terminal in Kattupalli. The terminal started commercial operations in January 2013.

NCT-2, Subic, Philippines. On July 27, 2011, Subic Bay Metropolitan Authority (SBMA) and ICTSI signed the concession agreement for the operation and management of NCT-2 at Cubi Point in Subic, Philippines for 25 years. On August 19, 2011, SBMA approved the assignment of ICTSI's rights, interests and obligations in the NCT-2 contract to ICTSI Subic, Inc. (ICTSI Subic), which was incorporated on May 31, 2011. NCT-2 was constructed by SBMA in accordance with the SBMA Port Master Plan and the Subic Bay Port Development Project. On August 2, 2012, SBMA provided ICTSI Subic the notice to proceed with the operation and management of NCT-2. ICTSI Subic started commercial operations in October 2012.

Deep Water Port, Ibeju-Lekki, Federal Republic of Nigeria. On February 22, 2012, ICTSI and Lekki Port LFTZ Enterprise (Lekki Port) entered into a Memorandum of Understanding (MOU) to negotiate the terms of a Sub-concession Agreement (SCA) to develop and operate the container terminal at the Deep Water Port in the Lagos Free Trade Zone (LFTZ) at Ibeju-Lekki, Lagos State, Federal Republic of Nigeria. On August 10, 2012, Lekki Port and ICTSI signed the SCA, which grants ICTSI the exclusive right to develop and operate, and to provide certain handling equipment and container terminal services for a period of 21 years from start of commercial operation date. The construction of the container terminal is expected to start in the first half of 2014, and is scheduled to commence operations in late 2017.

Port of Karachi, Pakistan. On March 30, 2012, ICTSI Mauritius Limited (ICTSI Mauritius) signed a Share Purchase Agreement with substantial shareholders of Pakistan International Container Terminal (PICT), a company listed in the Karachi Stock Exchange, for the purchase of 35% of the shares of stock of PICT, which involved the conduct of a minimum offer price and was determined in accordance with the Takeover Laws of Pakistan. On October 18, 2012, ICTSI Mauritius completed the acquisition of 35% of the total issued capital stock of PICT for a purchase price of US$60.3 million (PKR5.7 billion) to become the single biggest shareholder of PICT. With the acquisition of 35% equity interest in PICT, ICTSI Mauritius gained control over PICT effective October 19, 2012 resulting in the majority board representation and the power to appoint the General Manager and Chief Financial Officer of PICT. ICTSI Mauritius further increased its ownership in PICT to 63.59 % as of December 31, 2012. In March 2013 and June 2013, ICTSI Mauritius purchased additional shares of PICT which further increased its ownership to 64.53%. PICT has a contract with Karachi Port Trust for the exclusive construction, development, operations and management of a common user container terminal at Karachi Port for a period of 21 years commencing on June 18, 2002.

Port of Tanjung Priok, Jakarta, Indonesia. On July 3, 2012, ICTSI acquired a 100% equity interest in PT Perusahaan Bongkar Muat (PBM) Olah Jasa Andal (OJA) through its indirect majority-owned subsidiary, PT ICTSI Jasa Prima Tbk (JASA, formerly PT Karwell Indonesia Tbk) for a purchase price of US$41.9 million. OJA is an Indonesian limited liability company engaged in the loading and unloading of general goods and/or containers at the Port of Tanjung Priok, Jakarta, Indonesia. OJA, at the date of acquisition, had existing cooperation agreements which have terms of two years that can be extended pursuant to applicable provision in each agreement. JASA was acquired on May 3, 2012 by ICTSI Far East Pte. Ltd. (IFEL). The acquisition by IFEL of an aggregate of 80% of the outstanding and issued shares of stock of JASA resulted to IFEL becoming the new controlling shareholder of JASA. JASA is a listed company in Indonesia originally engaged in garment and textile industry which stopped commercial operations. The purpose of the acquisition was to save and preserve the going concern of JASA so that JASA can engage in the development, construction and operation of terminals and maritime logistic infrastructure. On June 5, 2013, OJA signed a 15-year Cooperation Agreement with PT Pelabuhan Indonesia II (Persero) Tanjung Priok Branch for international container stevedoring services.

Hijo International Port, Davao, Philippines. In 2012, ICTSI, through its wholly-owned subsidiary, Abbotsford Holdings, Inc., together with Hijo Resources Corp., a diversified group involved in leisure and tourism, agribusiness, property development and port operations, invested in Hijo International Port Services, Inc. (HIPS) for the construction, development and operation of Hijo International Port (also referred to as "Hijo Port"). Hijo Port is a private commercial port owned by HIPS located in Barangay Madaum, Tagum, Davao del Norte in the Gulf of Davao. ICTSI owns 65% of HIPS. Under the management of ICTSI, HIPS will develop and upgrade the facilities and capacity of Hijo Port to handle containerized cargo, especially banana in refrigerated containers. Such upgrade will be implemented in phases. The relevant contracts and agreements on the construction, operation and management of the terminal have not yet been finalized as of March 6, 2014.

Puerto Cortés, Honduras. On February 1, 2013, ICTSI won and was awarded the Contract for the Design, Financing, Construction, Preservation, Operation and Exploitation of the Container and General Cargo Terminal of Puerto Cortés ("Agreement") in the Republic of Honduras for a period of 29 years through a public hearing held in Tegucigalpa, Honduras. On March 13, 2013, ICTSI and ICTSI Brazil Ltd. established Operadora de Puerto Cortés, S.A. de C.V. (OPC) to sign the Agreement with the Republic of Honduras acting through the Commission for the Public-Private Alliance Promotion (COALIANZA), a decentralized legal entity of the Presidency of the Republic. The said Agreement was signed on March 21, 2013 and shall be valid until August 30, 2042. OPC shall operate the Container and General Cargo Terminal of Puerto Cortes ("Terminal") and it shall carry out the design, financing, construction, preservation, and exploitation of the Terminal and the provision of its Services according to certain service and productivity levels. OPC started commercial operations in December 2013.

On the other hand, on December 28, 2012, TICT, a wholly-owned subsidiary of ICTSI, filed a Notice of Termination of its 10-year Investment Agreement with Tartous Port General Company (TPGC) to manage, operate, maintain, finance, rehabilitate, develop and optimize the Tartous Container Terminal in Syria, which was entered into by TICT and TPGC in March 2007. TICT was compelled to send the said Notice of Termination of the Investment Agreement because of TPGC's consistent refusal to recognize the occurrence of Unforeseen Change of Circumstances brought about by civil unrest and violence which has gravely affected businesses and trade in Syria. The issuance of this notice was also prompted by TPGC's refusal to negotiate in good faith for relief from the clear imbalance of the parties' economic relationship, which constitutes a breach of the Investment Agreement. Finally, TICT was left with no choice but to issue the Notice of Termination when Syria plunged into a state of full-fledged civil war, which exposed everyone (combatants and civilians alike) to increasing threat of death and destruction on a daily basis, which is considered as force majeure under the Investment Agreement. On January 27, 2013, TICT formally ceased operating the Tartous Container Terminal. An arbitration process is currently ongoing. Consequently, TPGC took over the operations of the Tartous Container Terminal.

Moreover, on September 18, 2013, ICTSI and PSA International Pte. Ltd. (PSA), through their wholly-owned subsidiaries, signed a share purchase agreement whereby ICTSI agreed to the purchase by PSA of 45.64 percent of SPIA's issued and outstanding share capital, subject to certain conditions precedent to completion. On October 31, 2013, PSA finalized and completed its investment in SPIA. With the completion of the investment, ICTSI and PSA, through their respective subsidiaries, now jointly own 91.29 percent of issued and outstanding share capital of SPIA. Accordingly, SPIA ceased to be a consolidated subsidiary effective November 1, 2013 and is now accounted for as a joint venture under the equity method. The effect of deconsolidation of SPIA effective November 1, 2013 is not material.

In 2014, ICTSI, through its subsidiary ICTSI Cooperatief U.A., forged a business partnership with La Societe De Gestion Immobiliere Lengo ("SIMOBILE") for the establishment and formation of a joint venture company, International Container Terminal Services, Inc. - DR Congo (ICTSI DR Congo), for the purpose of constructing, investing in and operating a river port, including a container terminal, in Mbengu, Matadi, Democratic Republic of Congo. SIMOBILE is a concessionaire of a parcel of land along the Congo river in the district of Mbengu, Township of Matadi in the Democratic Republic of Congo, intended for port use. ICTSI DR Congo will build a new terminal along the river bank of the Congo River in Matadi, and manage, develop and operate the same as a container terminal, as well as provide exclusive container handling services and general cargo services therein. The construction of the container terminal is expected to start in 2014 and is scheduled to commence operations in late 2015.

RESULTS OF OPERATIONS AND KEY PERFORMANCE INDICATORS

The following table shows a summary of the results of operations for the years ended December 31, 2011, 2012 and 2013, as derived from the accompanying audited consolidated financial statements. As discussed in detail in the notes to the accompanying audited consolidated financial statements, the finalization of business combinations pertaining to JASA, OJA and PICT, and the effects of adoption of the Revised PAS 19 resulted in the restatement of 2011 and 2012 balances.

Audited Consolidated Statements of Income

	For the Year Ended December 31				
(In thousands, except % change data)	2011 (As restated)	2012 (As restated)	**2013**	% Change *2011 vs 2012*	% Change *2012 vs 2013*
Gross revenues from port operations	US$664,836	US$729,308	**US$852,394**	9.7	16.9
Revenues from port operations, net of port authorities' share	570,721	626,416	**736,859**	9.8	17.6
Total income (net revenues, interest and other income)	605,400	648,492	**757,330**	7.1	16.8
Total expenses (operating, financing and other expenses)	433,863	456,652	**542,363**	5.3	18.8
EBITDA[1]	281,710	307,563	**377,323**	9.2	22.7
EBIT[2]	212,828	226,818	**277,839**	6.6	22.5
Net income attributable to equity holders of the parent	130,932	143,158	**172,380**	9.3	20.4
Earnings per share					
Basic	US$0.063	US$0.059	**US$0.072**	(6.3)	22.0
Diluted	0.061	0.058	**0.071**	(4.9)	22.4

[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)	2011 (As restated)	2012 (As restated)	**2013**	% Change *2011 vs 2012*	% Change *2012 vs 2013*
Net income attributable to equity holders of the parent	US$130,932	US$143,158	**US$172,380**	9.3	20.4
Non-controlling interests	458	592	**8,292**	29.3	1300.7
Provision for income tax	40,146	48,090	**34,295**	19.8	(28.7)
Income before income tax	171,536	191,840	**214,967**	11.8	12.1
Add (deduct):					
Depreciation and amortization	68,882	80,745	**99,484**	17.2	23.2
Interest and other expenses	75,970	57,054	**83,343**	(24.9)	46.1
Interest and other income	(34,678)	(22,076)	**(20,471)**	(36.3)	(7.3)
EBITDA	US$281,710	US$307,563	**US$377,323**	9.2	22.7

Key Performance Indicators

Certain key performance indicators (KPIs) include gross moves per hour per crane, crane availability and berth utilization, which indirectly affect the operations of the Group, and TEU volume growth and gross revenue growth, which are both financial in nature. These KPIs are discussed in detail in the succeeding paragraphs.

2013 Compared with 2012

Gross moves per hour per crane at key terminals which consist of MICT, CGSA, PICT, TSSA, BCT, YRDICTL and MICTSL ranged from 14.0 to 30.2 moves per hour in 2012 to 15.3 to 31.3 moves per hour in 2013. Crane availability ranged from 85.0 percent to 99.9 percent in 2012 to 80.0 percent to 99.8 percent in 2013. Berth utilization was at 21.7 percent to 80.0 percent in 2012 and 24.2 percent to 93.1 percent in 2013.

2012 Compared with 2011

Gross moves per hour per crane at key terminals ranged from 11.0 to 29.0 moves per hour in 2011 to 14.0 to 30.2 moves per hour in 2012. Crane availability ranged from 95.8 percent to 99.0 percent in 2011 to 85.0 percent to 99.9 percent in 2012. Berth utilization was at 20.0 percent to 85.4 percent in 2011 and 21.7 percent to 80.0 percent in 2012.

COMPARISON OF OPERATING RESULTS FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

TEU Volume

Consolidated throughput handled by the Group increased by 12.1 percent from 5,628,021 TEUs for the year ended December 31, 2012 to 6,309,840 TEUs for the year ended December 31, 2013 mainly due to the continuous improvement in international and domestic trade; new shipping lines and routes; full year contribution of new terminals, OJA and PICT, which were consolidated in August 2012 and October 2012, respectively; and the start of commercial operations of new terminals, CMSA and OPC beginning November 2013 and December 2013, respectively. Excluding the impact of new terminals and the 2012 contribution of TICT, which ceased operating in January 2013, consolidated volume would have increased by 1.8 percent in 2013. Key terminals, consisting of MICT, CGSA, TSSA, BCT, YRDICTL and MICTSL reported a combined growth of 3.9 percent year-on-year. Effective January 2013, PICT is considered a key terminal.

Volume handled by the Asia operations, comprised of terminals in the Philippines, China, Indonesia and Pakistan, increased by 17.4 percent from 3,228,432 TEUs for the year ended December 31, 2012 to 3,790,334 TEUs for the year ended December 31, 2013 mainly due to the continuous improvement in international and domestic trade, new shipping lines and routes, and the full year contribution of PICT and OJA. Excluding PICT and OJA, volume would have been relatively flat due to the slowdown in banana production and exportation at DIPSSCOR. The Asia operations accounted for 57.4 percent and 60.1 percent of the consolidated volume for the years ended December 31, 2012 and 2013, respectively.

The EMEA operations, consisting of terminals in Poland, Georgia, Madagascar, Croatia, and Syria (until December 2012), reported a 3.6 percent decline from 823,471 TEUs for the year ended December 31, 2012 to 794,182 TEUs for the same period in 2013 primarily due to weaker short sea trade and unifeeder operations at BCT, lower vessel calls at BICT, and the cessation of terminal operations at TICT beginning January 2013. Excluding TICT's contribution in 2012, volume would have

increased marginally by 0.4 percent in 2013. The EMEA operations accounted for 14.6 percent and 12.6 percent of the Group's consolidated volume for the years ended December 31, 2012 and 2013, respectively.

Throughput from the Americas segment, composed of terminals in Brazil, Ecuador, Honduras, Mexico and The United States of America, went up by 9.5 percent from 1,576,118 TEUs for the year ended December 31, 2012 to 1,725,324 TEUs for the year ended December 31, 2013. The increase was mainly attributed to new shipping lines and continuous recovery of banana production and exportation at CGSA; higher imports and exports arising from the deployment of new companies in Pernambuco state at TSSA; and contribution of new terminals, CMSA and OPC, which started commercial operations in November 2013 and December 2013, respectively. Excluding CMSA and OPC, the segment's volume would have increased by 5.4 percent in 2013. Meanwhile, ICTSI Oregon reported a marginal 1.5 percent decline due to lower vessel calls. The Americas operations captured 28.0 percent and 27.3 percent of the consolidated volume for the years ended December 31, 2012 and 2013, respectively.

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, 2012 and 2013:

Total Income

	For the Year Ended December 31		
(In thousands, except % change data)	2012	**2013**	% Change
Gross revenues from port operations	US$729,308	**US$852,394**	16.9
Port authorities' share in gross revenues	102,892	**115,535**	12.3
Net revenues	626,416	**736,859**	17.6
Interest income	7,789	**12,025**	54.4
Foreign exchange gain	10,657	**3,663**	(65.6)
Other income	3,630	**4,783**	31.8
	US$648,492	**US$757,330**	16.8

In 2013, net revenues accounted for 97.3 percent of the total consolidated income while foreign exchange gain represented 0.5 percent. In 2012, net revenues and foreign exchange gain stood at 96.6 percent and 1.6 percent of the total consolidated income, respectively.

Gross Revenues from Port Operations

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

Consolidated gross revenues from port operations grew by 16.9 percent from US$729.3 million for the year ended December 31, 2012 to US$852.4 million for the year ended December 31, 2013 due to volume growth; tariff rate adjustments in certain terminals; favorable volume mix; new and renegotiated contracts with shipping lines and forwarders; higher revenues from storage and ancillary services; full year contribution of PICT and OJA; and the addition of new terminals, CMSA and OPC. Excluding PICT, OJA, CMSA and OPC, and the 2012 contribution of TICT, gross revenues would have increased by 7.2 percent in 2013. The increase, however, was reduced by the 10.5 percent depreciation of the Brazilian Reais (BRL) against the US dollar. Excluding the translation impact of BRL, consolidated gross revenues would have increased by 18.3 percent in 2013. The Asia, EMEA and Americas segments reported 26.5 percent, 4.6 percent and 8.3 percent growth, respectively. Key terminals posted a combined growth of 5.8 percent year-on-year.

The Asia segment reported a double-digit growth in gross revenues of 26.5 percent from US$362.0 million for the year ended December 31, 2012 to US$457.9 million for the same period in 2013 mainly due to volume growth; tariff rate adjustments at MICT, YRDICTL and DIPSSCOR; favorable volume mix; stronger revenues from storage and ancillary services; and full contribution of PICT and OJA. Excluding PICT and OJA, gross revenues would have increased by 8.9 percent in 2013. The Asia operations captured 49.6 percent and 53.7 percent of the consolidated gross revenues for the years ended December 31, 2012 and 2013, respectively.

Gross revenues from the EMEA operations grew by 4.6 percent from US$86.3 million for the year ended December 31, 2012 to US$90.3 million for the year ended December 31, 2013 primarily due to volume growth and tariff rate adjustment at MICTSL; new contracts with shipping lines and forwarders, and surge in storage and general cargo revenues at AGCT; and favorable mix and growth in project cargoes at BCT. Meanwhile, the drop in general cargo revenues at BICT, and the cessation of terminal operations at TICT beginning January 2013 tapered the growth in gross revenues. Excluding TICT's contribution in 2012, gross revenues would have increased by 7.7 percent in 2013. The EMEA operations stood at 11.8 percent and 10.6 percent of the consolidated gross revenues for the years ended December 31, 2012 and 2013, respectively.

Meanwhile, gross revenues from the Americas segment increased by 8.3 percent from US$281.0 million for the year ended December 31, 2012 to US$304.3 million for the year ended December 31, 2013 mainly due to improved tariff rates negotiated with certain shipping lines at ICTSI Oregon; new shipping lines at CGSA; and the contribution of new terminals, CMSA and OPC. Excluding CMSA and OPC, gross revenues would have increased by 4.9 percent in 2013. On the other hand, TSSA posted a 1.3 percent decline in gross revenues resulting from a weaker BRL against US dollar. Excluding the translation impact of BRL, Americas' gross revenues would have increased by 12.1 percent in 2013. The Americas operations accounted for 38.5 percent and 35.7 percent of the consolidated gross revenues for the years ended December 31, 2012 and 2013, respectively.

Foreign Exchange Gain, Interest Income and Other Income

Foreign exchange gain decreased by 65.6 percent from US$10.7 million for the year ended December 31, 2012 to US$3.7 million for the year ended December 31, 2013 primarily due to a weaker Philippine peso (2013: -8.1%; 2012: +6.4%) and Colombian peso (2013: -9.2%; 2012: +8.8%) against the US dollar. Foreign exchange gain mainly arises from the settlement and translation or restatement adjustments of foreign currency-denominated monetary assets and liabilities.

Consolidated interest income surged by 54.4 percent from US$7.8 million for the year ended December 31, 2012 to US$12.0 million for the year ended December 31, 2013 arising mainly from the interest income earned from Tecplata's cash deposits and placements.

Other income was up by 31.8 percent from US$3.6 million for the year ended December 31, 2012 to US$4.8 million for the year ended December 31, 2013 mainly due to the gain on settlement of insurance claim at BCT amounting to US$1.2 million in 2013.

Total Expenses

The table below shows the breakdown of total expenses for 2012 and 2013.

Total Expenses

	For the Year Ended December 31		
(In thousands, except % change data)	2012 (As restated)	**2013**	% Change
Manpower costs	US$140,009	US$154,587	10.4
Equipment and facilities-related expenses	93,766	105,334	12.3
Administrative and other operating expenses	85,079	99,616	17.1
Total cash operating expenses	318,854	359,537	12.8
Depreciation and amortization	80,745	99,484	23.2
Interest expense and financing charges on borrowings	30,400	42,653	40.3
Interest expense on concession rights payable	16,659	27,943	67.7
Foreign exchange loss and others	9,994	12,746	27.5
	US$456,652	US$542,363	18.8

Total cash operating expenses of the Group grew by 12.8 percent from US$318.9 million for the year ended December 31, 2012 to US$359.5 million for the year ended December 31, 2013 due to higher volume-related expenses such as on-call labor and contracted services, repairs and maintenance, and fuel consumption. In addition, higher manpower costs arising from government-mandated and contracted salary rate adjustments in certain terminals; full contribution of PICT and OJA; and addition of new terminals, CMSA and OPC, contributed to the growth in cash operating expenses. Excluding PICT, OJA, CMSA, and OPC, and the 2012 contribution of TICT, cash operating expenses would have increased by 2.6 percent in 2013. Meanwhile, the continuous depreciation of BRL against the US dollar tapered the growth in cash operating expenses. Excluding BRL impact, cash operating expenses of the Group would have increased by 14.0 percent in 2013.

Manpower Costs

Manpower costs grew by 10.4 percent from US$140.0 million for the year ended December 31, 2012 to US$154.6 million for the year ended December 31, 2013 due to higher on-call labor and contracted services driven by volume-growth; government-mandated and contracted salary rate adjustments in certain terminals such as MICT, DIPSSCOR, YRDICTL, BCT, MICTSL, CGSA and TSSA; full year contribution of PICT and OJA; and the addition of new terminals, CMSA and OPC. Excluding PICT, OJA, CMSA and OPC, and the 2012 contribution of TICT, manpower cost would have increased by 5.3 percent in 2013.

Manpower costs accounted for 43.9 percent and 43.0 percent of cash operating expenses for the years ended December 31, 2012 and 2013, respectively.

Equipment and Facilities-related Expenses

Equipment and facilities-related expenses consist mainly of repairs and maintenance costs of port equipment and facilities, fixed port fees, power and light, technical and systems development and maintenance expenses, tools expenses, equipment rentals, and fuel, oil and lubricants.

Equipment and facilities-related expenses grew by 12.3 percent from US$93.8 million for the year ended December 31, 2012 to US$105.3 million for the year ended December 31, 2013 mainly due to higher repairs and maintenance costs and fuel consumption driven by volume growth; full year contribution of PICT and OJA; and the addition of CMSA and OPC. Excluding PICT, OJA, CMSA and OPC, and the 2012 contribution of TICT, equipment and facilities-related expenses would have decreased by 6.7 percent in 2013 due to cost savings derived from rent rebate at ICTSI Oregon, cancellation of equipment rentals at TSSA, and reduced power consumption brought about by efficiency and lower utilization of reefers.

Equipment and facilities-related expenses represented 29.4 percent and 29.3 percent of cash operating expenses for the years ended December 31, 2012 and 2013, respectively.

Administrative and Other Operating Expenses

Administrative and other operating expenses surged by 17.1 percent from US$85.1 million for the year ended December 31, 2012 to US$99.6 million for the year ended December 31, 2013 mainly due to extensive business development activities resulting in higher professional fees and travel and transportation expenses; higher taxes and licenses and insurance; full year contribution of PICT and OJA; and the addition of new terminals, CMSA and OPC. Excluding PICT, OJA, CMSA and OPC, and the 2012 contribution of TICT, administrative and other operating expenses would have increased by 8.7 percent in 2013.

Administrative and other operating expenses stood at 26.7 percent and 27.7 percent of the total cash operating expenses for the years ended December 31, 2012 and 2013, respectively.

Depreciation and Amortization

Depreciation and amortization expense was up by 23.2 percent from US$80.7 million for the year ended December 31, 2012 to US$99.5 million for the year ended December 31, 2013 mainly due to the US$8.1 million increase in amortization of concession rights arising from the renewal of contract at MICT; acquisition of port equipment and completion of yard facilities improvements at certain key terminals; full year contribution of PICT and OJA; and the addition of new terminals, CMSA and OPC. Excluding new terminals, and the 2012 contribution of TICT, depreciation and amortization expense would have increased by 20.0 percent in 2013.

Interest and Financing Charges on Borrowings

Financing charges increased by 40.3 percent from US$30.4 million for the year ended December 31, 2012 to US$42.7 million for the year ended December 31, 2013 primarily due to higher outstanding interest-bearing debt as of December 31, 2013 (US$951.8 million) compared to the same period in 2012 (US$781.3 million) arising from the issuance of US$400.0 million MTN which were used to refinance some of ICTSI's existing debt and for other general corporate purposes, and the availment of term loans by CGSA, BCT and AGCT during the year. Financing charges are net of capitalized borrowing costs on qualifying assets principally at MICT, CMSA, CGSA, SPIA and Tecplata amounting to US$30.3 million and US$35.6 million for the years ended December 31, 2012 and 2013, respectively. Capitalization rate decreased from 9.0 percent in 2012 to 7.6 percent in 2013.

Interest Expense on Concession Rights Payable

Interest on concession rights payable surged by 67.7 percent from US$16.7 million for the year ended December 31, 2012 to US$27.9 million for the same period in 2013 arising mainly from the renewal of MICT's concession contract effective May 19, 2013 which resulted in a US$9.9 million increase in interest on concession rights payable for the year ended December 31, 2013. Concession rights payable recognized on renewal amounted to US$348.5 million.

Foreign Exchange Loss and Others

Foreign exchange loss and others grew by 27.5 percent from US$10.0 million for the year ended December 31, 2012 to US$12.7 million for the same period in 2013 primarily due to the depreciation of Philippine Peso (2013: -8.1%; 2012: +6.4%) and Colombian Peso (2013: -9.2%; 2012: +8.8%) against the US dollar.

Foreign exchange loss mainly results from the translation or restatement as well as from the settlement of foreign currency-denominated monetary assets and liabilities.

EBITDA and EBIT

Consolidated EBITDA increased by 22.7 percent from US$307.6 million for the year ended December 31, 2012 to US$377.3 million for the year ended December 31, 2013 primarily due to volume growth; stronger revenues arising from tariff rate adjustments, new shipping lines, and favorable volume mix; higher revenues from BBC and general cargo, storage, and ancillary services; and the full year contribution of PICT. Excluding PICT, OJA, CMSA and OPC, and the 2012 contribution of TICT, consolidated EBITDA would have increased by 11.9 percent in 2013. Consequently, EBITDA margin increased from 42.2 percent in 2012 to 44.3 percent in 2013.

Meanwhile, despite higher depreciation and amortization expense, consolidated EBIT grew by 22.5 percent from US$226.8 million for the year ended December 31, 2012 to US$277.8 million for the year ended December 31, 2013 mainly due to stronger revenues. As a result, EBIT margin increased from 31.1 percent in 2012 to 32.6 percent in 2013.

Income Before Income Tax and Provision for Income Tax

Consolidated income before income tax increased by 12.1 percent from US$191.8 million for the year ended December 31, 2012 to US$215.0 million for the year ended December 31, 2013 primarily due to stronger revenues despite higher depreciation and amortization expense and other non-operating expense items such as interest expense and financing charges on borrowings and interest on concession rights payable. The ratio of income before income tax to consolidated gross revenues stood at 26.3 percent and 25.2 percent in 2012 and 2013, respectively.

Consolidated provision for current and deferred income taxes dropped by 28.7 percent from US$48.1 million for the year ended December 31, 2012 to US$34.3 million for the same period in 2013 primarily due to the recognition of deferred income tax benefit on unrealized foreign exchange loss and higher income tax holiday incentive of MICT's Berth 6 amounting to US$10.4 million in 2013 and US$2.9 million in 2012.

Net Income

Consolidated net income surged by 25.7 percent from US$143.8 million for the year ended December 31, 2012 to US$180.7 million for the year ended December 31, 2013 due mainly to stronger operating income, tapered by higher depreciation and amortization expenses and other non-operating expense items such as interest expense and finance charges on borrowings and interest on concession rights payable. The ratio of consolidated net income to gross revenues stood at 19.7 percent and 21.2 percent in 2012 and 2013, respectively.

Net income attributable to equity holders or net profits excluding non-controlling interests grew by 20.4 percent from US$143.2 million for the year ended December 31, 2012 to US$172.4 million for the same period in 2013.

Basic and diluted earnings per share increased from US$0.059 and US$0.058, respectively, in 2012 to US$0.072 and US$0.071, respectively, in 2013 due to stronger operating results.

There were no significant elements of income or expense outside the Group's continuing operations for the year ended December 31, 2013.

COMPARISON OF OPERATING RESULTS FOR THE YEARS ENDED DECEMBER 31, 2012 AND 2011

TEU Volume

Consolidated throughput handled by the Group increased by 7.5 percent from 5,233,795 TEUs for the year ended December 31, 2011 to 5,628,021 TEUs for the year ended December 31, 2012 mainly due to the continuous improvement in international and domestic trade, new shipping lines and routes, and the continuous shift in the containerization of BBC. Meanwhile, new terminals, OJA and PICT, which were consolidated in August 2012 and October 2012, and ICTSI Oregon and AGCT, which were consolidated in February 2011 and April 2011, respectively, also contributed to the growth in volume. Excluding the impact of new terminals, consolidated volume would have increased by 3.7 percent in 2012. Key terminals, consisting of MICT, CGSA, TSSA, BCT, YRDICTL and MICTSL reported a combined growth of 6.2 percent year-on-year.

Volume handled by the Asia operations, comprised of terminals in the Philippines, China, Indonesia and Pakistan, increased by 9.2 percent from 2,956,433 TEUs for the year ended December 31, 2011 to 3,228,432 TEUs for the year ended December 31, 2012 mainly due to the continuous improvement in international and domestic trade, new shipping lines and routes, and new terminals, PICT and OJA. Excluding new terminals, volume for the segment would have increased by 3.3 percent in 2012. Volume growth, however, was tapered by the decline in DIPSSCOR as trade restrictions in China and a recent typhoon, which destroyed a big portion of the banana plantations in Mindanao, slowed down banana production and exportation. The Asia operations accounted for 56.5 percent and 57.4 percent of the consolidated volume for the years ended December 31, 2011 and 2012, respectively.

The EMEA operations, comprised of terminals in Poland, Syria, Georgia, Madagascar and Croatia, posted a 16.6 percent increase from 706,357 TEUs for the year ended December 31, 2011 to 823,471 TEUs for the same period in 2012 primarily due to stronger international trade, continuous shift in the containerization of cargoes previously shipped as BBC, and the full year contribution of AGCT. The entire segment's operating terminals reported double-digit growth with the exception of TICT, whose volume continued to drop due to the worsening political situation in Syria. Excluding AGCT, volume of the segment would have increased by 14.7 percent in 2012. The EMEA operations accounted for 13.5 percent and 14.6 percent of the Group's consolidated volume for the years ended December 31, 2011 and 2012, respectively.

Throughput from the Americas segment, composed of terminals in Brazil, Ecuador and The United States of America, increased marginally by 0.3 percent to 1,576,118 TEUs for the year ended December 31, 2012 from 1,571,005 TEUs for the same period in 2011. The marginal increase was mainly attributed to the full year contribution of ICTSI Oregon and CGSA's gradual recovery from a slowdown in banana exportation in Ecuador. Excluding ICTSI Oregon, the segment's volume would have decreased slightly by 0.2 percent mainly due to the 7.7 percent decline in TSSA's volume which can be attributed to the soft Brazil market and the discontinuance of its Asia service operations resulting to lower transshipment volume. The Americas operations captured 30.0 percent and 28.0 percent of the consolidated volume for the years ended December 31, 2011 and 2012, respectively.

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, 2011 and 2012:

Total Income

	For the Year Ended December 31		
(In thousands, except % change data)	2011	**2012**	% Change
Gross revenues from port operations	US$664,836	**US$729,308**	9.7
Port authorities' share in gross revenues	94,115	**102,892**	9.3
Net revenues	570,721	**626,416**	9.8
Foreign exchange gain	14,185	**10,657**	(24.9)
Interest income	8,815	**7,789**	(11.6)
Other income	11,679	**3,630**	(68.9)
	US$605,400	**US$648,492**	7.1

In 2012, net revenues accounted for 96.6 percent of the total consolidated income while foreign exchange gain represented 1.6 percent. In 2011, net revenues and foreign exchange gain stood at 94.3 percent and 2.3 percent of the total consolidated income, respectively.

Gross Revenues from Port Operations

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

Consolidated gross revenues from port operations grew by 9.7 percent from US$664.8 million for the year ended December 31, 2011 to US$729.3 million for the year ended December 31, 2012 due to volume growth on all geographical segments, tariff rate increases in certain terminals, favorable volume mix, mainly import and export-laden containers, new shipping lines, higher revenues from storage and ancillary services, full year contribution of ICTSI Oregon and AGCT, and the addition of new terminals, PICT and OJA. Excluding ICTSI Oregon, AGCT, PICT and OJA, gross revenues would have increased by 6.4 percent in 2012. However, the increase in consolidated gross revenues was tapered by the 16.8 percent depreciation of the Brazilian Reais (BRL) against the US dollar. Excluding the translation impact of BRL, consolidated gross revenues would have increased by 12.3 percent in 2012. The Asia and EMEA segments reported 19.6 percent and 10.5 percent growth, respectively, while the Americas segment declined marginally by 1.1 percent. Key terminals posted a combined growth of 6.6 percent year-on-year.

Gross revenues from the Asia operations increased by 19.6 percent to US$362.0 million for the year ended December 31, 2012 from US$302.6 million for the year ended December 31, 2011 due to volume growth, tariff rate increases at MICT, favorable volume mix, higher revenues from ancillary services, and additional contribution of new terminals, PICT and OJA. Excluding new terminals, the segment's gross revenues would have increased by 14.3 percent in 2012. The Asia operations captured 45.5 percent and 49.6 percent of the consolidated gross revenues for the years ended December 31, 2011 and 2012, respectively.

The EMEA operations reported a 10.5 percent increase in gross revenues from US$78.1million for the year ended December 31, 2011 to US$86.3 million for the year ended December 31, 2012 primarily due to volume growth in most terminals, MICTSL's tariff rate increase, higher storage revenues due to longer dwell time, and the full year contribution of AGCT. Excluding AGCT, gross revenues of the segment would have increased by 8.4 percent in 2012. EMEA operations accounted for 11.7 percent and 11.8 percent of the consolidated gross revenues for the years ended December 31, 2011 and 2012, respectively.

Meanwhile, gross revenues from the Americas segment decreased by 1.1 percent to US$281.0 million for the year ended December 31, 2012 from US$284.1 million for the year ended December 31, 2011 due mainly to the 16.5 percent decline in gross revenues of TSSA which was brought about by the soft Brazil market, discontinuance of its Asia transshipment service, and a weaker BRL. Excluding the translation impact of BRL, gross revenues for the segment would have increased by 5.0 percent in 2012 due to the gradual recovery of banana exports at CGSA and the full year contribution of ICTSI Oregon. However, excluding ICTSI Oregon, the segment's gross revenues would have dropped by 3.7 percent in 2012. The Americas operations accounted for 42.7 percent and 38.5 percent of the consolidated gross revenues of the Group for the years ended December 31, 2011 and 2012, respectively.

Foreign Exchange Gain, Interest Income and Other Income

Foreign exchange gain dropped by 24.9 percent to US$10.7 million for the year ended December 31, 2012 from US$14.2 million for the year ended December 31, 2011 mainly due to the decline in the Parent Company's net monetary assets despite the appreciation of Philippine peso against US dollar (2012:+6.4%; 2011:nil), and net derivative gains on its US$/MXN dual currency deposits which matured at the end of 2011. Foreign exchange gain mainly arises from the settlement and translation or restatement adjustments of foreign currency-denominated monetary assets and liabilities.

Consolidated interest income decreased by 11.6 percent from US$8.8 million for the year ended December 31, 2011 to US$7.8 million for the year ended December 31, 2012 mainly due to lower average cash balance in 2012 compared to 2011.

Other income dropped by 68.9 percent to US$3.6 million for the year ended December 31, 2012 from US$11.7 million for the year ended December 31, 2011 mainly due to the gain on sale of available-for-sale investments recognized in 2011 amounting to US$8.4 million.

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 2011 and 2012.

Total Expenses

	For the Year Ended December 31		
(In thousands, except % change data)	2011 (As restated)	**2012 (As restated)**	% Change
Manpower costs	US$124,287	**US$140,009**	12.6
Equipment and facilities-related expenses	89,808	**93,766**	4.4
Administrative and other operating expenses	74,916	**85,079**	13.6
Total cash operating expenses	289,011	**318,854**	10.3
Depreciation and amortization	68,882	**80,745**	17.2
Interest expense and financing charges on borrowings	38,993	**30,400**	(22.0)
Interest expense on concession rights payable	18,913	**16,659**	(11.9)
Foreign exchange loss and others	18,064	**9,994**	(44.7)
	US$433,863	**US$456,652**	5.3

Total cash operating expenses of the Group increased by 10.3 percent to US$318.9 million for the year ended December 31, 2012 from US$289.0 million for the year ended December 31, 2011 due to higher volume-related expenses such as on-call labor and contracted services, fuel and power consumption, and repairs and maintenance. In addition, government-mandated and contracted salary rate increases in certain terminals, increased business development activities, full year contribution of ICTSI Oregon and AGCT, and the addition of new terminals, PICT and OJA, contributed to the increase in cash operating expenses. Excluding the contribution of ICTSI Oregon, AGCT, PICT and OJA, total cash operating expenses would have increased by 6.2 percent in 2012. Meanwhile, excluding the translation impact of BRL, cash operating expenses would have increased by 13.2 percent in 2012.

Manpower Costs

Manpower costs grew by 12.6 percent from US$124.3 million for the year ended December 31, 2011 to US$140.0 million for the year ended December 31, 2012 due to higher headcount and increased on-call labor costs driven by volume growth, government-mandated and contracted salary rate increases in certain terminals such as MICTSL, MICT, TSSA, DIPSSCOR, CGSA and TSSA, full year contribution of ICTSI Oregon and AGCT, and the inclusion of PICT and OJA. Excluding ICTSI Oregon, AGCT, PICT and OJA, manpower costs would have increased by 7.6 percent in 2012.

Manpower costs accounted for 43.0 percent and 43.9 percent of cash operating expenses for the years ended December 31, 2011 and 2012, respectively.

Equipment and Facilities-related Expenses

Equipment and facilities-related expenses consist mainly of repairs and maintenance costs of port equipment and facilities, fixed port fees, power and light, technical and systems development and maintenance expenses, tools expenses, equipment rentals, and fuel, oil and lubricants.

Equipment and facilities-related expenses increased by 4.4 percent to US$93.8 million for the year ended December 31, 2012 from US$89.8 million for the year ended December 31, 2011. The increase was due to higher volume-related expenses, such as fuel, power and repairs and maintenance, full year contribution of ICTSI Oregon and AGCT, and the addition of PICT and OJA. Excluding new terminals, equipment and facilities-related expenses would have decreased by 0.4 percent in 2012.

Equipment and facilities-related expenses represented 31.1 percent and 29.4 percent of cash operating expenses for the years ended December 31, 2011 and 2012, respectively.

Administrative and Other Operating Expenses

Administrative and other operating expenses grew by 13.6 percent from US$74.9 million for the year ended December 31, 2011 to US$85.1 million for the year ended December 31, 2012 mainly due to higher travel and transportation expenses and professional fees related to business development activities in Asia and EMEA regions, provisions for claims and losses, full year contribution of ICTSI Oregon and AGCT, and the addition of PICT and OJA. Excluding new terminals, consolidated administrative expenses and other operating expenses would have increased by 11.4 percent in 2012.

Administrative and other operating expenses captured 25.9 percent and 26.7 percent of the total cash operating expenses for the years ended December 31, 2011 and 2012, respectively.

Depreciation and Amortization

Depreciation and amortization expense increased by 17.2 percent to US$80.7 million for the year ended December 31, 2012 from US$68.9 million for the year ended December 31, 2011 due mainly to the acquisition of port equipment and completion of yard facilities improvements at key terminals, particularly at MICT, CGSA and TSSA.

Foreign Exchange Loss and Others

Foreign exchange loss and others decreased by 44.7 percent to US$10.0 million for the year ended December 31, 2012 from US$18.1 million for the year ended December 31, 2011 mainly due to the continuous appreciation of the Philippine peso (2012:+6.4%; 2011: nil) and Colombian peso (2012:+8.8%; 2011:-1.6%) against the US dollar. Other expenses in 2012 consist of the penalty on prepayment and loss on pre-termination of prepayment option of HSBC loan totaling US$1.5 million. On the other hand, other expenses in 2011 include a one-time recognition of equity tax at SPIA amounting to US$2.5 million.

Foreign exchange loss mainly results from the translation or restatement as well as from the settlement of foreign currency-denominated monetary assets and liabilities.

Interest Expense on Concession Rights Payable

Interest on concession rights payable decreased by 11.9 percent to US$16.7 million for the year ended December 31, 2012 from US$18.9 million for the year ended December 31, 2011 mainly due to the declining principal balance of MICT's concession rights payable which is approaching its maturity in 2013.

Interest and Financing Charges on Borrowings

Financing charges decreased by 22.0 percent to US$30.4 million for the year ended December 31, 2012 from US$39.0 million for the year ended December 31, 2011 due to higher capitalized borrowing costs. Financing charges are net of capitalized borrowing costs on qualifying assets under construction principally at MICT, CMSA, CGSA, SPIA and Tecplata amounting to US$30.3 million and US$15.6 million for the years ended December 31, 2012 and 2011, respectively.

EBITDA and EBIT

Consolidated EBITDA increased by 9.2 percent to US$307.6 million for the year ended December 31, 2012 from US$281.7 million for the year ended December 31, 2011 primarily due to the growth in volume, stronger revenues arising from tariff rate increases, favorable volume mix, and higher storage and ancillary services, full year contribution of ICTSI Oregon and AGCT, and the addition of PICT and OJA. Excluding new terminals, EBITDA would have increased by 5.9 percent in 2012. EBITDA margin decreased slightly by 20 basis points from 42.4 percent in 2011 to 42.2 percent in 2012 mainly due to higher cash operating expenses.

Consolidated EBIT grew by 6.6 percent to US$226.8 million for the year ended December 31, 2012 from US$212.8 million for the year ended December 31, 2011 due to stronger revenues. However, EBIT margin decreased by 90 basis points to 31.1 percent in 2012 from 32.0 percent in 2011 mainly due to higher depreciation and amortization expense.

Income Before Income Tax And Provision For Income Tax

Consolidated income before income tax increased by 11.8 percent to US$191.8 million for the year ended December 31, 2012 from US$171.5 million for the year ended December 31, 2011 primarily due to stronger revenues and favorable effect of non-operating items such as lower interest expense and financing charges on borrowings and interest expense on concession rights payable. Excluding the US$0.8 million loss on the write-off of TICT's assets recognized in 2012, and the net effect of gain on sale of available-for-sale investments and SPIA's equity tax totaling US$6.2 million in 2011, consolidated income before income tax, on a recurring basis, would have increased by 16.5 percent in 2012. The ratio of income before income tax to total gross revenues stood at 25.8 percent and 26.3 percent in 2011 and 2012, respectively.

Consolidated provision for current and deferred income tax grew by 19.8 percent to US$48.1 million for the year ended December 31, 2012 from US$40.1 million for the same period in 2011 mainly due to higher operating income. Provision for current income tax in 2012 is reduced by the income tax holiday incentive of MICT's Berth 6 of US$2.9 million. Effective income tax rate in 2011 and 2012 stood at 23.4 percent and 25.1 percent, respectively, due mainly to derecognized deferred tax asset on losses of certain subsidiaries.

Net Income

Consolidated net income increased by 9.4 percent to US$143.8 million for the year ended December 31, 2012 from US$131.4 million for the same period in 2011 due mainly to higher operating income combined with the favorable effect of non-operating items. However, excluding the loss on the write-off of TICT's assets amounting to US$0.8 million in 2012, and net effect of gain on sale of available-for-sale investments and SPIA's equity tax totaling US$6.2 million in 2011, consolidated net income, on a recurring basis, would have increased by 15.5 percent in 2012. The ratio of consolidated net income to gross revenues stood at 19.7 percent and 19.8 percent in 2012 and 2011, respectively.

Net income attributable to equity holders or net profits excluding non-controlling interests grew by 9.3 percent to US$143.2 million for the year ended December 31, 2012 from US$130.9 million for the year ended December 31, 2011. Excluding the loss on the write-off of TICT's assets amounting to US$0.8 million in 2012, and net effect of gain on sale of available-for-sale investments and SPIA's equity tax in 2011, consolidated net income attributable to equity holders or net profits excluding non-controlling interests, on a recurring basis, would have increased by 15.4 percent in 2012.

Basic and diluted earnings per share declined to US$0.059 and US$0.058, respectively, for the year ended December 31, 2012 from US$0.063 and US$0.061, respectively, for the year ended December 31, 2011 due to the full year effect in 2012 of distributions to holders of subordinated perpetual capital securities. Distributions to holders of subordinated perpetual capital securities amounted to US$28.7 million in 2012 and US$10.9 million in 2011.

There were no significant elements of income or expense outside the Group's continuing operations for the year ended December 31, 2012.

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 volume 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 POSITION

Consolidated Condensed Balance Sheets

	For the Year Ended December 31				
(In thousands, except % change data)	2011 (As restated)	2012 (As restated)	**2013**	% Change *2011 vs 2012*	% Change *2012 vs 2013*
Total assets	US$1,944,749	US$2,333,014	**US$3,087,640**	20.0	32.3
Current assets	586,876	353,771	**428,560**	(39.7)	21.1
Total Equity	941,561	1,110,236	**1,353,237**	17.9	21.9
Total equity attributable to equity holders of the parent	838,594	991,788	**1,249,578**	18.3	26.0
Total interest-bearing debt	651,206	781,343	**951,788**	20.0	21.8
Current liabilities	224,999	459,736	**232,453**	104.3	(49.4)
Total liabilities	1,003,188	1,222,778	**1,734,403**	21.9	41.8
Current assets/total assets	30.2%	15.2%	**13.9%**		
Current ratio	2.61	0.77	**1.84**		
Debt-equity ratio[1]	0.69	0.70	**0.70**		

[1] Debt includes interest-bearing debt. Equity means Total Equity as shown in the consolidated balance sheets.

Total assets surged by 32.3 percent to US$3.1 billion as of December 31, 2013 from US$2.3 billion as of December 31, 2012 mainly due to investments in capital expenditures and port facilities and equipment in Tecplata, CMSA and AGCT, and payment of upfront fees at MICT and OPC. These investments were funded by cash generated from the Group's operations and proceeds from the equity offering of US$195.9 million in May 2013, and the issuance of the US$400.0 million, 10-year medium-term notes under the Medium Term Note (MTN) Programme established by ICTSI Treasury B.V. (ICTSI Treasury) in January 2013 and February 2013. Concession rights asset on the net present value of fixed fees were also recognized on the renewal of MICT's concession agreement and on OPC's concession agreement and contributed to a total of US$389.5 million increase in intangible assets. On the other hand, the Group entered into a joint venture agreement with a third party, involving the Group's investments in SPIA, to jointly develop, construct and operate the container terminal at SPIA. The joint venture agreement resulted in the deconsolidation of SPIA's assets totaling US$169.2 million and the recognition of investment in and advances to a jointly-controlled entity aggregating US$78.2 million as of December 31, 2013. Noncurrent assets stood at 86.1 percent and 84.8 percent of the total consolidated assets as of December 31, 2013 and 2012, respectively.

Current assets grew by 21.1 percent to US$428.6 million as of December 31, 2013 from US$353.8 million as of December 31, 2012 mainly due to the net cash inflows generated from operations and the Group's financing activities during the period. The Group also received US$64.8 million proceeds from the joint venture agreement involving SPIA. Current assets accounted for 13.9 percent and 15.2 percent of the total consolidated assets of the Group as of December 31, 2013 and 2012, respectively. Current ratio stood at 0.77 as of December 31, 2012 and 1.84 as of December 31, 2013.

Total equity increased by 21.9 percent to US$1.4 billion as of December 31, 2013 from US$1.1 billion as of December 31, 2012 mainly due to the issuance of capital stock and sale of treasury shares in May 2013, and higher net income generated for the year.

Total liabilities went up by 41.8 percent to US$1.7 billion as of December 31, 2013 from US$1.2 billion as of December 31, 2012 primarily due to the issuance of medium-term notes under ICTSI Treasury's MTN Programme and availment of short and long-term loans by the Parent Company, CGSA, AGCT and BCT, reduced by repayments of various short and long-term loans of the Parent Company, CGSA, PICT and BCT. In September 2013, ICTSI also exchanged portion of its existing US$450.0 million senior notes with a carrying value of US$176.4 million and due in 2020, with the notes of ICTSI Treasury issued under the MTN Programme due in 2025, to extend the term for another five years. The exchange did not increase the level of interest-bearing loans of the Group. Concession rights payable on the net present value of fixed fees arising from the renewal of MICT's concession agreement and new concession agreement at OPC were also recognized and contributed to a US$389.5 million increase in total liabilities. Financial leverage, the ratio of total interest-bearing debt to total assets, stood at 30.8 percent and 33.5 percent as of December 31, 2013 and 2012, respectively.

Meanwhile, current liabilities declined by 49.4 percent to US$232.5 million as of December 31, 2013 from US$459.7 million as of December 31, 2012 mainly due to the refinancing of the Parent Company's maturing short and medium-term loans totaling US$170.0 million, and Philippine peso-denominated loans totaling US$70.8 million during the year.

Material Variances Affecting the Balance Sheet

Balance sheet accounts as of December 31, 2013 with variances of plus or minus 5.0 percent against December 31, 2012 balances are discussed, as follows:

Noncurrent Assets

1. Property and equipment increased by 21.9 percent to US$708.1 million as of December 31, 2013 mainly due to civil works and acquisition of port equipment in certain terminals, particularly at CMSA and AGCT.
2. Intangibles, net of amortization, grew by 37.9 percent to US$1.7 billion as of December 31, 2013 due mainly to the recognition of concession rights on the net present value of fixed fees and upfront fees related to the renewal of MICT's concession contract and OPC's new concession agreement aggregating US$440.8 million in 2013, and ongoing port construction at Tecplata.
3. Investment properties declined by 59.6 percent to US$12.6 million due to the reclassification of a subsidiary's investment properties to non-current assets held for sale as of December 31, 2013 in relation to its impending sale in January 2014 under a Share Purchase Agreement entered into by the Parent Company in November 2013.
4. Deferred tax assets surged by 216.0 percent to US$44.7 million as of December 31, 2013 mainly due to the recognition of deferred tax asset on unrealized foreign exchange loss of the Parent Company during the year.
5. Investment in and advances to a joint venture and associate amounting to US$78.2 million as of December 31, 2013 pertains to the Group's investment in and advances to SPIA which was deconsolidated in October 2013 and is accounted for as a joint venture entity on the same date.

Current Assets

6. Cash and cash equivalents surged by 29.6 percent to US$242.2 million as of December 31, 2013 from US$186.8 million as of December 31, 2012 arising mainly from cash generated from stronger operating income, and the net funding from debt and equity capital of the Group. The Group generated funds from the issuance of common shares and sale of treasury shares aggregating US$195.9 million and from availment of short and long-term borrowings by the Parent Company, ICTSI Treasury, CGSA, AGCT and BCT aggregating US$442.1 million. The cash inflows were used for capital expenditures amounting to US$477.6 million; principal and interest payments of short and long-term borrowings totaling US$272.5 million and US$42.7 million, respectively; dividend payments of US$49.0 million; and distributions to holders of perpetual capital securities amounting to US$29.3 million.
7. Receivables increased by 13.7 percent to US$85.1 million as of December 31, 2013 due to stronger revenues towards the end of 2013 as compared to the same period in 2012.
8. Spare parts and supplies grew by 16.6 percent to US$21.6 million as of December 31, 2013 primarily as a result of acquisition of port equipment spare parts at key terminals.
9. Non-current assets held for sale amounting to US$16.3 million as of December 31, 2013 pertain to the investment property of a subsidiary which will be sold in January 2014 under a Share Purchase Agreement entered into by the Parent Company in November 2013.
10. Derivative assets decreased by 92.5 percent to US$0.7 million mainly due to the maturity of cross-currency swaps covering the Philippine peso-denominated loans which were settled in 2013.

Equity

11. Additional paid-in capital increased by 58.9 percent to US$526.5 million as of December 31, 2013 brought about by the issuance of common shares and sale of treasury shares in May 2013.
12. Treasury shares declined by 70.1 percent to US$1.4 million mainly due to the sale of treasury shares in May 2013.
13. Excess of acquisition cost over the carrying value of non-controlling interests increased by 13.8 percent to US$137.0 million due to the acquisition of non-controlling interests in PICT and Tecplata.
14. Retained earnings climbed by 20.4 percent to US$649.7 million as of December 31, 2013 due to stronger net income for the year amounting to US$172.4 million, reduced by dividends paid by the Parent Company and distributions to holders of perpetual capital securities amounting to US$49.0 million and US$29.3 million, respectively.
15. Other comprehensive loss increased by 41.5 percent to US$120.3 million primarily due to the unfavorable translation of financial statements of certain terminals, particularly TSSA, CMSA and PICT arising from weaker BRL, MXN and PKR against the US dollar.

Noncurrent Liabilities

16. Long-term debt and debt securities, net of current portion, surged by 70.8 percent to US$905.7 million mainly due to the issuance of US$400.0 million medium-term notes under ICTSI Treasury's MTN Programme in January 2013 and February 2013, availments of Parent Company's medium-term loans amounting to US$20.0 million, Euro term loan at AGCT of US$14.6 million (€10.6 million), and term loan at BCT of US$2.0 million. The borrowings were used to refinance maturing loans and fund capital expenditures. In September 2013, ICTSI also exchanged portion of its existing US$450.0 million senior notes with a carrying value of US$176.4 million and due in 2020, with the notes of ICTSI Treasury issued under the MTN Programme due in 2025, to extend the term for another five years.
17. Concession rights payable, net of current portion, increased by 228.0 percent to US$531.7 million due to the recognition of concession rights payable on the net present value of fixed fees at MICT, OPC and AGCT amounting to US$348.5 million, US$41.0 million, and US$4.1 million, respectively.
18. Deferred tax liabilities dropped by 9.6 percent to US$60.9 million as of December 31, 2013 due to lower unrealized foreign exchange gain resulting from a weaker Philippine peso against the US dollar towards the end of the year.
19. Pension liabilities increased by 14.3 percent to US$3.7 million as of December 31, 2013 mainly due to pension costs adjustments at CGSA and BCT, and the addition of CMSA.

Current Liabilities

20. Loans payable was up by 17.4 percent to US$12.0 million mainly due to the availment of CGSA's short-term loan with outstanding balance of US$2.1 million as of December 31, 2013.
21. Accounts payable and other current liabilities declined by 10.9 percent to US$163.3 million as of December 31, 2013 primarily due to payments to contractors at CMSA.
22. Current portion of long-term debt and debt securities dropped by 85.8 percent to US$34.1 million as of December 31, 2013 arising from the following: repayment of the Parent Company's medium-term loans aggregating US$160.0 million and Philippine peso-denominated term loans totaling US$70.8 million (₱3.0 billion); and payment of loans and debt securities at CGSA, PICT and BCT amounting to US$12.9 million, US$4.9 million (PKR 497.9 million) and US$0.8 million, respectively.
23. Current portion of concession rights payable grew by 60.4 percent to US$7.2 million resulting mainly from higher annual concession fees payable arising from the renewal of concession contract at MICT in May 2013 and the recognition of concession rights payable at OPC.
24. Income tax payable decreased by 24.1 percent to US$15.9 million as of December 31, 2013 mainly due to higher income tax holiday incentive at MICT's Berth 6 (2013: US$10.4 million; 2012: US$2.9 million).
25. Derivative liabilities was nil as of December 31, 2013.

Balance sheet accounts as of December 31, 2012 with variances of plus or minus 5.0 percent against December 31, 2011 balances are discussed, as follows:

Noncurrent Assets

1. Property and equipment increased by 53.1 percent to US$581.0 million as of December 31, 2012 mainly due to acquisition of port and other equipment and ongoing civil works at CMSA and TSSA, and the inclusion of PICT and OJA.
2. Intangibles, net of amortization, increased by 44.7 percent to US$1.2 billion as of December 31, 2012 due mainly to the acquisition of port and other equipment at MICT, CGSA and Tecplata, present value of ICTSI Subic's, PICT's and Tecplata's fixed port fees amounting to US$28.7 million, US$8.9 million, and US$0.8 million, respectively, upfront fees pertaining to Lekki amounting to US$12.5 million, and the inclusion of provisional goodwill of PICT, OJA, and JASA totaling US$172.8 million.
3. Deferred tax assets dropped by 46.8 percent to US$14.1 million as of December 31, 2012 mainly due to the declining balance of the Parent Company's concession rights payable, and derecognized deferred tax asset of SPIA amounting to US$3.3 million.
4. Other non-current assets increased by 72.5 percent to US$118.5 million as of December 31, 2012 mainly due to the increase in advances to contractors at CMSA and AGCT, higher input VAT in Tecplata and CMSA associated with the purchase of terminal equipment and civil works in relation to the ongoing construction activities, and the inclusion of PICT. This also includes deposit for investments.

Current Assets

5. Cash and cash equivalents decreased by 59.2 percent to US$186.8 million as of December 31 2012 mainly resulting from the following transactions: business combinations and acquisition of non-controlling interest totaling US$204.1 million; scheduled principal repayment of the Parent Company's Philippine peso-denominated term loans amounting to US$35.5 million (₱1.5 billion) and US$16.0 million (₱698.5 million), respectively; net outflows from CGSA's loans and debt securities totaling US$14.1 million; full settlement of SPIA's short-term loan amounting to US$2.0 million; interest payment on the US$450.0 million senior notes and Philippine peso-denominated term loans amounting to US$41.4 million and US$4.1 million (₱173.6 million), respectively; dividend payments of US$31.0 million; distributions to holders of subordinated perpetual capital securities amounting to US$26.8 million; and capital expenditures totaling US$465.6 million.

Meanwhile, the net proceeds from the short-term loan and medium-term loans availed by the Parent Company during the latter part of 2012 totaling US$169.2 million; net proceeds from the issuance of a further US$150.0 million subordinated perpetual capital securities amounting to US$143.6 million; proceeds from sale of ICTSI common shares held by IWI of US$29.6 million; net inflows of BCT's loan of US$0.5 million, and net cash flows from operations of S$285.8 million for the year ended December 31, 2012 tapered the decline in cash and cash equivalents.

6. Receivables went up by 31.9 percent to US$74.9 million as of December 31, 2012 mainly due to BCT's insurance claim related to a crane incident in May 2012 and stronger gross revenues in December 2012 compared to the same period in 2011.
7. Spare parts and supplies increased by 13.2 percent to US$18.5 million as a result mainly of acquisition of port equipment spare parts at key terminals and the addition of PICT.
8. Prepaid expenses and other current assets increased by 33.2 percent to US$63.6 million as of December 31, 2012 primarily due to higher input VAT of the Parent Company and CMSA, and the addition of PICT and OJA.
9. Derivative assets increased by 18.2 percent to US$9.9 million mainly due to the favorable movement in fair values of cross-currency swaps.

Equity

10. Retained earnings climbed by 19.1 percent to US$539.6 million due to net income for the year ended December 31, 2012 amounting to US$143.2 million, reduced by dividends declared by the Parent Company and distributions to holders of subordinated perpetual capital securities amounting to US$29.6 million and US$28.7 million, respectively.
11. Excess of acquisition cost over the carrying value of non-controlling interests increased by US$114.2 million due to the acquisition of non-controlling interest in PICT.
12. Cost of shares held by subsidiaries declined by 22.5 percent mainly due to the sale of ICTSI common shares held by IWI in April 2012 amounting to US$29.6 million.
13. Subordinated perpetual capital securities increased by 74.2 percent to US$337.0 million primarily due to the issuance of a further US$150.0 million in January 2012, increasing the size of the subordinated perpetual capital securities to US$350.0 million.

Noncurrent Liabilities

14. Long-term debt, net of current portion, declined by 10.1 percent to US$530.3 million due to the scheduled principal repayment of the Parent Company's Philippine peso-denominated term loans, BCT's long-term loan, and CGSA's loans and debt securities.
15. Concession rights payable increased by 15.0 percent to US$162.1 million mainly due to the net present values of fixed fees of ICTSI Subic and Tecplata.
16. Deferred tax liabilities increased by 47.9 percent to US$67.4 million as of December 31, 2012 due to the addition of PICT.
17. Pension liabilities increased by 81.9 percent to US$3.3 million as of December 31, 2012 mainly due to pension costs adjustments at MICT, BCT and MICTSL.

Current Liabilities

18. Loans payable increased by 312.1 percent to US$10.2 million due mainly to the US$10.0 million medium-term loan availed by the Parent Company in December 2012.
19. Accounts payable and other current liabilities increased by 43.7 percent to US$183.2 million as of December 31, 2012 due mainly to the ongoing port construction at CMSA and Tecplata.
20. Current portion of long-term debt increased by 309.5 percent to US$240.8 million mainly due to medium-term loans availed by the Parent Company during the last quarter of 2012, and the Group's scheduled principal repayment and amortization for 2013.
21. Current portion of concession rights payable dropped by 79.7 percent to US$4.5 million mainly due to declining principal balance of the Parent Company's concession rights payable as its concession contract approaches maturity in May 2013.
22. Income tax payable went up by 51.5 percent to US$21.0 million primarily due to higher taxable income for the last quarter of 2012.
23. Derivative liabilities dropped by 65.2 percent to US$86.8 thousand due to the favorable movement in fair values of cross-currency swaps.

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, 2011, 2012 and 2013:

Consolidated Cash Flows

	For the Year Ended December 31				
(In thousands, except % change data)	2011	2012	**2013**	% Change *2011 vs 2012*	% Change *2012 vs 2013*
Net cash provided by operating activities	US$256,585	US$285,830	**US$285,110**	11.4	(0.3)
Net cash used in investing activities	(278,134)	(588,853)	**(442,292)**	111.7	(24.9)
Net cash provided by financing activities	143,368	19,883	**206,416**	(86.1)	938.2
Effect of exchange rate changes on cash	(9,563)	12,349	**6,156**	(229.1)	(50.1)
Net increase (decrease) in cash and cash equivalents	112,256	(270,791)	**55,390**	(341.2)	(120.5)
Cash and cash equivalents, beginning	345,380	457,636	**186,845**	32.5	(59.2)
Cash and cash equivalents, end	US$457,636	US$186,845	**US$242,235**	(59.2)	29.6

Consolidated cash and cash equivalents grew by 29.6 percent due to higher cash generated from operations and increased financing activities arising from equity transactions and MTN issuances and other term loan facilities.

Cash provided by operations before working capital changes was up by 22.4 percent from US$307.8 million for the year ended December 31, 2012 to US$376.7 million for the same period in 2013 due to stronger results of operations in 2013. However, due to higher payments to contractors particularly in CMSA and MICT Berth 6, and income taxes paid in 2013, net cash provided by operating activities remained relatively flat at US$285.1 million.

Net cash used in investing activities dropped by 24.9 percent to US$442.3 million mainly due to acquisition of PICT in 2012. Capital expenditures for 2013 amounted to US$477.6 million capturing 86.8 percent of the US$550.0 million total capital expenditure budget for 2013. The established budget is mainly allocated for green field projects in SPIA, Tecplata and CMSA, civil works, system improvements, and major port equipment acquisitions. The Group finances these requirements through existing cash, cash generated from operations, external borrowings and issuance of common shares.

Net cash provided by financing activities increased significantly to US$206.4 million for the year ended December 31, 2013 from US$19.9 million for the same period in 2012 brought about by funds obtained from the equity transactions in May 2013 amounting to US$195.9 million; issuance of US$400.0 million medium-term notes under ICTSI Treasury's MTN Programme in January 2013 and February 2013 aggregating US$393.8 million; and proceeds from short and long-term loan facilities of the Parent Company, AGCT, CGSA and BCT totaling US$48.4 million. The proceeds from the financing activities were partly used to refinance maturing loans and settle interest payments of the Parent Company's, CGSA's, AGCT's, PICT's and BCT's short, medium and other long-term loans amounting to US$272.5 million and US$42.7 million, respectively. Net cash provided by financing activities was also decreased by dividend payments of US$49.0 million and distributions to holders of perpetual capital securities of US$29.3 million.

Capital Resources

The table below illustrates the Group's capital sources as of December 31, 2011, 2012 and 2013:

Capital Sources

	As of December 31				
(In thousands, except % change data)	2011	2012	**2013**	% Change *2011 vs 2012*	% Change *2012 vs 2013*
Loans payable	US$2,482	US$10,226	**US$12,010**	312.1	17.4
Current portion of long-term debt	58,802	240,776	**34,080**	309.5	(85.8)
Long-term debt, net of current portion	589,922	530,341	**905,698**	(10.1)	70.8
Total short and long-term debt	651,206	781,343	**951,788**	20.0	21.8
Equity	941,561	1,110,236	**1,353,237**	17.9	21.9
	US$1,592,767	US$1,891,579	**US$2,305,025**	18.8	21.9

Total debt and equity capital of the Group increased by 21.9 percent as of December 31, 2013 primarily due to stronger net income and significant equity and debt financing transactions and activities to fund expansion projects; capital expenditures; maturing loans of the Parent Company, CGSA, BCT and PICT; and other general corporate requirements.

Debt Financing

The table below provides the breakdown of the Group's outstanding loans as of December 31, 2013:

Outstanding Loans

(In thousands)	Company	Maturity	Interest Rate	Amount
Short-Term Debt				
USD – denominated	CGSA	2014	Fixed	US$2,058
USD – denominated	Parent	2014	Floating	9,952
				12,010
Long-Term Debt				
Unsecured Peso Term Loan	Parent	2015	Fixed	10,492
Unsecured US Dollar Term Loan	Parent	2014	Floating	19,922
Unsecured US Dollar Bond	Parent	2020	Fixed	271,777
Unsecured US Dollar Bond	ITBV	2023 - 2025	Fixed	561,206
Secured US Dollar Term Loan	BCT	2021	Floating	9,381
Unsecured US Dollar Securities	CGSA	2016	Fixed/Floating	38,250
Secured Pakistani Rupee Term Loan	PICT	2017	Floating	14,182
Secured Euro Term Loan	AGCT	2024	Floating	14,568
				939,778
Total Debt				951,788
Less current portion and short-term				46,090
Long-term debt, net of current portion				US$905,698

As of December 31, 2013, 91.8 percent of the Group's total debt capital is held by the Parent and ICTSI Treasury, out of which the US$271.8 million senior notes issued in 2010 and due in 2020 and US$561.2 million MTN issued in 2013 and due in 2023 to 2025 formed 87.5 percent of the Group's debt capital.

The table below is a summary of debt maturities, net of unamortized debt issuance cost, of the Group as of December 31, 2013:

Outstanding Debt Maturities

(In thousands)	Amount
2014	US$34,080
2015	28,527
2016	19,104
2017	2,650
2018 and onwards	855,417
Total	US$939,778

MTN Programme

On January 9, 2013, ICTSI Treasury B.V. (ICTSI Treasury), a majority-owned subsidiary through ICTSI Ltd., established the MTN Programme that would allow ICTSI Treasury from time to time to issue medium-term notes (MTN), unconditionally and irrevocably guaranteed by ICTSI. The aggregate nominal amount of the MTN outstanding will not at any time exceed US$750.0 million (or its equivalent in other currencies), subject to increase as described in the terms and conditions of the Programme Agreement. In August 2013, the maximum aggregate nominal amount of the MTN outstanding that may be issued under the Programme was increased to US$1.0 billion.

Also, on January 9, 2013, ICTSI Treasury and ICTSI signed a Subscription Agreement with HSBC and UBS AG, Hong Kong Branch, for the issuance of 10-year US$300.0 million guaranteed MTN (the “Original MTN”) under the MTN Programme. The Original MTN were issued on January 16, 2013 to mature on January 16, 2023 at a fixed interest rate of 4.625 percent p.a., net of applicable taxes, set at a price of 99.014 and payable semi-annually in arrears.

Moreover, on January 28, 2013, ICTSI Treasury and ICTSI signed a Subscription Agreement with UBS AG, Hong Kong Branch, for the issuance of an additional 10-year US$100.0 million guaranteed MTN under the MTN Programme (the “MTN Tap”) to form a single series with the Original MTN discussed in the preceding paragraph. The MTN Tap were issued on February 4, 2013 to mature on January 16, 2023 at a fixed interest rate of 4.625 percent p.a., net of applicable taxes, set at a price of 101.25 and payable semi-annually in arrears.

The aggregate net proceeds of the MTN amounting to US$393.8 million would be used to refinance some of ICTSI's existing debt and for other general corporate purposes.

In June 2013, ICTSI purchased a total of US$6.0 million of ICTSI Treasury's US$400.0 million MTN at US$5.7 million. This resulted in the recognition of US$0.3 million gain in the 2013 consolidated statement of income.

In September 2013, ICTSI Treasury further issued US$207.5 million notes from the MTN Programme bearing interest of 5.875% per annum payable semi-annually and will be due in 2025, in exchange for US$178.9 million of ICTSI's US$450.0 million senior notes due in 2020 (“2020 Notes”). Concurrent with the exchange offer, noteholders of the 2020 Notes provided their consent to the modifications to the terms and conditions of the 2020 Notes to conform to the terms and conditions of all the notes issued under the MTN Programme.

As of December 31, 2013, outstanding notes under the programme was US$561.2 million, which includes the US$207.5 million 5.875 percent notes due 2025.

The MTN were not registered with the SEC. The MTN 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 MTN are traded and listed in the Singapore Stock Exchange.

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 and subsidiaries' assets, acquisitions of futures or stocks, and extending loans to others, except in the ordinary course of business. ICTSI 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, 2013 and December 31, 2012, ICTSI and subsidiaries are in compliance with these loan covenants.

There were no events that will trigger a direct or contingent financial obligation that is material to the Group, including any default or acceleration of an obligation. There are no material off-balance sheet transactions, arrangements, obligations (including contingent obligations), and other relations of the Company with unconsolidated entities or other persons created during the reporting period.

RISKS

ICTSI and its subsidiaries' geographically diverse operations expose the Group to various market risks, particularly 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 the treasury operations.

Foreign Exchange Risk

Fluctuations in the exchange rates between the US dollar and Philippine peso, Euro and local currencies wherein the Group's ports operate will affect the US dollar value of the Group's revenues and assets and liabilities that are denominated in currencies other than US dollar.

The Group's non-US dollar currency-linked revenues were 51.8 percent and 55.2 percent of gross revenues for the years ended December 31, 2013 and 2012, respectively. Foreign currency-linked revenues include the following: (1) arrastre charges of MICT; and (2) the total non-US dollar revenues of international subsidiaries. ICTSI incurs expenses in foreign currency for all the operating and start up requirements of its international subsidiaries. Concession fees payable to port authorities in certain countries are either denominated in or linked to the US dollar.

The Group recognized in the consolidated statements of income net foreign exchange gain amounting to US$3.5 million in 2011 and US$5.3 million in 2012, and net foreign exchange loss of US$3.6 million in 2013, arising from net foreign currency-denominated financial assets and liabilities which resulted mainly from the movements of Philippine peso, Brazilian real, and Colombian peso against the US dollar and Malagasy ariary against Euro.

The table below provides the currency breakdown of the Group's revenue for the year ended December 31, 2013:

Revenue Currency Profile

Subsidiary	USD/EUR Composition	Local Currency
ICTSI	44% USD	56% PhP
SBITC	100% USD	
DIPSSCOR		100% PhP
SCIPSI		100% PhP
BIPI		100% PhP
MICTSI		100% PhP
BCT	60% USD/2% EUR	38% PLN
TSSA		100% BRL
MICTSL	100% EUR*	
PTMTS		100% IDR
YRDICTL		100% RMB
AGCT	90% EUR	10% HRK
CGSA	100% USD	
ICTSI India		100% INR
ICTSI Oregon	100% USD	
BICTL	100% USD	
PICT	71% USD	29% PKR
OJA/JASA		100% IDR
CMSA	30% USD	70% MXN
OPC	100% USD	
NICTI		100% JPY

**MGA pegged with the EURO*

Currency Forwards/Cross-Currency Swaps. On a limited basis, the Group enters into foreign currency forwards and/or cross currency swaps 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 on 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 on 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 on the term loan facilities.

As of December 31, 2011 and 2012, the market valuation gains on the outstanding cross-currency swaps amounted to US$6.6 million and US$8.7 million, respectively. The effective portion of the change in fair values of these cross-currency swaps amounting to US$4.6 million (net of US$2.0 million deferred tax) and US$6.1 million (net of US$2.6 million deferred tax) for the years ended December 31, 2011 and 2012, respectively, were taken to equity under other comprehensive loss. The ineffective portion of the hedge is immaterial.

As of December 31, 2013, ICTSI has settled its significant Philippine peso term loans; accordingly, ICTSI does not have any outstanding cross currency swaps.

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 the currency risk on Philippine peso-denominated payables that would arise from forecasted Philippine peso-denominated variable port fees. The hedging covers forecasted Philippine peso-denominated variable port fees until 2011.

On May 20, 2013, ICTSI designated US$39.4 million (P1.75 billion) of its Philippine peso-denominated cash equivalent as cash flow hedges of the currency risk on Philippine peso-denominated payables that would arise from forecasted Philippine peso-denominated variable port fees. The hedging covers forecasted Philippine peso-denominated variable port fees payments from January until October 2014.

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. Foreign currency losses amounting to US$0.8 million in 2011 and nil in 2012 and 2013, was presented as part of "Port authorities' share in gross revenues" in the consolidated statements of income, while foreign currency translation loss aggregating US$3.1 million have been recognized under equity in 2013. No ineffectiveness was recognized in the consolidated statement of income for the year ended December 31, 2013.

In 2011 and 2012, ICTSI designated its Mexican peso-denominated short-term investments as cash flow hedges of the currency risk on Mexican peso-denominated payables that would arise from forecasted Mexican peso-denominated monthly fixed port fees to API and port construction costs to a contractor. The 2011 and 2012 hedging covers forecasted Mexican peso-denominated monthly fixed port fees from November 2011 until October 2012 and from January 2013 to March 2013, respectively. The 2011 hedging also covers approximately 24 percent of the total Mexican peso-denominated port construction costs. Foreign currency translation gains or losses deferred in equity would form part of the cost of the port (including port fees during the construction period) and would be recycled to profit and loss through depreciation.

As of December 31, 2011, an aggregate of US$14.1 million (MXN196.2 million) and US$40.0 million (MXN557.2 million) equivalent of Mexican peso-denominated short-term investments are hedged against the Mexican peso-denominated payables that would arise from forecasted Mexican peso-denominated monthly fixed port fees and civil work payments to a contractor, respectively. Foreign currency translation loss on Mexican peso-denominated short-term investments designated as cash flow hedges aggregating to US$5.6 million (net of deferred income tax of US$2.4 million) have been recognized under equity. No ineffectiveness was recognized in the consolidated statement of income for the year ended December 31, 2011. No amount has been recycled from equity to foreign exchange gain or loss in the 2011 consolidated statement of income.

As of December 31, 2012 an aggregate of US$5.3 million (MXN68.6 million) and US$24.6 million (MXN316.4 million) equivalent of Mexican peso-denominated short-term investments have been designated by the Parent Company as cash flow hedges of the variability of Mexican peso cash flows that is required to settle Mexican peso-denominated payables that would arise from forecasted Mexican peso-denominated operating expenses and civil work payments to contractors, respectively.

As of December 31, 2013, ICTSI does not have any outstanding Mexican peso designated as cash flow hedge.

In 2013, Tecplata designated an aggregate of US$173.0 million (AR$927.9 million) of its Argentine peso-denominated cash holdings as cash flow hedges of the currency risk on Argentine peso-denominated payables that would arise from forecasted Argentine peso-denominated operating expenses and capital expenditures. The hedging covers forecasted Argentine peso-denominated expenditures from April 2013 until June 2014. Foreign currency translation gains or losses deferred in equity would form part of the cost of the port (including port fees during the construction period) and would be recycled to profit and loss through depreciation.

Foreign currency translation loss as of December 31, 2013 on Argentine peso-denominated cash holdings designated as cash flow hedges aggregating to US$12.1 million have been recognized under equity and US$10.2 million of which have been transferred from equity to construction in-progress in the 2013 consolidated balance sheet. No ineffectiveness was recognized in the consolidated statement of income for the year ended December 31, 2013.

<u>Interest Rate Risk</u>

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's bank loans and is addressed by a periodic review of the Group's debt mix with the objective of reducing interest cost and maximizing available loan terms.

<u>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 percent of borrowings should mature in any 12-month period. Nine percent and 26 percent of the Group's total borrowings, gross of debt issuance costs, as of December 31, 2011 and 2012, respectively, matured in less than a year from the balance sheet date. Maturing debt grew as at December 31, 2012 mainly because of the US$160.0 million bridge financing availed towards the end of 2012 for the acquisitions and general corporate requirements of the Group. On the other hand, seven percent of the Group's total borrowings, gross of debt issuance costs as of December 31, 2013 will mature in the ensuing 12 months. The Group is reassessing its policy in mitigating liquidity risk in line with the current developments and demands of its rapidly growing business.

Statement of Management's Responsibility for Consolidated Financial Statements

The management of International Container Terminal Services, Inc. (the Company) is responsible for the preparation and fair presentation of the consolidated financial statements as of and for the years ended December 31, 2011, 2012 and 2013, including the additional components attached therein, in accordance with Philippine Financial Reporting Standards. This responsibility includes designing and implementing internal controls relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

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

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 in their report to the stockholders have expressed their opinion on the fairness of presentation upon completion of such examination.

Enrique K. Razon, Jr.
Chairman and President

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

Jose Joel M. Sebastian
Vice President and Controller

Signed this 6th day of March 2014.

Independent Auditors' Report

SGV
Building a better working world

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BOA/PRC Reg. No. 0001,
December 28, 2012, valid until December 31, 2015
SEC Accreditation No. 0012-FR-3 (Group A),
November 15, 2012, valid until November 16, 2015

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, 2011, 2012 and 2013, and the consolidated statements of income, statements of comprehensive income, statements of changes in equity and 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 at December 31, 2011, 2012 and 2013, 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-AR-1 (Group A),
February 25, 2013, valid until February 24, 2016
Tax Identification No. 102-087-055
BIR Accreditation No. 08-001998-20-2012,
April 11, 2012, valid until April 10, 2015
PTR No. 4225175, January 2, 2014, Makati City

March 6, 2014

Consolidated Balance Sheets

	December 31, 2011/ January 1, 2012 (As Restated - Notes 2 and 3)	December 31, 2012 (As Restated - Notes 3 and 4)	**December 31, 2013**
ASSETS			
Noncurrent Assets			
Intangibles (Notes 1, 4, 6, 16, 20 and 24)	US$853,024,360	US$1,234,336,683	**US$1,702,104,416**
Property and equipment (Notes 1, 4, 7, 16, 20 and 24)	379,435,664	581,017,129	**708,148,227**
Investment properties (Notes 1, 8 and 20)	30,125,643	31,243,978	**12,608,949**
Investments in and advances to a joint venture and associate (Note 9)	–	–	**78,174,231**
Deferred tax assets (Notes 1, 4, 20 and 21)	26,587,669	14,144,344	**44,700,119**
Other noncurrent assets (Notes 1, 4, 7, 10, 20, 23, 24 and 26)	68,700,521	118,500,915	**113,344,239**
Total Noncurrent Assets	1,357,873,857	1,979,243,049	**2,659,080,181**
Current Assets			
Cash and cash equivalents (Notes 1, 4, 12, 20 and 26)	457,635,730	186,844,913	**242,234,539**
Receivables (Notes 1, 4, 6, 7, 13, 20 and 26)	56,763,880	74,898,694	**85,140,662**
Spare parts and supplies (Notes 1, 4, and 20)	16,374,061	18,531,157	**21,609,741**
Prepaid expenses and other current assets (Notes 1, 4, 14 and 20)	47,732,724	63,602,445	**62,493,693**
Derivative assets (Note 26)	8,369,207	9,894,037	**737,581**
	586,875,602	353,771,246	**412,216,216**
Noncurrent assets held for sale (Notes 1 and 8)	–	–	**16,343,679**
Total Current Assets	586,875,602	353,771,246	**428,559,895**
	US$1,944,749,459	US$2,333,014,295	**US$3,087,640,076**
EQUITY AND LIABILITIES			
Equity Attributable to Equity Holders of the Parent			
Capital stock:			
Preferred stock (Note 15)	US$236,222	US$236,222	**US$236,222**
Common stock (Note 15)	66,036,189	66,036,873	**67,329,951**
Additional paid-in capital (Notes 15 and 19)	320,823,244	331,318,532	**526,490,736**
Cost of shares held by subsidiaries (Note 15)	(93,510,163)	(72,492,481)	**(72,492,481)**
Treasury shares (Notes 15 and 19)	(4,671,402)	(4,599,163)	**(1,374,486)**
Excess of acquisition cost over the carrying value of non-controlling interests (Note 15)	(6,147,559)	(120,369,866)	**(137,037,648)**
Retained earnings (Note 15)	452,918,812	539,647,628	**649,700,110**
Subordinated perpetual capital securities (Note 15)	193,447,518	337,032,372	**337,032,372**
Other comprehensive loss - net (Notes 10, 15 and 26)	(90,539,018)	(85,022,167)	**(120,307,104)**
Total equity attributable to equity holders of the parent	838,593,843	991,787,950	**1,249,577,672**
Equity Attributable to Non-controlling Interests (Note 15)	102,967,287	118,448,153	**103,659,705**
Total Equity	941,561,130	1,110,236,103	**1,353,237,377**
Noncurrent Liabilities			
Long-term debt - net of current portion (Notes 4, 6, 7, 16 and 26)	589,921,903	530,340,525	**905,697,628**
Concession rights payable - net of current portion (Notes 1, 4, 6, 20, 24 and 26)	140,918,577	162,079,663	**531,650,465**
Deferred tax liabilities (Notes 4 and 21)	45,557,765	67,364,280	**60,877,660**
Pension liabilities (Note 23)	1,791,018	3,257,919	**3,723,663**
Total Noncurrent Liabilities	778,189,263	763,042,387	**1,501,949,416**
Current Liabilities			
Loans payable (Notes 17 and 26)	2,481,536	10,225,949	**12,009,852**
Accounts payable and other current liabilities (Notes 1, 4, 18, 20, 22 and 26)	127,477,008	183,203,175	**163,252,290**
Current portion of long-term debt (Notes 4, 6, 7, 16 and 26)	58,802,172	240,776,404	**34,080,085**
Current portion of concession rights payable (Notes 6, 24 and 26)	22,154,240	4,488,058	**7,198,481**
Income tax payable (Notes 4 and 21)	13,834,525	20,955,370	**15,912,575**
Derivative liabilities (Note 26)	249,585	86,849	**–**
Total Current Liabilities	224,999,066	459,735,805	**232,453,283**
	US$1,944,749,459	US$2,333,014,295	**US$3,087,640,076**

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Income

	Years Ended December 31		
	2011 (As Restated - Note 3)	2012 (As Restated - Notes 3 and 4)	2013
INCOME			
Gross revenues from port operations (Note 24)	US$664,835,828	US$729,307,945	**US$852,394,246**
Foreign exchange gain (Note 26)	14,184,925	10,656,605	**3,662,538**
Interest income (Note 12)	8,815,010	7,788,827	**12,024,661**
Other income (Notes 7, 8, 10, 20 and 26)	11,678,928	3,630,654	**4,784,157**
	699,514,691	751,384,031	**872,865,602**
EXPENSES			
Port authorities' share in gross revenues (Notes 20, 22 and 24)	94,115,007	102,891,673	**115,535,285**
Manpower costs (Notes 19, 22 and 23)	124,286,673	140,008,748	**154,586,619**
Equipment and facilities-related expenses (Notes 24 and 26)	89,808,287	93,765,672	**105,333,756**
Administrative and other operating expenses (Notes 22 and 25)	74,916,181	85,078,577	**99,615,590**
Depreciation and amortization (Notes 6, 7 and 8)	68,881,844	80,745,292	**99,484,286**
Interest expense and financing charges on borrowings (Notes 16 and 17)	38,993,326	30,400,000	**42,653,329**
Interest expense on concession rights payable (Note 6)	18,913,165	16,658,955	**27,943,222**
Foreign exchange loss (Note 26)	10,668,148	5,382,554	**7,224,888**
Other expenses (Notes 1, 7, 9, 10, 16, 20, 22 and 24)	7,395,751	4,612,049	**5,521,489**
	527,978,382	559,543,520	**657,898,464**
CONSTRUCTION REVENUE (EXPENSE) (Note 24)			
Construction revenue	148,211,971	245,603,689	**131,855,751**
Construction expense	(148,211,971)	(245,603,689)	**(131,855,751)**
	–	–	**–**
INCOME BEFORE INCOME TAX	171,536,309	191,840,511	**214,967,138**
PROVISION FOR INCOME TAX (Note 21)			
Current	33,948,283	41,441,426	**57,452,455**
Deferred	6,198,140	6,648,864	**(23,157,217)**
	40,146,423	48,090,290	**34,295,238**
NET INCOME	US$131,389,886	US$143,750,221	**US$180,671,900**
Attributable To			
Equity holders of the parent	US$130,931,723	US$143,157,861	**US$172,379,532**
Non-controlling interests	458,163	592,360	**8,292,368**
	US$131,389,886	US$143,750,221	**US$180,671,900**
Earnings Per Share (Note 28)			
Basic	US$0.063	US$0.059	**US$0.072**
Diluted	0.061	0.058	**0.071**

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Comprehensive Income

	Years Ended December 31		
	2011 (As Restated - Note 3)	2012 (As Restated - Notes 3 and 4)	2013
NET INCOME FOR THE YEAR	US$131,389,886	US$143,750,221	**US$180,671,900**
OTHER COMPREHENSIVE INCOME (LOSS)			
Items to be reclassified to profit or loss in subsequent periods			
Exchange differences on translation of foreign operations' financial statements (Note 15)	(22,147,841)	8,244,645	**(42,150,014)**
Net change in unrealized mark-to-market values of derivatives (Note 26)	(9,562,220)	8,630,712	**(17,306,784)**
Net unrealized loss on derivatives removed from equity and capitalized as construction in-progress (Note 26)	–	–	**15,977,281**
Net unrealized gain (loss) on derivatives removed from equity and recognized in profit or loss (Note 26)	1,344,124	(4,978,464)	**3,719,684**
Net unrealized mark-to-market gain on available-for-sale investments (Notes 10 and 26)	1,890	392,293	**195,749**
Income tax relating to components of other comprehensive income (loss)	2,465,429	(5,828,164)	**2,592,178**
	(27,898,618)	6,461,022	**(36,971,906)**
Items not to be reclassified to profit or loss in subsequent periods			
Actuarial gains (losses) on defined benefit plans - net of tax	(1,556,268)	(712,523)	**1,659,860**
	(29,454,886)	5,748,499	**(35,312,046)**
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	US$101,935,000	US$149,498,720	**US$145,359,854**
Attributable To			
Equity holders of the parent	US$102,034,302	US$148,137,940	**US$137,094,595**
Non-controlling interests	(99,302)	1,360,780	**8,265,259**
	US$101,935,000	US$149,498,720	**US$145,359,854**

See accompanying Notes to Consolidated Financial Statements.

25 YEARS

Consolidated Statements of Changes in Equity

	Attributable to Equity Holders of the Parent (Note 15)												
	Preferred Stock	Common Stock	Additional Paid-in Capital	Preferred Shares Held by a Subsidiary	Common Shares Held by Subsidiaries	Treasury Shares	Excess of Acquisition Cost over the Carrying Value of Non-controlling Interests	Retained Earnings	Subordinated Perpetual Capital Securities	Other Comprehensive Income (Loss)	Total	Non-controlling Interests (Note 15)	Total Equity
Balance at December 31, 2010, as previously reported	US$236,222	US$66,029,772	US$295,644,479	(US$72,492,481)	(US$45,124,204)	(US$5,206,751)	(US$6,147,559)	US$352,200,602	US$–	(US$36,279,396)	US$548,860,684	US$81,372,916	US$630,233,600
Effect of PAS 19R (Note 3)	–	–	–	–	–	–	–	190,971	–	1,945,142	2,136,113	86,786	2,222,899
Balance at December 31, 2010, as restated	236,222	66,029,772	295,644,479	(72,492,481)	(45,124,204)	(5,206,751)	(6,147,559)	352,391,573	–	(34,334,254)	550,996,797	81,459,702	632,456,499
Issuance of subordinated perpetual securities (Note 15)	–	–	–	–	–	–	–	–	193,447,518	–	193,447,518	–	193,447,518
Total comprehensive income for the year, as restated (Note 15)	–	–	–	–	–	–	–	130,931,723	–	(28,897,421)	102,034,302	(99,302)	101,935,000
Sale of shares held by subsidiaries (Note 15)	–	–	24,419,301	–	45,760,509	–	–	–	–	(27,307,343)	42,872,467	–	42,872,467
Cash dividends (Note 15)	–	–	–	–	–	–	–	(22,029,484)	–	–	(22,029,484)	(1,153,141)	(23,182,625)
Change in non-controlling interests (Note 15)	–	–	–	–	–	–	–	–	–	–	–	22,760,028	22,760,028
Additional shares held by subsidiaries (Note 15)	–	–	–	–	(21,653,987)	–	–	–	–	–	(21,653,987)	–	(21,653,987)
Distributions on subordinated perpetual securities (Note 15)	–	–	–	–	–	–	–	(8,375,000)	–	–	(8,375,000)	–	(8,375,000)
Share-based payments (Note 19)	–	–	2,305,483	–	–	(1,010,670)	–	–	–	–	1,294,813	–	1,294,813
Collection of subscription receivable	–	6,417	–	–	–	–	–	–	–	–	6,417	–	6,417
Issuance of treasury shares (Notes 15 and 19)	–	–	(1,546,019)	–	–	1,546,019	–	–	–	–	–	–	–
Balance at December 31, 2011, as restated	US$236,222	US$66,036,189	US$320,823,244	(US$72,492,481)	(US$21,017,682)	(US$4,671,402)	(US$6,147,559)	US$452,918,812	US$193,447,518	(US$90,539,018)	US$838,593,843	US$102,967,287	US$941,561,130
Balance at December 31, 2011, as previously reported	US$236,222	US$66,036,189	US$320,823,244	(US$72,492,481)	(US$21,017,682)	(US$4,671,402)	(US$6,147,559)	US$452,325,816	US$193,447,518	(US$90,927,892)	US$837,611,973	US$102,887,851	US$940,499,824
Effect of PAS 19R (Note 3)	–	–	–	–	–	–	–	592,996	–	388,874	981,870	79,346	1,061,306
Balance at December 31, 2011, as restated	236,222	66,036,189	320,823,244	(72,492,481)	(21,017,682)	(4,671,402)	(6,147,559)	452,918,812	193,447,518	(90,539,018)	838,593,843	102,967,287	941,561,130
Total comprehensive income for the year, as restated (Note 15)	–	–	–	–	–	–	–	143,211,542	–	4,980,079	148,137,940	1,360,780	149,498,720
Issuance of subordinated perpetual securities (Note 15)	–	–	–	–	–	–	–	–	143,584,854	–	143,584,854	–	143,584,854
Cash dividends (Note 15)	–	–	–	–	–	–	–	(29,629,045)	–	–	(29,629,045)	(1,618,924)	(31,247,969)
Sale of shares held by subsidiaries (Note 15)	–	–	8,087,339	–	21,017,682	–	–	–	–	536,772	29,641,793	–	29,641,793
Distributions on subordinated perpetual securities (Note 15)	–	–	–	–	–	–	–	(26,800,000)	–	–	(26,800,000)	–	(26,800,000)
Change in non-controlling interests (Notes 4 and 15)	–	–	–	–	–	–	(114,222,307)	–	–	–	(114,222,307)	15,739,010	(98,483,297)
Share-based payments (Note 19)	–	–	3,091,101	–	–	(618,563)	–	–	–	–	2,472,538	–	2,472,538
Collection of subscription receivable	–	684	7,650	–	–	–	–	–	–	–	8,334	–	8,334
Issuance of treasury shares (Notes 15 and 19)	–	–	(690,802)	–	–	690,802	–	–	–	–	–	–	–
Balance at December 31, 2012, as restated	US$236,222	US$66,036,873	US$331,318,532	(US$72,492,481)	US$–	(US$4,599,163)	(US$120,369,866)	US$539,647,628	US$337,032,372	(US$85,022,167)	US$991,787,950	US$118,448,153	US$1,110,236,103
Balance at December 31, 2012, as previously reported	**US$236,222**	**US$66,036,873**	**US$331,318,532**	**(US$72,492,481)**	**US$–**	**(US$4,599,163)**	**(US$84,322,082)**	**US$539,108,313**	**US$337,032,372**	**(US$85,665,841)**	**US$1,026,652,745**	**US$164,501,043**	**US$1,191,153,788**
Effect of PAS 19R (Note 3)	–	–	–	–	–	–	–	760,203	–	(323,649)	436,554	76,423	512,977
Effect of finalization of business combinations (Note 4)	–	–	–	–	–	–	(36,047,784)	(220,888)	–	967,323	(35,301,349)	(46,129,313)	(81,430,662)
Balance at December 31, 2012, as restated	236,222	66,036,873	331,318,532	(72,492,481)	–	(4,599,163)	(120,369,866)	539,647,628	337,032,372	(85,022,167)	991,787,950	118,448,153	1,110,236,103
Total comprehensive income for the year (Note 15)	–	–	–	–	–	–	–	172,379,532	–	(35,284,937)	137,094,595	8,265,259	145,359,854
Issuance of shares	–	1,292,717	114,571,594	–	–	–	–	–	–	–	115,864,311	–	115,864,311
Sale of treasury shares (Notes 15 and 19)	–	–	76,611,802	–	–	3,414,082	–	–	–	–	80,025,884	–	80,025,884
Cash dividends (Note 15)	–	–	–	–	–	–	–	(33,014,550)	–	–	(33,014,550)	(15,160,266)	(48,174,816)
Distributions on subordinated perpetual securities (Note 15)	–	–	–	–	–	–	–	(29,312,500)	–	–	(29,312,500)	–	(29,312,500)
Change in non-controlling interests (Notes 4 and 15)	–	–	–	–	–	–	(16,667,782)	–	–	–	(16,667,782)	(6,255,170)	(22,922,952)
Effect of deconsolidation of SPIA (Note 1)	–	–	–	–	–	–	–	–	–	–	–	(1,638,271)	(1,638,271)
Share-based payments (Note 19)	–	–	4,572,290	–	–	(424,991)	–	–	–	–	4,147,299	–	4,147,299
Purchase of treasury shares (Note 15)	–	–	–	–	–	(347,896)	–	–	–	–	(347,896)	–	(347,896)
Issuance of treasury shares (Notes 15 and 19)	–	–	(583,482)	–	–	583,482	–	–	–	–	–	–	–
Collection of subscription receivable	–	361	–	–	–	–	–	–	–	–	361	–	361
Balance at December 31, 2013	US$236,222	US$67,329,951	US$526,490,736	(US$72,492,481)	US$–	(US$1,374,486)	(US$137,037,648)	US$649,700,110	US$337,032,372	(US$120,307,104)	US$1,249,577,672	US$103,659,705	US$1,353,237,377

See accompanying Notes to Consolidated Financial Statements.

Consolidated Statements of Cash Flows

	Years Ended December 31		
	2011 (As Restated - Note 3)	2012 (As Restated - Notes 3 and 4)	2013
CASH FLOWS FROM OPERATING ACTIVITIES			
Income before income tax	US$171,536,309	US$191,840,511	**US$214,967,138**
Adjustments for:			
Depreciation and amortization (Notes 6, 7 and 8)	68,881,844	80,745,292	**99,484,286**
Interest expense on:			
Borrowings (Notes 16 and 17)	38,993,326	30,400,000	**42,653,329**
Concession rights payable (Note 6)	18,913,165	16,658,955	**27,943,222**
Interest income (Note 12)	(8,815,010)	(7,788,827)	**(12,024,661)**
Share-based payments (Notes 15 and 19)	1,655,755	2,231,595	**4,020,536**
Unrealized foreign exchange loss (gain)	997,233	(6,983,599)	**(497,234)**
Unrealized mark-to-market loss (gain) on derivatives (Note 26)	(861,927)	(613,265)	**460,859**
Loss (gain) on:			
Sale of shares in SPIA (Note 1)	–	–	**(292,002)**
Early extinguishment of debt (Note 16)	–	–	**(294,293)**
Sale of property and equipment-net (Note 20)	(635,211)	(752,467)	**(24,183)**
Termination of pre-payment option (Note 26)	–	1,172,436	**–**
Settlement of cross-currency swap (Note 26)	–	99,476	**–**
Sale of available-for-sale investments (Notes 10 and 20)	(8,447,216)	–	**–**
Equity in net loss of a joint venture (Note 20)	–	–	**260,528**
Write-off of net assets of a subsidiary (Notes 1, 20 and 24)	–	831,014	**–**
Dividend income (Note 20)	(240)	(5,078)	**(4,861)**
Operating income before changes in working capital	282,218,028	307,836,043	**376,652,664**
Increase in:			
Receivables	(7,129,471)	(9,432,355)	**(13,165,367)**
Spare parts and supplies	(2,550,622)	(1,464,824)	**(3,870,004)**
Prepaid expenses and other current assets	(9,553,220)	(3,995,417)	**(1,262,968)**
Increase (decrease) in:			
Accounts payable and other current liabilities	20,952,112	44,113,260	**(13,838,198)**
Pension liabilities	444,878	1,304,188	**2,710,083**
Cash generated from operations	284,381,705	338,360,895	**347,226,210**
Income taxes paid	(27,796,618)	(52,530,422)	**(62,115,951)**
Net cash provided by operating activities	256,585,087	285,830,473	**285,110,259**

(Forward)

	Years Ended December 31		
	2011 (As Restated - Note 3)	2012 (As Restated - Notes 3 and 4)	2013
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisitions of:			
Intangible assets (Notes 6 and 24)	(US$161,264,297)	(US$276,069,399)	**(211,585,806)**
Property and equipment (Note 7)	(66,493,401)	(189,533,084)	**(266,038,703)**
Subsidiaries, net of cash acquired (Note 4)	(17,930,577)	(76,917,605)	**–**
Available-for-sale investments (Note 10)	(21,130,204)	–	**–**
Proceeds from sale of:			
Subsidiary (Note 1)	–	–	**64,840,559**
Property and equipment	1,086,332	1,594,911	**888,366**
Available-for-sale investments (Note 10)	29,577,420	–	**–**
Increase in other noncurrent assets (Note 10)	(23,984,076)	(31,506,286)	**(32,665,496)**
Interest received	8,694,627	8,309,318	**12,146,823**
Payments for concession rights	(26,690,232)	(24,735,864)	**(9,882,960)**
Dividends received	240	5,078	**4,861**
Net cash used in investing activities	(278,134,168)	(588,852,931)	**(442,292,356)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from:			
Long-term borrowings (Note 16)	62,495,510	171,707,902	**425,494,318**
Subscriptions and issuance of capital stock	–	–	**115,864,672**
Sale of treasury shares (Note 15)	–	–	**80,025,884**
Short-term borrowings (Note 17)	2,481,536	10,225,949	**16,639,150**
Issuance of subordinated perpetual capital securities (Note 15)	193,447,518	143,584,854	**–**
Sale of common shares held by a subsidiary (Note 15)	42,872,467	29,641,793	**–**
Settlement of cross-currency swap (Note 26)	–	1,375,000	**–**
Payments of:			
Long-term borrowings (Notes 4 and 16)	(52,531,502)	(84,798,432)	**(257,348,342)**
Interest on borrowings and concession rights payable	(56,549,348)	(44,276,114)	**(64,657,890)**
Dividends (Note 15)	(23,431,446)	(30,970,306)	**(49,030,499)**
Distributions on subordinated perpetual capital securities (Note 15)	(8,375,000)	(26,800,000)	**(29,312,500)**
Short-term borrowings (Notes 4 and 17)	(675,486)	(22,661,600)	**(14,905,248)**
Change in non-controlling interests (Note 15)	5,287,908	(127,146,193)	**(16,006,163)**
Purchase of treasury shares	–	–	**(347,896)**
Acquisition of common shares held by a subsidiary (Note 15)	(21,653,987)	–	**–**
Net cash provided by financing activities	143,368,170	19,882,853	**206,415,486**
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS	(9,563,733)	12,348,788	**6,156,237**
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	112,255,356	(270,790,817)	**55,389,626**
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	345,380,374	457,635,730	**186,844,913**
CASH AND CASH EQUIVALENTS AT END OF YEAR	US$457,635,730	US$186,844,913	**US$242,234,539**

See accompanying Notes to Consolidated Financial Statements.

Notes to Consolidated Financial Statements

1. **Corporate Information**

1.1 General

International Container Terminal Services, Inc. (ICTSI or the Parent Company) was incorporated in the Philippines and registered with the Philippine Securities and Exchange Commission (SEC) on December 24, 1987. The registered office address of the Company is ICTSI Administration Building, MICT South Access Road, Manila. ICTSI's common 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 6, 2014.

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. As of March 6, 2014, the Group is involved in 28 terminal concessions and port development projects in 20 countries worldwide. These are 23 operating terminals in seven key ports in the Philippines, two in Indonesia and one each in Brunei, Japan, China, the United States of America (U.S.A.), Ecuador, Brazil, Poland, Georgia, Madagascar, Croatia, Pakistan, India, Mexico and Honduras; two ongoing port development projects in Colombia and Argentina; and three recently concluded negotiations to develop, manage and operate ports in Nigeria, Congo and another in Davao, Philippines. The projects in Mexico and Honduras have commenced commercial operations in November and December 2013, respectively, while the project in Argentina is expected to commence commercial operation in 2014.

ICTSI's concession contract for the Manila International Container Terminal or MICT ("MICT Contract") was extended for another 25 years up to May 18, 2038, upon completion of agreed additional investments in port equipment and infrastructures, payment of upfront fees amounting to ₱670.0 million (US$16.4 million), and turnover and execution of Deed of Transfer of port facilities and equipment currently being used at MICT and part of committed investment under the original concession agreement, among others. Under the renewal agreement and for the extended term of the MICT Contract, ICTSI shall be liable and committed to: (i) pay the Philippine Ports Authority (PPA) a fixed fee of US$600.0 million payable in 100 advanced quarterly installments; (ii) pay annual fixed fee on storage and berthside operations of ₱55.8 million (approximately US$1.3 million); (iii) pay variable fee of 20 percent of the gross revenue earned at MICT; (iv) upgrade, expand and develop the MICT, particularly the construction and development of Berth 7; (v) continuously align its Management Information System (MIS) with the MIS of the PPA with the objective towards paperless transaction and reporting system; and (vi) pay certain other fees based on the attainment of agreed volume levels.

In accordance with the Group's accounting policy on Intangibles, ICTSI recognized the new concession rights when the renewal agreement became effective on May 19, 2013 and thereby granted ICTSI a license or right to charge users for the public service it provides. Concession rights consisted of: (i) upfront fee of US$16.4 million (₱670.0 million); and (ii) the present value of fixed fee consideration computed using the discount rate at the effectivity date of the renewal agreement of US$348.5 million. Amortization of concession rights comprising of upfront fees and the present value of fixed fee consideration amounted to US$9.0 million for the year ended December 31, 2013, and is expected to be US$14.6 million per year thereafter. Interest expense on concession rights payable amounted to US$11.8 million for the year ended December 31, 2013 and is expected to be US$18.4 million in 2014 and subsequently calculated based on the diminishing balance of concession rights payable using the effective interest rate. On the other hand, variable fees are recognized as expense when incurred.

Concession rights also consisted of port infrastructure, mainly for Berth 6, of US$231.1 million as of December 31, 2013. Amortization of port infrastructure amounted to US$6.8 million for the year ended December 31, 2013, and is expected to be US$9.2 million per year thereafter.

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

Port of Rijeka, Croatia. In March 2011, the Parent Company, through its wholly-owned subsidiary, ICTSI Capital BV (ICBV), entered into a Share Purchase Agreement (SPA) with Luka Rijeka D.D. (Luka Rijeka), a Croatian company, to purchase 51 percent interest in the Adriatic Gate Container Terminal (AGCT). AGCT operates the Brajdica Container Terminal in Rijeka, Croatia with a concession period of 30 years until 2041 (see Note 24.7). ICTSI accounted for the transaction as a business combination (see Note 4.1).

Port of Kattupalli, India. In April 2011, ICTSI, through ICTSI Ltd. and International Container Terminal Services (India) Private Limited (ICTSI India), and L&T Shipbuilding Ltd. (LTSB) signed a container port operation agreement for the management and operation of the Kattupalli Container Terminal (KCT) in Tamil Nadu, India (see Note 24.34). KCT is ICTSI's first venture in India. The terminal is located near Chennai in Thiruvallur District. LTSB is the developer of an integrated shipyard cum port with a 1.2 million-TEU annual capacity container terminal in Kattupalli. The terminal started commercial operations in January 2013.

NCT-2, Subic, Philippines. On July 27, 2011, SBMA and ICTSI signed the Contract for the Operation and Management of NCT-2 (NCT-2 Contract) for a period of 25 years. ICTSI established ICTSI Subic, Inc. (ICTSI Subic) on May 31, 2011 to operate NCT-2. On September 15, 2011, SBMA notified ICTSI of its approval for the assignment of all its rights, interests and obligations in the NCT-2 Contract to ICTSI Subic through a resolution dated August 19, 2011 for the purpose of operating NCT-2. On August 2, 2012, ICTSI Subic received from SBMA the notice to proceed with the operation and management of NCT-2 (see Note 24.8). ICTSI Subic started commercial operations in October 2012.

Deep Water Port, Ibeju-Lekki, Federal Republic of Nigeria. On February 22, 2012, ICTSI and Lekki Port LFTZ Enterprise (Lekki Port) entered into a Memorandum of Understanding (MOU) to negotiate the terms of a Sub-concession Agreement (SCA) to develop and operate the container terminal at the Deep Water Port in the Lagos Free Trade Zone (LFTZ) at Ibeju-Lekki, Lagos State, Federal

Republic of Nigeria. Under the MOU, Lekki Port negotiated exclusively with ICTSI, in connection with the Sub-concession and the works and services to be undertaken under the agreement, for an Exclusivity Fee of US$5.0 million, which is non-refundable but subject to set-off or refund under certain circumstances as provided in the MOU. On August 10, 2012, Lekki Port and ICTSI signed the SCA, which granted ICTSI the exclusive right to develop and operate the Deep Water Port in the LFTZ, and to provide certain handling equipment and container terminal services for a period of 21 years from start of commercial operation date (see Note 24.9). On September 7, 2012, ICTSI paid an additional US$7.5 million after the SCA execution, which together with the earlier paid US$5.0 million totals US$12.5 million initial fee paid. On November 7, 2012, ICTSI through ICBV, established Lekki International Container Terminal Services LFTZ Enterprise (LICTSLE) to operate the Deep Water Port in the LFTZ (see Note 1.3). The container terminal construction is expected to start second quarter of 2014, and is scheduled to commence operations in late 2017.

Port of Karachi, Pakistan. On March 30, 2012, ICTSI through ICTSI Mauritius Ltd. (ICTSI Mauritius), a wholly owned subsidiary of ICTSI Ltd., signed a Share Purchase Agreement with substantial shareholders of Pakistan International Container Terminal (PICT) for the purchase of 35 percent of the shares of PICT, involving the conduct of a minimum offer price, which was determined in accordance with the takeover laws of Pakistan. On August 10, 2012, ICTSI Mauritius commenced a public tender offer at the Karachi Stock Exchange to purchase outstanding shares of PICT. On October 18, 2012, ICTSI Mauritius completed the acquisition of 35 percent of the total issued capital of PICT and further increased its ownership in PICT to 63.59 percent as of December 31, 2012 (see Notes 1.3, 4.2 and 15.4). In 2013, ICTSI Mauritius purchased additional shares of PICT which further increased its ownership to 64.53 percent. PICT has a contract with Karachi Port Trust for the exclusive construction, development, operations and management of a common user container terminal at Karachi Port for a period of 21 years commencing on June 18, 2002 (see Note 24.10).

Port of Tanjung Priok, Jakarta, Indonesia. On July 3, 2012, ICTSI acquired PT PBM Olah Jasa Andal (OJA) through its indirect majority owned subsidiary, PT ICTSI Jasa Prima Tbk (JASA, formerly PT Karwell Indonesia Tbk) (see Note 4.2). OJA is an Indonesian limited liability company engaged in the loading and unloading of general goods and/or containers at the Port of Tanjung Priok, Jakarta, Indonesia. On June 5, 2013, OJA signed a 15-year Cooperation Agreement with PT Pelabuhan Indonesia II (Persero) Tanjung Priok Branch for international container stevedoring services (see Note 24.27).

Hijo International Port, Davao, Philippines. In 2012, ICTSI, through its wholly owned subsidiary, Abbotsford Holdings, Inc. (Abbotsford), together with Hijo Resources Corp., a diversified group involved in leisure and tourism, agribusiness, property development and port operations, invested in Hijo International Port Services, Inc. (HIPS) for the construction, development and operation of Hijo International Port (also referred to as "Hijo Port"). Hijo Port is a private commercial port owned by HIPS located in Barangay Madaum, Tagum, Davao del Norte in the Gulf of Davao. The existing port sits within a reclaimed land of about 10.3 hectares. It has two berths at 127 meters and 150 meters long, and various terminal support facilities. It currently handles approximately 300,000 metric tons of mostly banana annually. ICTSI owns 65 percent of HIPS. Under the management of ICTSI, HIPS will develop and upgrade the facilities and capacity of Hijo Port to handle containerized cargo, especially banana in refrigerated containers. Such upgrade will be implemented in phases. Initial phase of construction activities is currently ongoing at Hijo Port. The relevant contracts and agreements on the construction, operation and management of the terminal have not yet been finalized as of March 6, 2014.

Puerto Cortés in Honduras. On February 1, 2013, ICTSI won and was awarded the Contract for the Design, Financing, Construction, Preservation, Operation and Exploitation of the Container and General Cargo of Puerto Cortés ("Agreement") in the Republic of Honduras for a period of 29 years through a public hearing held in Tegucigalpa, Honduras. On March 13, 2013, ICTSI and ICTSI Brazil Ltd. established Operadora Portuaria Centroamericana, S.A. de C.V. (OPC) (formerly Operadora de Puerto Cortés, S.A. de C.V.) to sign the Agreement with the Republic of Honduras acting through the Commission for the Public- Private Alliance Promotion (COALIANZA), a decentralized legal entity of the Presidency of the Republic. The said Agreement was signed on March 21, 2013 and shall be valid until August 30, 2042. OPC shall operate the Container and General Cargo Terminal of Puerto Cortes ("Terminal") and it shall carry out the design, financing, construction, preservation, and development of the Terminal and the provision of its services according to certain service and productivity levels.

In accordance with the Agreement, OPC paid for an upfront fee of US$25.0 million (70.0 percent upon the execution of the Agreement and the remaining 30.0 percent in September 2013). OPC is also liable for monthly payments equivalent to 4.0 percent of its gross income to the Municipality of Puerto Cortés and 0.37 percent of its annual gross income to the Trustee Bank in accordance with the provisions set forth in the Legal Executive Order Number 082-2012. Furthermore, OPC shall pay the National Port Company the following: US$100,000 annually for each hectare occupied of the existing surfaces; US$75,000 annually for each hectare occupied of the newly built surfaces; and certain variable fees based on container moved, load, and/or passenger that uses the port. Such amounts shall be updated annually based on the formula agreed by the parties to the Agreement. Upon execution of the Agreement, OPC paid 2.0 percent of the total of the Referral Investment to COALIANZA in accordance with Legal Executive Order Number 143-2010 and a single payment to the Trustee Bank. Total payments in relation to this Agreement aggregated US$34.9 million, which are presented as part of "Intangibles" account in the audited consolidated balance sheet as of December 31, 2013. OPC formally took over the Terminal in November 2013 and started commercial operations in December 2013.

On the other hand, on December 28, 2012, Tartous International Container Terminal (TICT), a wholly owned subsidiary of ICTSI, filed a Notice of Termination of its 10-year Investment Agreement with Tartous Port General Company (TPGC) to manage, operate, maintain, finance, rehabilitate, develop and optimize the Tartous Container Terminal in Syria, which was entered into by TICT and TPGC in March 2007 (see Note 24.4). TICT was compelled to send the said Notice of Termination of the Investment Agreement because of TPGC's consistent refusal to recognize the occurrence of Unforeseen Change of Circumstances brought about by civil unrest and violence which has gravely affected businesses and trade in Syria. The issuance of this notice was also prompted by TPGC's refusal to negotiate in good faith for relief from the clear imbalance of the parties' economic relationship, which constitutes a breach of the Investment Agreement. Finally, TICT was left with no choice but to issue the Notice of Termination when Syria plunged into a state of full-fledged civil war, which exposed everyone (combatants and civilians alike) to increasing threat of death and destruction on a daily basis, which is considered as force majeure under the Investment Agreement. TICT formally ceased operating the Tartous Container Terminal on January 27, 2013. Consequently, ICTSI wrote-off the carrying value of the net assets of TICT as of December 28, 2012, amounting to US$0.8 million (see Note 20.3). TPGC took over the operations of the Tartous Container Terminal. An arbitration process is currently ongoing.

1.3 Subsidiaries and Joint Venture

	Place of Incorporation	Nature of Business	Functional Currency	Percentage of Ownership 2011 Direct	2011 Indirect	2012 Direct	2012 Indirect	2013 Direct	2013 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
ICTSI Mauritius	Mauritius	Holding Company	US Dollar	–	100.00	–	100.00	–	100.00
Aeolina International Limited (AIL)[a]	British Virgin Island	Holding Company	US Dollar	–	–	–	100.00	–	100.00
PICT[a]	Pakistan	Port Management	Pakistani Rupee	–	–	–	63.59	–	64.53
ICTSI Far East Pte. Ltd. (IFEL)	Singapore	Holding Company	US Dollar	–	100.00	–	100.00	–	100.00
New Muara Container Terminal Services Sdn Bhd (NMCTS)	Brunei	Port Management	Brunei Dollar	–	100.00	–	100.00	–	100.00
JASA and Subsidiaries[a]	Indonesia	Maritime Infrastructure and Logistics	US Dollar	–	–	–	80.16	–	80.16
OJA[a]	Indonesia	Port Management	US Dollar	–	–	–	80.16	–	80.16
PT Makassar Terminal Services, Inc. (MTS)	Indonesia	Port Management	Indonesian Rupiah	–	95.00	–	95.00	–	95.00
PT Container Terminal Systems Solutions Indonesia (PT CTSSI)	Indonesia	Software Developer	US Dollar	–	100.00	–	100.00	–	100.00
ICTSI (Hong Kong) Limited	Hong Kong	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 Georgia Corp. (IGC)	Cayman Islands	Holding Company	US Dollar	–	100.00	–	100.00	–	100.00
ICTSI Poland	Bermuda	Holding Company	US Dollar	–	100.00	–	100.00	–	100.00
ICTSI Brazil	Bermuda	Holding Company	US Dollar	–	100.00	–	100.00	–	100.00
ICTSI Ltd. RHQ	Philippines	Regional Headquarters	Philippine Peso	–	100.00	–	100.00	–	100.00
ICTSI India[c]	India	Port Management	Indian Rupee	–	100.00	–	100.00	–	100.00
Container Terminal de Venezuela Conterven CA (CTVCC)	Venezuela	Holding Company	US Dollar	–	95.00	–	95.00	–	95.00
ICTSI Africa (Pty) Ltd.[c]	South Africa	Business Development Office (BDO)	South African Rand	–	100.00	–	100.00	–	100.00
Australian International Container Terminals Limited (AICTL)[b]	Australia	Port Management	Australian Dollar	–	70.00	–	70.00	–	70.00
Mindanao International Container Terminal Services, Inc. (MICTSI)	Philippines	Port Management	Philippine Peso	100.00	–	100.00	–	100.00	–
Abbotsford	Philippines	Holding Company	Philippine Peso	100.00	–	100.00	–	100.00	–
HIPS[d]	Philippines	Port Management	Philippine Peso	–	–	–	65.00	–	65.00
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. (PSSBI)[b]	Philippines	Manpower Recruitment	Philippine Peso	100.00	–	100.00	–	100.00	–
ICTSI Subic[c, g]	Philippines	Port Management	US Dollar	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)[b, i]	Philippines	Port Management	Philippine Peso	51.00	–	51.00	–	51.00	–
Cordilla Properties Holdings Inc. (Cordilla)	Philippines	Holding Company	Philippine Peso	100.00	–	100.00	–	100.00	–
South Cotabato Integrated Port Services, Inc. (SCIPSI)	Philippines	Port Management	Philippine Peso	35.70	14.38	35.70	14.38	35.70	14.38
ICTSI (M.E.) JLT (ICTSI Dubai)	United Arab Emirates	BDO	US Dollar	100.00	–	100.00	–	100.00	–
ICTSI Capital B.V. (ICBV)	The Netherlands	Holding Company	US Dollar	–	100.00	–	100.00	–	100.00
Naha International Container Terminal, Inc. (NICTI)	Japan	Port Management	Japanese Yen	60.00	–	60.00	–	60.00	–
Icon Logistiek B.V.[c]	The Netherlands	Holding Company	US Dollar	–	100.00	–	100.00	–	100.00
Royal Capital B.V. (RCBV)[c]	The Netherlands	Holding Company	US Dollar	–	75.00	–	75.00	–	75.00
ICTSI Cooperatief U.A.[d]	The Netherlands	Holding Company	US Dollar	–	–	–	100.00	–	100.00
Global Container Capital, B.V.[d]	The Netherlands	Holding Company	US Dollar	–	–	–	100.00	–	100.00
ICTSI Treasury B.V. (ITBV)[d]	The Netherlands	Holding Company	US Dollar	–	–	–	75.00	–	75.00
ICTSI Americas B.V.[f]	The Netherlands	Holding Company	US Dollar	–	–	–	–	–	100.00
ICTSI Africa B.V.[f]	The Netherlands	Holding Company	US Dollar	–	–	–	–	–	100.00
Global Procurement B.V.[f]	The Netherlands	Holding Company	US Dollar	–	–	–	–	–	100.00
CMSA B.V.[f]	The Netherlands	Holding Company	US Dollar	–	–	–	–	–	100.00
Tecplata B.V.[f]	The Netherlands	Holding Company	US Dollar	–	–	–	–	–	100.00
SPIA Columbia B.V.[f]	The Netherlands	Holding Company	US Dollar	–	–	–	–	–	100.00
TSSA B.V.[f]	The Netherlands	Holding Company	US Dollar	–	–	–	–	–	100.00
CGSA B.V.[f]	The Netherlands	Holding Company	US Dollar	–	–	–	–	–	100.00
SPIA Spain SL[f]	Spain	Holding Company	US Dollar	–	–	–	–	–	100.00
CGSA Transportadora SL[f]	Spain	Holding Company	US Dollar	–	–	–	–	–	100.00
Crixus Limited[f]	British Virgin Island	Holding Company	US Dollar	–	–	–	–	–	100.00
Victoria International Container Terminal Ltd.[f]	Australia	Holding Company	US Dollar	–	–	–	–	–	90.00
Europe, Middle East and Africa (EMEA)									
Tartous International Container Terminal (TICT)	Syria	Port Management	US Dollar	100.00	–	100.00	–	100.00	–
Madagascar International Container Terminal Services, Ltd. (MICTSL)	Madagascar	Port Management	Euro	–	100.00	–	100.00	–	100.00
Baltic Container Terminal Ltd. (BCT)	Poland	Port Management	US Dollar	–	100.00	–	100.00	–	100.00
AGCT[e]	Croatia	Port Management	Croatian Kuna	–	51.00	–	51.00	–	51.00
Batumi International Container Terminal LLC (BICTL)	Georgia	Port Management	US Dollar	–	100.00	–	100.00	–	100.00
LICTSLE[b, d]	Nigeria	Port Management	US Dollar	–	–	–	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
CMSA[k]	Mexico	Port Management	Mexican Peso	100.00	–	100.00	–	100.00	–
Tecon Suape, S.A. (TSSA)	Brazil	Port Management	Brazilian Real	–	100.00	–	100.00	–	100.00

	Place of Incorporation	Nature of Business	Functional Currency	Percentage of Ownership 2011 Direct	2011 Indirect	2012 Direct	2012 Indirect	2013 Direct	2013 Indirect
ICTSI Oregon, Inc. (ICTSI Oregon)	U.S.A.	Port Management	US Dollar	–	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)	Panama	Holding Company	US Dollar	–	100.00	–	100.00	–	100.00
Sociedad Puerto Industrial Aguadulce SA (SPIA)[b, i]	Colombia	Port Management	Colombian Peso	–	91.29	–	91.29	–	45.65
International Ports of South America and Logistics SA (IPSAL)	Uruguay	Holding Company	US Dollar	–	100.00	–	100.00	–	100.00
Tecplata[b]	Argentina	Port Management	US Dollar	–	85.00	–	91.68	–	96.25
Nuevos Puertos S.A. (NPSA)[l]	Argentina	Holding Company	US Dollar	–	–	–	–	–	54.92
OPC[f, h]	Honduras	Port Management	US Dollar	–	–	–	–	30.00	70.00

(a) *Acquired in 2012*
(b) *Not yet started commercial operations as of December 31, 2013*
(c) *Established in 2011*
(d) *Established in 2012*
(e) *Acquired in 2011*
(f) *Established in 2013*
(g) *Changed its functional currency from Philippine Peso to US Dollar in 2012*
(h) *Started commercial operations in December 2013*
(i) *Became a joint venture starting November 1, 2013*
(j) *Sold in January 2014*
(k) *Started commercial operations in November 2013*
(l) *Acquired in 2013*

In 2012, ICTSI infused additional capital in Tecplata increasing its ownership from 85 percent to 91.68 percent (see Note 15.4). In 2013, ICTSI, through its subsidiaries ICTSI Ltd. and IPSAL, purchased 54.92 percent ownership in NPSA, non-controlling shareholder of Tecplata, for US$14.0 million. The purchase was accounted for as an acquisition of non-controlling interests. This transaction effectively increased ICTSI's ownership in Tecplata to 96.25 percent (see Note 15.4).

In 2012, ICTSI Mauritius further increased its ownership in PICT after it gained control on October 19, 2012 at 35 percent interest to 63.59 percent as of December 31, 2012 (see Notes 1.2, 4.2 and 15.4). In 2013, ICTSI Mauritius purchased additional shares of PICT which further increased its ownership to 64.53 percent.

On September 18, 2013, ICTSI and PSA International Pte. Ltd. (PSA), through their wholly-owned subsidiaries, signed a Share Purchase Agreement whereby ICTSI agreed to the purchase by PSA of 45.64 percent of SPIA's issued and outstanding share capital, subject to certain conditions precedent to completion. On October 31, 2013, PSA finalized and completed its investment in SPIA. With the completion of the investment, ICTSI and PSA, through their respective subsidiaries, now jointly own 91.29 percent of issued and outstanding share capital of SPIA. Accordingly, SPIA ceased to be a consolidated subsidiary of ICTSI and became a joint venture, which is accounted for under the equity method. Net proceeds from the sale amounted to US$64.8 million. As a result of the transaction, the Company recognized a net gain on sale amounting to US$0.3 million in the 2013 consolidated statement of income (see Notes 9 and 20).

On November 28, 2013, ICTSI and the other shareholders of CICTI (the "Sellers") entered into a conditional Share Purchase Agreement (SPA) with Cebu Asian Rim Property and Development Corporation and Hongkong Land (Philippines) BV (the "Buyers") for the sale of its entire ownership in CICTI. On January 13, 2014, and upon fulfillment of conditions under the SPA, the Sellers executed a Deed of Absolute Sale in favor of the Buyers. ICTSI's share in the net proceeds from the sale amounted to US$26.6 million (₱1.2 billion).

Consequently, the net assets of CICTI to be transferred to the Sellers were classified as "Noncurrent assets held for sale" in the 2013 consolidated balance sheet, and consist of the following:

Investment property (see Note 8)	US$16,551,836
Prepaid expenses and other current assets	2,703
Accounts payable and other current liabilities	(210,860)
	US$16,343,679

2. Basis of Preparation and Consolidation 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. All values are rounded to the nearest US dollar unit, except when otherwise indicated.

The consolidated financial statements provide comparative information in respect of previous periods. In addition, the Group presents an additional consolidated balance sheet as at the beginning of the preceding period when so required as a result of the retrospective application of an accounting policy, a retrospective restatement, or a reclassification of items in financial statements. An additional consolidated balance sheet as at January 1, 2012 is presented in these consolidated financial statements due to

retrospective application of certain accounting policies. The amounts in the consolidated balance sheet as at January 1, 2012 are the same as at December 31, 2011, as adjusted for the effects of the adoption of new and amended accounting standards effective January 1, 2013 (see Note 3.1).

2.2 Basis of Consolidation

The consolidated financial statements of the Group include the accounts of ICTSI and its subsidiaries where the Parent Company has control. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee, and
- The ability to use its power over the investee to affect its returns

When the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control.

Subsidiaries. Subsidiaries are entities controlled by the Parent Company. 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.

Non-controlling Interests. Non-controlling interests represent the portion of profit or loss and net assets in MTS, AICTL, CTVCC, SBITC, SBITHI, BIPI, NICTI, CICTI, DIPSSCOR, YRDICTL, SPIA (until October 31, 2013), SCIPSI, Tecplata, RCBV, AGCT, JASA, OJA, ITBV, HIPS, VICTL, NPSA, and PICT, not held by the Group and are presented separately in the consolidated statement of income and the consolidated statement of comprehensive income, and consolidated balance sheet separate from equity attributable to equity holders of the parent.

An acquisition, transfer or sale of a non-controlling interest is accounted for as an equity transaction. No gain or loss is recognized in an acquisition of a non-controlling 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 non-controlling interests" account within the equity section of the consolidated balance sheet. If the Group loses control over a subsidiary, it: (i) derecognizes the assets (including goodwill) and liabilities of the subsidiary, the carrying amount of any non-controlling interest and the cumulative translation differences recorded in equity; (ii) 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 (iii) 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 transactions and balances including income and expenses, and unrealized gains and losses are eliminated in full.

Accounting Policies of Subsidiaries. The financial statements of subsidiaries are prepared for the same reporting year using uniform accounting policies as those of the Parent Company.

Functional and Presentation Currency. The Group's consolidated financial statements are presented in US dollar, which is ICTSI's functional and presentation currency. Each entity in the Group determines its own functional currency, which is the currency that best reflects the economic substance of the underlying 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 accounting policy on Change in Functional Currency.

At the reporting date, the assets and liabilities of subsidiaries whose functional currency is not the US dollar 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 under the "Cumulative translation adjustment" account. 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.

2.3 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 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 amended standards as of January 1, 2013:

- PFRS 7, *Financial instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities (Amendments)*

These amendments require an entity to disclose information about rights of set-off and related arrangements (such as collateral agreements). The new disclosures are required for all recognized financial instruments that are set off in accordance with PAS 32 *Financial Instruments: Presentation*. These disclosures also apply to recognized financial instruments that are subject to an enforceable master netting arrangement or 'similar agreement', irrespective of whether they are set-off in accordance with PAS 32. The amendments require entities to disclose, in a tabular format, unless another format is more appropriate, the following minimum quantitative information. This is presented separately for financial assets and financial liabilities recognized at the end of the reporting period:

a) The gross amounts of those recognized financial assets and recognized financial liabilities;
b) The amounts that are set off in accordance with the criteria in PAS 32 when determining the net amounts presented in the statement of financial position;
c) The net amounts presented in the statement of financial position;
d) The amounts subject to an enforceable master netting arrangement or similar agreement that are not otherwise included in (b) above, including:
   i. Amounts related to recognized financial instruments that do not meet some or all of the offsetting criteria in PAS 32; and
   ii. Amounts related to financial collateral (including cash collateral); and
e) The net amount after deducting the amounts in (d) from the amounts in (c) above.

As the Group is not setting off financial instruments in accordance with PAS 32 and does not have relevant offsetting arrangements, the amendment did not have an impact on the Group's consolidated financial statements.

- PFRS 10, *Consolidated Financial Statements*
  PFRS 10 replaced the portion of PAS 27, *Consolidated and Separate Financial Statements*, that addressed the accounting for consolidated financial statements. It also included the issues raised in SIC 12, *Consolidation - Special Purpose Entities*. PFRS 10 established a single control model that applied to all entities including special purpose entities. The changes introduced by PFRS 10 require management to exercise significant judgment to determine which entities are controlled, and therefore, are required to be consolidated by a parent, compared with the requirements that were in PAS 27. The adoption of PFRS 10 had no impact on the consolidated financial statements because ICTSI has assessed that all subsidiaries that were consolidated in accordance with the old PAS 27 will continue to be consolidated in accordance with PFRS 10.

- PFRS 11, *Joint Arrangements*
  PFRS 11 replaced PAS 31, *Interests in Joint Ventures*, and SIC 13, *Jointly Controlled Entities - Non-Monetary Contributions by Venturers*. PFRS 11 removed the option to account for jointly controlled entities using proportionate consolidation. Instead, jointly controlled entities that meet the definition of a joint venture must be accounted for using the equity method. The adoption of the PFRS 11 had no impact on the consolidated financial statements because the Group has not entered into any joint arrangements as of the effectivity date of the standard.

- PFRS 12, *Disclosure of Interests in Other Entities*
  PFRS 12 sets out the requirements for disclosures relating to an entity's interests in subsidiaries, joint arrangements, associates and structured entities. The requirements in PFRS 12 are more comprehensive than the previously existing disclosure requirements for subsidiaries (for example, where a subsidiary is controlled with less than a majority of voting rights). The Group has no unconsolidated structured entities. Management also assessed that there are no subsidiaries with non-controlling interests that are individually material to the Group. Disclosures on judgments on determination of control over subsidiaries and joint control over joint venture are provided in Note 3.2 to the consolidated financial statements.

- PFRS 13, *Fair Value Measurement*
  PFRS 13 establishes a single source of guidance under PFRSs for all fair value measurements. PFRS 13 does not change when an entity is required to use fair value, but rather provides guidance on how to measure fair value under PFRS. PFRS 13 defines fair value as an exit price. PFRS 13 also requires additional disclosures.

  The adoption of PFRS 13 had no significant impact on the fair value measurements of the Group. Additional disclosures, where required, are provided in the individual notes relating to the assets and liabilities whose fair values were determined. The application of fair value hierarchy as provided for under PFRS 13 is discussed in Note 26.2 to the consolidated financial statements.

- PAS 1, *Presentation of Financial Statements - Presentation of Items of Other Comprehensive Income (OCI) (Amendments)*
  The amendments to PAS 1 introduced a grouping of items presented in OCI. Items that will be reclassified (or "recycled") to profit or loss at a future point in time (for example, upon derecognition or settlement) will be presented separately from items that will never be recycled. The Group has modified the presentation of items of other comprehensive income in the consolidated statements of comprehensive income. The amendments had no impact on the Group's financial position or performance.

- PAS 19, *Employee Benefits (Amendments)*
  Amendments to PAS 19 range from fundamental changes such as removing the corridor mechanism and the concept of expected returns on plan assets to simple clarifications and rewording. The revised standard also requires new disclosures such as, among others, a sensitivity analysis for each significant actuarial assumption, information on asset-liability matching strategies, duration of the defined benefit obligation, and disaggregation of plan assets by nature and risk.

  Prior to adoption of the Revised PAS 19, the Group recognized actuarial gains and losses as income or expense when the net cumulative unrecognized gains and losses for each individual plan at the end of the previous period exceeded 10 percent of the higher of the defined benefit obligation and the fair value of the plan assets. Upon adoption of the Revised PAS 19, the Group changed its accounting policy to recognize all actuarial gains and losses in other comprehensive income and past service costs, if any, in profit or loss in the period they occur.

  The Group has applied the amendments retrospectively. The effects of adoption of Revised PAS 19 are detailed below (see Note 2.1):

	January 1, 2012	December 31, 2012	December 31, 2013
Increase (decrease) in:			
Consolidated Balance Sheet			
Other noncurrent assets	US$1,457,882	US$671,414	US$898,763
Pension liabilities	(42,949)	(64,776)	(617,238)
Deferred tax asset	(5,747)	(21,788)	(179,032)
Deferred tax liabilities	433,778	201,424	269,629
Other comprehensive loss - net	388,874	(323,648)	650,526
Retained earnings	592,996	760,203	352,968
Equity attributable to non-controlling interests	79,436	76,423	63,746
Consolidated Statement of Income			
Manpower costs	(328,165)	(135,728)	369,317
Provision for deferred income tax	(66,510)	(28,467)	50,496
Net income	394,675	164,195	(419,813)
Attributable To			
Equity holders of the parent	402,025	167,208	(407,236)
Non-controlling interests	(7,350)	(3,013)	(12,577)
Other comprehensive income	1,556,268	712,523	974,175

The Revised PAS 19 did not have a significant impact in the consolidated statements of cash flows and on the Group's basic and diluted earnings per share.

- PAS 27, *Separate Financial Statements (as revised in 2011)*
  As a consequence of the issuance of the new PFRS 10, Consolidated Financial Statements, and PFRS 12, *Disclosure of Interests in Other Entities*, what remains of PAS 27 is limited to accounting for subsidiaries, jointly controlled entities, and associates in the separate financial statements. The adoption of the amended PAS 27 did not have a significant impact on the separate financial statements of the entities in the Group.

- PAS 28, *Investments in Associates and Joint Ventures (as revised in 2011)*
  As a consequence of the issuance of the new PFRS 11, *Joint Arrangements*, and PFRS 12, *Disclosure of Interests in Other Entities*, PAS 28 has been renamed PAS 28, *Investments in Associates and Joint Ventures*, and describes the application of the equity method to investments in joint ventures in addition to associates. The adoption of the amended PAS 28 had no significant impact on the consolidated financial statements of the Group.

- IFRIC 20, *Stripping Costs in the Production Phase of a Surface Mine*
  This interpretation applies to waste removal (stripping) costs incurred in surface mining activity, during the production phase of the mine. The interpretation addresses the accounting for the benefit from the stripping activity. This new interpretation is not relevant to the Group.

Annual Improvements to PFRSs (2009-2011 cycle)

The *Annual Improvements to PFRSs* (2009-2011 cycle) contain non-urgent but necessary amendments to PFRSs. The amendments are effective for annual periods beginning on or after January 1, 2013 and are applied retrospectively.

- PFRS 1, *First-time Adoption of PFRSs - Borrowing Costs*
  The amendment clarifies that, upon adoption of PFRSs, an entity that capitalized borrowing costs in accordance with its previous generally accepted accounting principles, may carry forward, without any adjustment, the amount previously capitalized in its opening statement of financial position at the date of transition. Subsequent to the adoption of PFRSs, borrowing costs are recognized in accordance with PAS 23, *Borrowing Costs*. The amendment does not apply to the Group as it is not a first-time adopter of PFRSs.

- PAS 1, *Presentation of Financial Statements - Clarification of the requirements for comparative information*
  The amendments clarify the requirements for comparative information that are disclosed voluntarily and those that are mandatory due to retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements. An entity must include comparative information in the related notes to the financial statements when it voluntarily provides comparative information beyond the minimum required comparative period. The additional comparative period does not need to contain a complete set of financial statements. On the other hand, supporting notes for the third balance sheet (mandatory when there is a retrospective application of an accounting policy, or retrospective restatement or reclassification of items in the financial statements) are not required. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- PAS 16, *Property, Plant and Equipment - Classification of servicing equipment*
  The amendment clarifies that spare parts, stand-by equipment and servicing equipment should be recognized as property, plant and equipment when they meet the definition of property, plant and equipment and should be recognized as inventory if otherwise. The amendment did not have any significant impact on the Group's financial position or performance.

- PAS 32, *Financial Instruments: Presentation - Tax effect of distribution to holders of equity instruments*
  The amendment clarifies that income taxes relating to distributions to equity holders and to transaction costs of an equity transaction are accounted for in accordance with PAS 12, Income Taxes. The amendment had no impact on the Group's financial position or performance.

- PAS 34, *Interim Financial Reporting - Interim financial reporting and segment information for total assets and liabilities*
  The amendment clarifies that the total assets and liabilities for a particular reportable segment need to be disclosed only when the amounts are regularly provided to the chief operating decision maker and there has been a material change from the amount disclosed in the entity's previous annual financial statements for that reportable segment. The amendment had no impact on the Group's financial position or performance.

3.2 Significant Accounting Judgments, Estimates and Assumptions

Judgments

In the process of applying the Group's accounting policies, management has made the following judgments, in addition to those involving estimations, that can have significant effects on the amounts recognized in the consolidated financial statements:

Determination of control or joint control over an investee company. Control is presumed to exist when an investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. On the other hand, joint control is presumed to exist when the investors contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Management has determined that by virtue of its 35 percent ownership in PICT as of October 19, 2012, the Parent Company had the ability to exercise control (see Note 4.2). This is because the Group became the single biggest shareholder of PICT. The acquisition gave ICTSI, through ICTSI Mauritius, majority board representation and the power to appoint the general manager and the chief financial officer of PICT.

In 2013, after the sale of the 45.64 percent equity interest in SPIA, management had determined that it has joint control with PSA International over the operation of SPIA (see Note 1.3). Based on the significant provisions of the agreement between ICTSI and PSA, all significant resolutions should be passed with the consent of each party.

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 has determined that the concession contracts of the Parent Company, SBITC, MICTSL, TICT, CGSA, Tecplata, AGCT, ICTSI Subic, LICTSLE, PICT and OPC are 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, 2011, 2012 and 2013 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. The Group accounts and 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, *Determining whether an Arrangement Contains a Lease*, were determined as operating leases.

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 estimates and judgment in reviewing the carrying amount of deferred tax assets, which are recognized at net realizable value.

Deferred tax assets recognized as of December 31, 2011, 2012 and 2013 are disclosed in Note 21 to the consolidated financial statements. Unrecognized deferred tax assets on net operating loss carry-over (NOLCO) and other losses of certain subsidiaries amounted to US$6.3 million, US$7.1 million and US$4.0 million, as of December 31, 2011, 2012 and 2013, respectively.

Contingencies. The Group is currently a defendant in a number of cases involving cargo, labor, tax and civil suits, claims and disputes and is a plaintiff in a maritime dispute involving claims 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 the defense for these matters and is based upon an analysis of probable 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$6.5 million, US$9.8 million and US$11.3 million as of December 31, 2011, 2012 and 2013, respectively (see Notes 18 and 25). On the other hand, the Group recognized claims receivable up to the extent of actual expenditures in restoring the damaged cranes and facilities caused by two separate incidents in its ports in Ecuador and Poland in 2010 and 2012 amounting to US$4.0 million, US$8.2 million and US$7.6 million as of December 31, 2011, 2012 and 2013, respectively (see Notes 6, 7 and 13). Management and the Group's legal counsels believe that recovery of these receivables from the vessel owners is assured.

Estimates and Assumptions

The key estimates and assumptions concerning the future and other key sources of estimation uncertainty at the balance sheet date that may 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, 2011, 2012 and 2013 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, except goodwill and intangible assets not yet available for use, property and equipment, investment properties, and investments in a joint venture and 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 operations of the Group. The carrying amounts of intangible assets, including intangible assets not yet available for use, property and equipment, investment properties and investments in a joint venture and an associate are disclosed in Notes 6, 7, 8 and 9 to the consolidated financial statements, respectively. There was no impairment loss in 2011 and 2013. However, in 2012, the Group recognized a loss on write-off of US$0.8 million to write down the carrying value of the net assets of TICT (see Notes 1.2, 20.3 and 24.4).

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 was no impairment loss in 2011, 2012 and 2013.

The carrying amounts of goodwill as of December 31, 2011, 2012 and 2013 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, computer software, 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 26 to the consolidated financial statements.

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 and 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 13 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, 2011, 2012 and 2013 amounted to US$16.4 million, US$18.5 million and US$21.6 million, respectively.

The cost of these spare parts and supplies amounted to US$16.9 million, US$19.2 million and US$22.4 million as of December 31, 2011, 2012 and 2013, respectively.

Write-downs of spare parts and supplies amounted to US$0.1 million in 2011, US$14 thousand in 2012 and US$0.1 million in 2013 and were 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 provided by the Group to its actuaries in calculating such amounts. Those assumptions were described in Note 23 and included among others, discount rate and future salary increases. In accordance with Revised PAS 19, Employee Benefits, actual results that differ from the Group's assumptions are included in other comprehensive income and are not reclassified to profit or loss in subsequent 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.

The carrying values of pension assets and pension liabilities as of December 31, 2011, 2012 and 2013 are disclosed in Note 23 to the consolidated financial statements.

3.3 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, except goodwill, 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 Group accounts for goodwill following the accounting policy on Business Combination and Goodwill.

The useful lives of intangible assets are assessed to be either finite or indefinite.

Intangible assets with finite lives are amortized over their useful economic life and assessed for impairment whenever there is an indication that 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 are accounted for by changing the amortization period and method, as appropriate, and treated as changes in accounting estimates. The amortization expense on intangible assets with finite lives is recognized in the consolidated statement of income under the "Depreciation and amortization" account, which is consistent with the function of the intangible assets.

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 the 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 when the Group effectively receives a license or right to charge users for the public service it provides. Concession rights consist of:

a. Upfront fees payments on the concession contracts;

b. The cost of port infrastructure constructed and under construction, including related borrowing costs, and port equipment purchased and committed in accordance with the terms and conditions of the concession arrangements accounted for under IFRIC 12. 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 for concession arrangements accounted for under IFRIC 12. 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 accounting policy on 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 the accounting policy on 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 accounting 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 3 to 41 years. Upfront fees are amortized upon the effectivity of the concession agreement while port infrastructure and fixed fees are amortized when the terminal is ready for use or upon start of commercial operations, whichever is earlier.

Computer Software Cost. Computer software cost includes costs incurred in the development and acquisitions of computer software used in operations. Computer software is amortized when it is available for use on a straight-line method over five years.

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

Business Combinations and Goodwill
Business combinations are accounted for using the acquisition method.

Initial Measurement

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 non-controlling interest in the acquiree. For each business combination, the Group elects to measure the non-controlling 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 or business development offices are expensed and included as part of "Administrative and other operating expenses" account in the consolidated statements of income.

When the Group acquires a business, it assesses the financial assets acquired 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.

If the business combination is achieved in stages, the previously held equity interest in the acquiree is remeasured at its acquisition date fair value and any resulting gain or loss is recognized in the consolidated statement of income.

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

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred and the amount recognized for non-controlling interest over the net identifiable assets acquired and liabilities assumed. If the fair value of the identifiable net assets acquired is in excess of the aggregate consideration transferred, the gain is recognized 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 for the combination using provisional values. Adjustments to these provisional values because 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 the asset, liability or contingent liability's fair value at the acquisition date had been recognized from that date. 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.

Subsequent Measurement

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 goodwill is recognized as income or loss in the consolidated statement of income.

Goodwill is shown as part of "Intangibles" account in the consolidated balance sheets.

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. Such cost also includes the cost of replacing part of the property and equipment and borrowing costs for long-term construction projects if the recognition criteria are met, and any obligation related to the retirement of the asset. 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 accounting 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. When significant parts of property and equipment are required to be replaced at intervals, the Group recognizes such parts as individual assets with specific useful lives and depreciates them accordingly. 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 start when the property and equipment are put into operations and 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 - 48 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 and amortization is charged to current operations.

An item of property and equipment and any significant part initially recognized are 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 when 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.

Port equipment spare parts represent major components or parts of port equipment such as quay cranes, which generally include insurance spares, that are critical for the continuous operations of the terminal equipment and facilities that have significantly different patterns of consumption of economic benefits. Port equipment spare parts are not depreciated but tested for impairment until they are put into use.

Borrowing Costs

Borrowing costs that are directly attributable to the acquisition or construction of a qualifying asset including intangibles and property and equipment while the qualifying asset is under construction 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 of funds 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.

However, if the carrying amount of the asset after capitalization of borrowing costs exceeds its recoverable amount, an impairment loss is recognized.

Investment Properties

Investment properties consisting mainly of land and improvements are initially measured at cost including transaction costs. Subsequent to initial recognition, investment properties are stated 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 ranging from 15 to 25 years.

Investment properties are derecognized when either they have been disposed of or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. Any gains or losses are measured as the difference between the net disposal proceeds and the carrying amount of the asset and recognized in the consolidated statement of income upon 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 an owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the accounting policy on Property and Equipment up to the date of change in use.

Investments in an Associate and a Joint Venture

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.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. The Group's investment in a joint venture is accounted for using the equity method.

Under the equity method, the cost of investment in an associate and a joint venture is carried in the consolidated balance sheet at cost plus post acquisition changes in the Group's share of net assets of the associate and the joint venture. Goodwill, if any, relating to an associate or a joint venture 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 and joint venture. Where there has been a change recognized directly in the equity of the associate and the joint venture, 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 and joint venture are eliminated to the extent of the interest in the associate and joint venture.

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

Upon loss of joint control over the joint venture and loss of significant influence over the associate, the Group measures and recognizes any retained investment at its fair value. Any difference between the carrying amount of the joint venture and the associate upon loss of joint control and siginificant influence, respectively, and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

Fair Value Measurement

The Group measures financial instruments, such as, derivatives, and non-financial assets such as investment properties, at fair value at each balance sheet date. Also, fair values of financial instruments measured at amortized cost are disclosed in Note 26.1.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible to by the Group.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognized in the consolidated financial statements on a recurring basis, the Group determines whether transfers have occurred between Levels in the hierarchy by re-assessing categorization (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

Impairment of Nonfinancial Assets

Intangibles, except intangibles not yet brought into use, property and equipment, investment properties, and investment in an associate and a joint venture are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Whenever the carrying amount of an asset exceeds its recoverable amount, an impairment loss is recognized in the consolidated statement of income. The recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal or value-in-use. Recoverable amounts are estimated for individual assets or, if it is not possible, for the cash-generating unit to which the asset belongs. Fair value less costs of diposal is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date less costs of disposal 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.

In assessing value-in-use, the estimated future cash flows are discounted to their present value using the pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations, which are prepared separately for each of the Group's cash generating unit to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment on inventories, are recognized in the consolidated statement of income in expense categories consistent with the function of the impaired asset, except for a property previously revalued when the revaluation was taken to other comprehensive income. In this case, the impairment is also recognized in other comprehensive income up to the amount of any previous revaluation.

For other assets excluding goodwill and intangibles not yet brought into use, 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 asset's 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.

Intangibles not yet brought into use are tested for impairment annually irrespective of whether there is any impairment indicator.

The following assets have specific characteristic for impairment testing:

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 or has been allocated. When the recoverable amount of the cash-generating unit is less than its carrying amount, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

The Group performs its annual impairment test for intangibles not yet brought into use and goodwill at December 31.

Investments in an Associate and a Joint Venture. 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 and joint venture. The Group determines at each balance sheet date whether there is any objective evidence that the investment in an associate and a joint venture is impaired. If this is the case, the Group calculates the amount of impairment as being the difference between the recoverable amount of the associate and joint venture and the carrying amount of the investment, and recognizes the amount in the consolidated statement of income. The Group's investment in an associate has been fully provided with an allowance for probable loss (see Note 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 investments. 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 2011, 2012 and 2013.

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

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

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

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

Derivative Financial Instruments and Hedging

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

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

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

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

Cash Flow Hedges. Cash flow hedges are hedges of the exposure to variability in cash flows that is attributable to a particular risk associated with a recognized asset, 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, whereas any hedge ineffectiveness 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 reclassified to profit or loss as a reclassification adjustment in the same period or periods during which the asset acquired or liability assumed affects profit or loss (such as in the periods that depreciation expense or cost of sales is recognized). However, if an entity expects that all or a portion of a loss recognized in other comprehensive income will not be recovered in one or more future periods, it shall reclassify from equity to profit or loss as a reclassification adjustment the amount that is not expected to be recovered.

Hedge accounting is discontinued prospectively when the hedge ceases to be highly effective. When hedge accounting is discontinued, the cumulative gains or losses on the hedging instrument that has been reported as “Net change in unrealized mark-to-market values of derivatives” is retained in the consolidated statement of comprehensive income until the hedged transaction impacts the consolidated statement of income. When the forecasted transaction is no longer expected to occur, any net cumulative gains or losses previously reported in the statement of comprehensive income is recognized immediately in the consolidated statement of income.

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

Embedded Derivatives

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

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 integral part of the effective interest rate and transaction costs. Gains and losses are recognized in the consolidated statement of income when the loans and receivables are derecognized or impaired, as well as through the amortization process. Loans and receivables are included in current assets if maturity is within 12 months from the balance sheet date otherwise; these are classified as noncurrent assets.

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

HTM Investments. HTM investments are quoted non-derivative financial assets with 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 had no HTM investments.

AFS Investments. AFS investments are 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 on the investments is reported as interest income using the effective interest method. 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 accumulated impairment losses.

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

<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. Financial liabilities are classified under this category if they are not held for trading or not designated as FVPL upon the inception of the liability.

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.

<u>Derecognition of Financial Assets and Liabilities</u>

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 when:

- the rights to receive cash flows from the asset have expired; or
- 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.

When 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.

<u>Day 1 Difference</u>
Where the transaction price in a non-active market is different from the fair value of 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' difference) in the consolidated statement of income unless it qualifies for recognition as some other type of asset. In case where data used are not observable, the difference between the transaction price and model value is recognized in the consolidated statement of income 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' difference.

<u>Offsetting Financial Instruments</u>
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 set off the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

<u>Cash and Cash Equivalents</u>
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.

Cash does not include restricted cash, which is classified in the consolidated balance sheet either as a current or noncurrent asset depending on the relationship to the asset for which the funds are restricted. If cash is restricted for investments, the restricted portion is classified as noncurrent.

<u>Spare Parts and Supplies</u>
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 spare parts and supplies inventories exceeds its net realizable value, provisions are made currently for the differences between the cost and the net realizable value.

<u>Prepayments</u>
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, Port Fees, Bonds and Other Expenses, and Advanced Rent and Deposits. Prepaid insurance, port fees, 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 and custom duties. 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 within 12 months from the balance sheet date are classified as current assets. Otherwise, these are classified as noncurrent assets.

<u>Capital Stock and Additional Paid-in Capital</u>
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. Shares vested during the reporting period are satisfied with treasury shares.

Foreign Currency Transactions
Transactions in foreign currencies are initially recorded by each entity at its functional currency ruling at the date the transaction first qualifies for recognition. Monetary assets and liabilities denominated in foreign currencies are retranslated at the entity's functional currency rate of exchange ruling at the balance sheet date. All foreign currency differences are taken to the statement of income of the entity and to the consolidated financial statements except exchange differences on foreign currency borrowings that provide a hedge against a net investment in a foreign operation. These foreign currency borrowings include long-term receivables or loans to a foreign operation denominated in either the functional currency of the parent or of the foreign operations. 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 terms of 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 the closing exchange rate at the balance sheet date.

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:

	2011		2012		**2013**	
	Closing	Average	Closing	Average	**Closing**	**Average**
Foreign currency to 1 unit of						
US Dollar (USD or US$):						
Argentinean peso (AR$)	4.300	4.130	4.916	4.551	**6.250**	**5.480**
Australian dollar (AUD)	0.980	0.968	0.962	0.965	**1.121**	**1.033**
Brazilian real (BRL or R$)	1.867	1.674	2.052	1.955	**2.362**	**2.161**
Brunei dollar (B$)	1.297	1.257	1.222	1.249	**1.262**	**1.251**
Chinese renminbi (RMB)	6.295	6.463	6.231	6.309	**6.054**	**6.148**
Colombian peso (COP)	1,938.500	1,847.820	1,767.000	1,797.070	**1,929.510**	**1,869.310**
Croatian kuna (HRK)	5.816	5.349	5.734	5.853	**5.545**	**5.707**
Euro (EUR or €)	0.772	0.718	0.758	0.778	**0.728**	**0.753**
Georgian Lari (GEL)	1.666	1.684	1.658	1.663	**1.737**	**1.663**
Honduran Lempira (HNL)	–	–	–	–	**20.250**	**20.104**
Hong Kong dollar (HKD)	7.767	7.784	7.750	7.757	**7.754**	**7.757**
Indian Rupee (INR)	–	–	54.995	53.474	**61.800**	**58.601**
Indonesian rupiah (IDR or Rp)	9,069.000	8,772.000	9,793.000	9,388.000	**12,171.000**	**10,440.000**
Japanese yen (JPY or ¥)	76.910	79.700	86.750	79.840	**105.310**	**97.630**
Mexican peso (MXN)	13.936	12.443	12.853	13.156	**13.037**	**12.762**
Pakistani rupee (PKR or Rs)	–	–	97.138	93.399	**105.326**	**101.592**
Philippine peso (₱)	43.840	43.310	41.050	42.237	**44.395**	**42.430**
Polish zloty (PLN)	3.445	2.965	3.094	3.255	**3.023**	**3.159**
Singaporean dollar (SGD)	1.297	1.257	1.222	1.249	**1.263**	**1.251**
South African Rand	–	–	8.474	8.210	**10.493**	**9.650**

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 consolidated statement of comprehensive income and presented in the equity section of the consolidated 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. Interest arising from the accretion of concession rights payable is presented under "Interest expense on concession rights payable" account in the consolidated statement of income.

Concession rights payable that are expected to be settled for no more than 12 months after the reporting period are classified as current liabilities presented 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. 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.

Provisions for claims and losses. Provisions for claims and losses pertain 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.

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

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 or assets, 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, ICTSI Oregon and PICT, has noncontributory defined benefit plans, administered by trustees, covering substantially all of its regular employees. Except for OJA, 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.

Defined benefit costs comprise service cost, net interest on the net defined benefit liability or asset and remeasurements of net defined benefit liability or asset.

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognized as expense in profit or loss. Past service costs are recognized when plan amendment or curtailment occurs. These amounts are calculated periodically by independent qualified actuaries.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on government bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognized as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses, return on plan assets and any change in the effect of the asset ceiling (excluding net interest on defined benefit liability) are recognized immediately in other comprehensive income in the period in which they arise. Remeasurements are not reclassified to profit or loss in subsequent periods.

Plan assets are assets that are held by a long-term employee benefit fund or qualifying insurance policies. Plan assets are not available to the creditors of the Group, nor can they be paid directly to the Group. Fair value of plan assets is based on market price information. When no market price is available, the fair value of plan assets is estimated by discounting expected future cash flows using a discount rate that reflects both the risk associated with the plan assets and the maturity or expected disposal date of those assets (or, if they have no maturity, the expected period until the settlement of the related obligations). If the fair value of the plan assets is higher than the present value of the defined benefit obligation, the measurement of the resulting defined benefit asset is limited to the present value of economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

Defined Contribution Plan. YRDICTL, ICTSI Oregon and PICT have defined contribution plans 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 Recognition

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, regardless of when payment is being made. Revenue is measured at the fair value of the consideration received or receivable, taking into account contractually defined terms of payment, excluding discounts, rebates, output tax, and other sales taxes or duty. The Group assesses its revenue arrangements against specific criteria to determine if it is acting as principal or agent. The Group has concluded that it is acting as principal in substantially all its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognized:

Gross Revenues 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, which is generally when shareholders approve the dividend, and is included as part of "Other income" account in the consolidated statement income.

Rental Income. Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms and is included as part of "Other income" account in the consolidated statement of income.

Government Grants

Government grants are recognized where there is reasonable assurance that the grant will be received and all attached conditions will be complied with. When the grant relates to an expense item, it is recognized as income on a systematic basis over the periods that the costs, which is intended to compensate, are expensed. When the grant relates to an asset, it is recognized as income in equal amounts over the expected useful life of the related asset.

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 fixed fees paid to port authorities as stipulated in the concession agreements that qualify as leases under IFRIC 4 and 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. This account also includes costs of business development offices in relation to the acquisition of new terminals or projects under exploratory stage.

Taxes

Current Income Tax. 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, are recognized subsequently if new information about facts and circumstances change. The adjustment is treated as a reduction to goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period; otherwise, these shall be recognized in profit or loss.

Project Development Costs

Project development costs that do not qualify for capitalization as port infrastructure recognized as concession rights or property and equipment 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, adjusted by the effect of cumulative distributions on subordinated perpetual capital securities classified as equity in accordance with PAS 32 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

General. 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.

Contingent Liabilities Recognized in a Business Combination. A contingent liability recognized in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of the amount that would be recognized in accordance with the requirements for provisions above or the amount initially recognized less, when appropriate, cumulative amortization recognized in accordance with the requirements for revenue recognition.

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.

3.4 Future Changes in Accounting Policies

Pronouncements Issued but Not yet Effective

Pronouncements issued but not yet effective as of December 31, 2013 are listed below. These pronouncements are those that the Group reasonably expects to have an impact on its accounting policies or disclosures unless otherwise indicated. The Group intends to adopt the following pronouncements when they become effective.

New Pronouncements	Effective for Annual Periods Beginning On or After
PFRS 9, *Financial Instruments*	
PFRS 9, as issued, reflects the first and third phases of the project to replace PAS 39 and applies to the classification and measurement of financial assets and liabilities and hedge accounting, respectively. Work on the second phase, which relate to impairment of financial instruments, and the limited amendments to the classification and measurement model hedge accounting is still ongoing, with a view to replace PAS 39 in its entirety. PFRS 9 requires all financial assets to be measured at fair value at initial recognition. A debt financial asset may, if the fair value option (FVO) is not invoked, be subsequently measured at amortized cost if it is held within a business model that has the objective to hold the assets to collect the contractual cash flows and its contractual terms give rise, on specified dates, to cash flows that are solely payments of principal and interest on the principal outstanding. All other debt instruments are subsequently measured at fair value through profit or loss. All equity financial assets are measured at fair value either through other comprehensive income (OCI) or profit or loss. Equity financial assets held for trading must be measured at fair value through profit or loss. For FVO liabilities designated as at FVPL using the fair value option, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in OCI. The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change relating to the entity's own credit risk in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. All other PAS 39 classification and measurement requirements for financial liabilities have been carried forward to PFRS 9, including the embedded derivative bifurcation separation rules and the criteria for using the FVO. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities. On hedge accounting, PFRS 9 replaces the rules- based hedge accounting model of PAS 39 with a more principles-based approach. Changes include replacing the rules-based hedge effectiveness test with an objectives-based test that focuses on the economic relationship between the hedged item and the hedging instrument, and the effect of credit risk on that economic relationship; allowing risk components to be designated as the hedged item, not only for financial items, but also for non-financial items, provided that the risk component is separately identifiable and reliably measurable; and allowing the time value of an option, the forward element of a forward contract and any foreign currency basis spread to be excluded from the designation of a financial instrument as the hedging instrument and accounted for as costs of hedging. PFRS 9 also requires more extensive disclosures for hedge accounting.	PFRS 9 currently has no mandatory effective date. PFRS 9 may be applied before the completion of the limited amendments to the classification and measurement model and impairment methodology. The adoption of the first phase of PFRS 9 will have an effect on the classification and measurement of the Group's financial assets, but will potentially have no impact on the classification and measurement of financial liabilities. The Group, however, has yet to conduct a quantification of the full impact of this standard. The Group will quantify the effect of this standard in conjunction with the other phases, when issued, to present a more comprehensive picture.
PAS 19, *Employee Benefits - Defined Benefit Plans: Employee Contributions (Amendments)*	
The amendments apply to contributions from employees or third parties to defined benefit plans. Contributions that are set out in the formal terms of the plan shall be accounted for as reductions to current service costs if they are linked to service or as part of the remeasurements of the net defined benefit asset or liability if they are not linked to service. Contributions that are discretionary shall be accounted for as reductions of current service cost upon payment of these contributions to the plans.	

New Pronouncements	Effective for Annual Periods Beginning On or After
The amendments have no potential impact to the Group as there are no contributions from employees or third parties to the plan.	July 1, 2014
PAS 32, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities (Amendments)*	
The amendments clarify the meaning of "currently has a legally enforceable right to set-off" and also clarify the application of the PAS 32 offsetting criteria to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments affect presentation only and have no impact on the Group's financial position or performance. The amendments are to be applied retrospectively.	January 1, 2014
PAS 36, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets (Amendments)*	
These amendments remove the unintended consequences of PFRS 13 on the disclosures required under PAS 36. In addition, these amendments require disclosure of the recoverable amounts for the assets or cash-generating units (CGUs) for which impairment loss has been recognized or reversed during the period. These amendments are effective retrospectively with earlier application permitted, provided PFRS 13 is also applied. The amendments affect disclosures only and have no impact on the Group's financial position or performance.	January 1, 2014
PAS 39, *Financial Instruments: Recognition and Measurement - Novation of Derivatives and Continuation of Hedge Accounting (Amendments)*	
These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria. The Group has not novated its derivatives during the current period. However, these amendments would be considered for future novations.	January 1, 2014
Investment Entities (Amendments to PFRS 10, PFRS 12 and PAS 27)	
They provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under PFRS 10. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. It is not expected that this amendment would be relevant to the Group since none of the entities in the Group would qualify to be an investment entity under PFRS 10.	January 1, 2014
Philippine Interpretation IFRIC 21, *Levies (IFRIC 21)*	
IFRIC 21 clarifies that an entity recognizes a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. The Group does not expect that IFRIC 21 will have material financial impact in future financial statements.	January 1, 2014
IFRIC 15, *Agreements for the Construction of Real Estate*	
This interpretation 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 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 not have any material effect on the consolidated financial statements of the Group.	The SEC and the Financial Reporting Standards Council (FRSC) have deferred the effectivity of this interpretation until the final Revenue standard is issued by International Accounting Standards Board (IASB), and an evaluation of the requirements of the final Revenue standard against the practices of the Philippine real estate industry is completed.

Annual Improvements to PFRSs (2010-2012 cycle)

The Annual Improvements to PFRSs (2010-2012 cycle) contain non-urgent but necessary amendments to the following standards:

- PFRS 2, *Share-based Payment - Definition of Vesting Condition*
  The amendment revised the definitions of vesting condition and market condition and added the definitions of performance condition and service condition to clarify various issues. This amendment shall be prospectively applied to share-based payment transactions for which the grant date is on or after July 1, 2014. This amendment does not have an impact to the Group's financial position or performance.
- PFRS 3, *Business Combinations - Accounting for Contingent Consideration in a Business Combination*
  The amendment clarifies that a contingent consideration that meets the definition of a financial instrument should be classified as a financial liability or as equity in accordance with PAS 32. Contingent consideration that is not classified as equity is subsequently measured at fair value through profit or loss whether or not it falls within the scope of PFRS 9 (or PAS 39, if PFRS 9 is not yet adopted) The amendment shall be prospectively applied to business combinations for which the acquisition date is on or after July 1, 2014. The Group shall consider this amendment for future business combinations.
- PFRS 8, *Operating Segments - Aggregation of Operating Segments and Reconciliation of the Total of the Reportable Segments' Assets to the Entity's Assets*
  The amendments require entities to disclose the judgment made by management in aggregating two or more operating segments. This disclosure should include a brief description of the operating segments that have been aggregated in this

way and the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics. The amendments also clarify that an entity shall provide reconciliations of the total of the reportable segments' assets to the entity's assets if such amounts are regularly provided to the chief operating decision maker. These amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments affect disclosures only and have no impact on the Group's financial position or performance.

- PFRS 13, *Fair Value Measurement - Short-term Receivables and Payables*
  The amendment clarifies that short-term receivables and payables with no stated interest rates can be held at invoice amounts when the effect of discounting is immaterial. The amendment is effective immediately. The amendments have no impact on the Group's financial position or performance.
- PAS 16, *Property, Plant and Equipment - Revaluation Method - Proportionate Restatement of Accumulated Depreciation*
  The amendment clarifies that, upon revaluation of an item of property, plant and equipment, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:
  a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated depreciation at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
  b. The accumulated depreciation is eliminated against the gross carrying amount of the asset.

  The amendment is effective for annual periods beginning on or after July 1, 2014. The amendment shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendment has no impact on the Group's financial position or performance.
- PAS 24, *Related Party Disclosures - Key Management Personnel*
  The amendments clarify that an entity is a related party of the reporting entity if the said entity, or any member of a group for which it is a part of, provides key management personnel services to the reporting entity or to the parent company of the reporting entity. The amendments also clarify that a reporting entity that obtains management personnel services from another entity (also referred to as management entity) is not required to disclose the compensation paid or payable by the management entity to its employees or directors. The reporting entity is required to disclose the amounts incurred for the key management personnel services provided by a separate management entity. The amendments are effective for annual periods beginning on or after July 1, 2014 and are applied retrospectively. The amendments affect disclosures only and have no impact on the Group's financial position or performance.
- PAS 38, *Intangible Assets - Revaluation Method - Proportionate Restatement of Accumulated Amortization*
  The amendments clarify that, upon revaluation of an intangible asset, the carrying amount of the asset shall be adjusted to the revalued amount, and the asset shall be treated in one of the following ways:
  a. The gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. The accumulated amortization at the date of revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account any accumulated impairment losses.
  b. The accumulated amortization is eliminated against the gross carrying amount of the asset.

  The amendments also clarify that the amount of the adjustment of the accumulated amortization should form part of the increase or decrease in the carrying amount accounted for in accordance with the standard.

  The amendments are effective for annual periods beginning on or after July 1, 2014. The amendments shall apply to all revaluations recognized in annual periods beginning on or after the date of initial application of this amendment and in the immediately preceding annual period. The amendments have no impact on the Group's financial position or performance.

Annual Improvements to PFRSs (2011-2013 cycle)

The Annual Improvements to PFRSs (2011-2013 cycle) contain non-urgent but necessary amendments to the following standards:

- PFRS 1, *First-time Adoption of Philippine Financial Reporting Standards Meaning of 'Effective PFRSs'*
  The amendment clarifies that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but that permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first PFRS financial statements. This amendment is not applicable to the Group as it is not a first-time adopter of PFRS.
- PFRS 3, *Business Combinations - Scope Exceptions for Joint Arrangements*
  The amendment clarifies that PFRS 3 does not apply to the accounting for the formation of a joint arrangement in the financial statements of the joint arrangement itself. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively.
- PFRS 13, *Fair Value Measurement - Portfolio Exception*
  The amendment clarifies that the portfolio exception in PFRS 13 can be applied to financial assets, financial liabilities and other contracts. The amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment has no significant impact on the Group's financial position or performance.
- PAS 40, *Investment Property*
  The amendment clarifies the interrelationship between PFRS 3 and PAS 40 when classifying property as investment property or owner-occupied property. The amendment stated that judgment is needed when determining whether the acquisition of investment property is the acquisition of an asset or a group of assets or a business combination within the scope of PFRS 3. This judgment is based on the guidance of PFRS 3. This amendment is effective for annual periods beginning on or after July 1, 2014 and is applied prospectively. The amendment has no significant impact on the Group's financial position or performance.

4. Business Combinations and Acquisitions

The Group, in the process of acquiring new ports, recognizes goodwill from business combination representing the expected synergies and other benefits from combining the acquiree's net assets with those of the acquirer.

4.1 Acquisition in 2011

The acquisition in 2011, for which initial accounting was determined provisionally, was finalized in 2012 as follows:

AGCT, Rijeka, Croatia. As discussed in Note 1.2, ICBV entered into an SPA with Luka Rijeka for the purchase of 51 percent interest in AGCT (see Note 24.7). Upon signing of the SPA, ICBV paid US$17.9 million (92.9 million Croatian kuna) as consideration for 118 AGCT shares or 1 percent ownership and an additional US$21.8 million (€15.0 million) for 12,088 new AGCT shares or 50 percent ownership upon completion of conditions precedent as enumerated in the SPA in March 2011. With the acquisition of 51 percent aggregate interest in AGCT, ICTSI gained control of AGCT effective April 15, 2011, which was also the day when ICTSI took over the operations of AGCT. The acquisition of AGCT is wholly consistent with ICTSI's business strategy of acquiring, developing and operating small to mid-size container terminals in emerging markets.

The Group has elected to measure the non-controlling interest in this acquiree at the proportionate share in fair value of the net identifiable assets acquired.

The fair values of the identifiable assets and liabilities of AGCT at the date of acquisition were:

	Finalized Fair Value Recognized on Acquisition
Assets	
Intangibles	US$12,815,189
Property and equipment	2,879,122
Cash and cash equivalents	21,793,256
Receivables	1,723,147
Prepaid expenses and other current assets	141,338
	39,352,052
Liabilities	
Deferred tax liabilities	1,281,271
Other noncurrent liabilities	641,593
Trade and other payables	1,534,625
Other current liabilities	237,175
	3,694,664
Total identifiable net assets at fair value	35,657,388
Non-controlling interest measured at proportionate fair value	(17,472,120)
Goodwill arising on acquisition	21,538,565
Purchase consideration transferred and satisfied by cash	US$39,723,833

For the consolidated statement of cash flow purposes, the net cash outflow on the acquisition amounting to US$17.9 million was derived as follows:

	Amount
Cash paid at acquisition date	US$39,723,833
Less cash and cash equivalents of acquired subsidiary	21,793,256
Net cash outflow	US$17,930,577

The valuation of property and equipment was completed in July 2011. In 2012, the port authority approved AGCT's business plan which was used as basis in computing for the fair value of concession rights recognized as part of intangibles in the 2011 consolidated balance sheet. As a result, no adjustment was made to the 2011 consolidated financial statements.

From the date of acquisition, AGCT has contributed US$6.2 million (HRK33.2 million) and US$1.0 million (HRK5.5 million) to revenues and net income attributable to equity holders of the parent, respectively, for the year ended December 31, 2011. If the acquisition had taken place at the beginning of the year, consolidated revenues and net income attributable to equity holders of the parent would have been higher by US$2.3 million (HRK12.2 million) and US$0.1 million (HRK0.8 million), respectively, for the year ended December 31, 2011.

4.2 Acquisitions in 2012

PT Karwell Indonesia Tbk (Karwell) and PT PBM Olah Jasa Andal (OJA), Jakarta, Indonesia. On May 3, 2012, IFEL acquired 53.23 percent of equity interest in Karwell from PT Karya Estetikamulia through the Indonesian Stock Exchange at IDR74 per share. On the same date, IFEL purchased Karwell shares aggregating 26.77 percent in equity interest from several parties from the public at a price ranging from IDR75 to IDR77 per share. Total purchase consideration amounted to US$3.8 million. Karwell is a listed company in Indonesia engaged in garment and textile industry which has stopped commercial operations. IFEL has acquired and purchased an aggregate of 80 percent of the outstanding and issued shares of Karwell, thereby, effectively becoming the new controlling shareholder. The purpose of the business combination is to save and preserve the going concern of Karwell so that Karwell can engage in the development, construction and operation of terminals and maritime logistic infrastructure and will be able to generate satisfactory returns to all shareholders and other related stakeholders of Karwell. On July 25, 2012, the Minister of Law and Human Rights approved the change in business name of Karwell to PT ICTSI Jasa Prima Tbk (JASA) (see Notes 1.2 and 1.3). Karwell includes PT Karya Investama Indonesia and PT Karinwashindo Centralgraha (collectively referred to as "JASA and Subsidiaries").

On May 18, 2012, JASA signed a Conditional Sale Purchase Agreement with PT Temas Lestari for the purchase of 100 percent equity interest in OJA, a limited liability company operating in loading and unloading of general cargo and/or container at Tanjung Priok, Jakarta, Indonesia. On July 3, 2012, ICTSI, through JASA, completed the acquisition of 100 percent of the equity interest in OJA for a purchase price of US$41.9 million.

The Group has elected to measure the non-controlling interest in this acquiree at the proportionate share in provisional fair value of the net identifiable assets acquired.

The fair values of the identifiable assets and liabilities of JASA and subsidiaries at the date of acquisition were:

	Provisional Fair Value Recognized on Acquisition (Restated)
Assets	
Property and equipment	US$22,814,553
Deferred tax asset	114,125
Cash and cash equivalents	1,937,137
Receivables	17,991,963
Prepaid expenses and other current assets	573,758
	43,431,536
Liabilities	
Long-term debt*	7,074,946
Deferred tax liabilities	1,176,270
Other noncurrent liabilities	427,195
Short-term debt*	20,180,064
Accounts payables and other current liabilities	3,838,349
	32,696,824
Total identifiable net assets at fair value	10,734,712
Non-controlling interest measured at proportionate fair value	426,294
Goodwill arising on acquisition	34,553,329
Purchase consideration	US$45,714,335

** Fully paid in July 2012.*

The fair values of identifiable assets and liabilities of JASA and OJA recognized in the 2012 consolidated financial statements were based on provisional assessment as the fair valuation of the identifiable net assets were not yet completed as of such date.

The independent valuation of the property and equipment was completed in 2013 and showed that the fair value at date of acquisition was US$22.8 million, an increase of US$4.5 million compared with the provisional value.

Accordingly, the 2012 comparative information has been restated to reflect the final purchase price allocation. The effects of the finalization of the business combination in the 2012 consolidated financial statement were as follows:

	December 31, 2012
Increase (decrease) in:	
Consolidated Balance Sheet	
Intangibles	(US$3,354,496)
Property and equipment	4,208,937
Deferred tax liabilities	1,052,234
Retained earnings	(158,234)
Equity attributable to non-controlling interests	(39,559)
Consolidated Statement of Income	
Depreciation and amortization	263,724
Provision for deferred income tax	(65,931)
Net income	(197,793)
Attributable to:	
Equity holders of the parent	(158,234)
Non-controlling interests	(39,559)

The total cost of the combination or purchase consideration of US$45.7 million was satisfied by cash amounting to US$29.7 million and the assumption of liability of the previous owner of OJA by JASA amounting to US$16.0 million. However, the liability of JASA is eliminated against the receivable of OJA in the consolidated balance sheet.

In the consolidated statements of cash flows purposes, the net cash outflow on the acquisitions aggregating US$27.8 million was derived as follows:

	Amount
Cash paid at acquisition date	US$29,722,135
Less cash in banks of JASA and subsidiaries	1,937,137
Net cash outflow	US$27,784,998

From the date of acquisition, JASA and subsidiaries increased consolidated revenues by US$2.0 million (IDR19.2 billion) and reduced net income attributable to equity holders of the parent by US$2.2 million (IDR20.8billion) for the year ended December 31, 2012. If the acquisition had taken place at the beginning of the year, consolidated revenues and net income attributable to equity holders of the parent would have been higher by US$5.0 million (IDR46.9 billion) and US$0.8 million (IDR7.2 billion), respectively, for the year ended December 31, 2012.

Pakistan International Container Terminal. As discussed in Note 1.2, ICTSI Mauritius completed the acquisition of 35 percent of the total issued capital of PICT for a purchase price of US$60.3 million (Rs.5.7 billion) on October 18, 2012 to become the single biggest shareholder of PICT. With the acquisition of 35 percent equity interest in PICT, ICTSI, through ICTSI Mauritius, gained control over PICT effective October 19, 2012 resulting in the majority board representation and the power to appoint the General Manager and Chief Financial Officer of PICT.

The fair values of the identifiable assets and liabilities of PICT at the date of acquisition were:

	Provisional Fair Value Recognized on Acquisition (Restated)
Assets	
Property and equipment	US$22,877,168
Intangibles	67,398,229
Deferred tax asset	2,953,319
Other noncurrent assets	8,180,835
Cash and cash equivalents	11,157,140
Receivables	2,732,034
Spare parts and supplies	1,260,313
Prepaid expenses and other current assets	22,466,483
	139,025,521
Liabilities	
Long-term debt	15,563,701
Concession rights payable	10,309,595
Deferred tax liabilities	23,028,540
Trade payables and other current liabilities	9,124,079
Current portion of long-term debt	5,222,085
Income tax payable	18,835,503
	82,083,503
Total identifiable net assets at fair value	56,942,018
Non-controlling interest measured at fair value	(28,535,969)
Goodwill arising on acquisition	31,883,698
Purchase consideration transferred and satisfied by cash	US$60,289,747

The fair values of identifiable assets and liabilities of PICT recognized in the 2012 consolidated financial statements were based on provisional assessment as the fair valuation of the identifiable net assets were not yet completed as of such date.

The fair valuation of the property and equipment, intangibles and concession rights payable were completed in 2013 and showed that the fair values at date of acquisition were US$22.9 million, US$67.4 million and US$10.3 million, respectively, which represents increases of US$2.4 million, US$25.8 million and a decrease of US$3.3 million, respectively, compared with the provisional values, respectively.

The Group has elected to initially measure the non-controlling interest in this acquiree at the fair value of its shares prevailing at the date when the Group obtained control over PICT. The fair value represents the prevailing share price of PICT at the Karachi Stock Exchange on October 18, 2012. The Group has elected to change the measurement of the non-controlling interest in the acquiree at the proportionate share in the final fair value of the net identifiable assets acquired.

Accordingly, the 2012 comparative information has been restated to reflect the final purchase price allocation. The effects of the finalization of the business combination in the 2012 consolidated financial statement were as follows:

	December 31, 2012
Increase (decrease) in:	
Consolidated Balance Sheet	
Intangibles	(US$75,848,679)
Property and equipment	2,340,724
Concession rights payable	(3,194,727)
Deferred tax liabilities	10,919,643
Excess of cost over the carrying value of non-controlling interest	(36,047,784)
Other comprehensive loss – net	967,322
Retained earnings	(62,654)
Equity attributable to non-controlling interests	(46,089,754)
Consolidated Statement of Income	
Depreciation and amortization	158,432
Interest expense on concession rights payable	82,498
Provision for deferred income tax	(61,919)
Net income	(179,011)
Attributable to:	
Equity holders of the parent	(62,654)
Non-controlling interests	(116,357)

In the consolidated statements of cash flows, the net cash outflow on the acquisition amounting to US$49.1 million was derived as follows:

	Amount
Cash paid at acquisition date	US$60,289,747
Less cash in banks of acquired subsidiary	11,157,140
Net cash outflow	US$49,132,607

From the date of acquisition, PICT increased consolidated revenues by US$14.0 million (Rs.1.3 billion) and net income attributable to equity holders of the parent by US$0.7 million (Rs.63.3 million) for the year ended December 31, 2012. If the acquisition had taken place at the beginning of the year, consolidated revenues and net income attributable to equity holders of the parent would have been higher by US$67.5 million (Rs.6.4 billion) and US$3.5 million (Rs.328.2 million) for the year ended December 31, 2012, respectively.

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 cargo handling and related business into three geographical segments:

- Asia - includes MICT, BIPI, DIPSSCOR, SCIPSI, SBITC, ICTSI Subic and MICTSI in the Philippines, YRDICTL in China, MTS in Indonesia, NICTI in Japan, NMCTS in Brunei, ICTSI India in India, PICT in Pakistan, OJA, JASA, HIPS, AICTSL and ICTHI, ICTSI Ltd and holding companies with regional area headquarters in the Philippines and those incorporated in the Netherlands for the purpose of supporting the funding requirements of the Group;
- EMEA - includes BCT in Poland, TICT in Syria, BICTL in Georgia, AGCT in Croatia, MICTSL in Madagascar and LICTSLE in Nigeria; and
- Americas - includes TSSA in Brazil, CGSA in Ecuador, SPIA in Colombia, Tecplata in Argentina, CMSA in Mexico, OPC in Honduras and ICTSI Oregon in Oregon, U.S.A.

Management monitors the operating results of its operating unit separately for making decisions about resource allocation and performance assessment. The Group evaluates segment performance based on contributions to gross revenues, which is measured consistently with gross revenues from port operations in the consolidated statement of income.

Financing is managed on a group basis and centralized at the Parent Company level or at the entities created solely for the purpose of obtaining funds for the Group. Funding requirements that are secured through debt are recognized as liabilities of the Parent Company or of the entity issuing the debt instrument, 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:

	2011 (As Restated - see Note 3)			
	Asia	EMEA	Americas	Consolidated
Volume[a]	2,956,433	706,357	1,571,005	5,233,795
Gross revenues	US$302,616,664	US$78,080,344	US$284,138,820	US$664,835,828
Capital expenditures	66,143,355	16,928,638	144,685,705	227,757,698
Other information:				
Segment assets[b]	890,904,996	196,074,832	831,181,962	1,918,161,790
Segment liabilities[c]	686,705,123	68,877,361	188,213,555	943,796,039

	2012 (As Restated - see Notes 3 and 4)			
	Asia	EMEA	Americas	Consolidated
Volume[a]	3,228,432	823,471	1,576,118	5,628,021
Gross revenues	US$362,009,037	US$86,271,629	US$281,027,279	US$729,307,945
Capital expenditures	59,386,076	21,439,013	384,777,394	465,602,483
Other information:				
Segment assets[b]	994,845,533	176,609,149	1,147,415,269	2,318,869,951
Segment liabilities[c]	869,665,427	55,876,106	208,917,009	1,134,458,542

	2013			
	Asia	**EMEA**	**Americas**	**Consolidated**
Volume[a]	**3,790,334**	**794,182**	**1,725,324**	**6,309,840**
Gross revenues	**US$457,855,773**	**US$90,259,925**	**US$304,278,548**	**US$852,394,246**
Capital expenditures	**66,222,405**	**54,998,462**	**356,403,642**	**477,624,509**
Other information:				
Segment assets[b]	**1,452,136,575**	**212,606,343**	**1,378,197,039**	**3,042,939,957**
Segment liabilities[c]	**1,365,373,428**	**88,731,278**	**203,507,758**	**1,657,612,464**

(a) *Measured in twenty-foot equivalent units (TEUs).*

(b) *Segment assets do not include deferred tax assets amounting to US$26.6 million, US$14.1 million and US$44.7 million as of December 31, 2011, 2012 and 2013, respectively.*

(c) *Segment liabilities do not include income tax payable amounting to US$13.8 million, US$21.0 million and US$15.9 million, and deferred tax liabilities amounting to US$45.6 million, US$67.4 million and US$60.9 million as of December 31, 2011, 2012 and 2013, respectively.*

Moreover, management monitors the Group's earnings before interest, taxes, depreciation and amortization (EBITDA) on a consolidated basis for decision-making purposes. The following table shows the computation of EBITDA as derived from the consolidated net income attributable to equity holders of the parent for the year ended December 31:

	2011 (As Restated - see Note 3)	2012 (As Restated - see Notes 3 and 4)	**2013**
Net income attributable to equity holders of the parent	US$130,931,723	US$143,157,861	**US$172,379,532**
Non-controlling interests	458,163	592,360	**8,292,368**
Provision for income tax	40,146,423	48,090,290	**34,295,238**
Income before income tax	171,536,309	191,840,511	**214,967,138**
Add (deduct):			
Depreciation and amortization	68,881,844	80,745,292	**99,484,286**
Interest and other expenses[a]	75,970,390	57,053,558	**83,342,928**
Interest and other income[b]	(34,678,863)	(22,076,086)	**(20,471,356)**
EBITDA[c]	US$281,709,680	US$307,563,275	**US$377,322,996**

(a) *Interest and other expenses include the following as shown in the consolidated statement of income: foreign exchange loss; interest expense on concession rights payable; interest expense and financing charges on borrowings; and other expenses.*

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

(c) *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 PFRS results and uses EBITDA only as supplementary information.

All segment revenues are from external customers. Gross revenues from port operations of ICTSI and other Philippine-based subsidiaries comprised 41.4 percent, 43.2 percent and 40.6 percent of the consolidated gross revenues from port operations for the years ended December 31, 2011, 2012 and 2013, respectively.

6. **Intangibles**

This account consists of:

	2011						
	Concession Rights						
	Upfront Fees (See Notes 4 and 24)	Fixed Fees	Port Infrastructure	Subtotal	Computer Software	Goodwill (See Note 4)	Total
Cost							
Balance at beginning of year	US$206,237,123	US$176,489,235	US$383,575,406	US$766,301,764	US$12,251,563	US$62,074,817	US$840,628,144
Acquisitions or additions (see Note 24.34)	18,000,000	10,201,277	143,211,234	171,412,511	1,853,064	–	173,265,575
Disposals	–	–	–	–	(197,385)	–	(197,385)
Effect of business combination (see Note 4.1)	12,812,711	–	–	12,812,711	2,478	21,538,565	34,353,754
Translation adjustments	(1,932,160)	(1,583,528)	(282,782)	(3,798,470)	(505,956)	(2,827,926)	(7,132,352)
Transfers from other accounts (see Note 9)	4,211,584	–	11,332,180	15,543,764	633,328	–	16,177,092
Balance at end of year	239,329,258	185,106,984	537,836,038	962,272,280	14,037,092	80,785,456	1,057,094,828
Accumulated Amortization and Impairment Losses							
Balance at beginning of year	35,428,016	53,470,337	66,351,973	155,250,326	8,565,592	277,080	164,092,998
Amortization for the year	8,925,560	9,033,431	22,157,245	40,116,236	1,221,976	–	41,338,212
Disposals	–	–	–	–	(197,385)	–	(197,385)
Translation adjustments	(264,807)	(245,839)	(234,329)	(744,975)	(418,382)	–	(1,163,357)
Balance at end of year	44,088,769	62,257,929	88,274,889	194,621,587	9,171,801	277,080	204,070,468
Net Book Value	US$195,240,489	US$122,849,055	US$449,561,149	US$767,650,693	US$4,865,291	US$80,508,376	US$853,024,360

	2012 (As Restated see Note 4)						
	Concession Rights						
	Upfront Fees (See Notes 4, 20 and 24)	Fixed Fees (See Note 20)	Port Infrastructure (See Note 20)	Subtotal	Computer Software (See Note 20)	Goodwill (See Note 4)	Total
Cost							
Balance at beginning of year	US$239,329,258	US$185,106,984	US$537,836,038	US$962,272,280	US$14,037,092	US$80,785,456	US$1,057,094,828
Acquisitions or additions (see Notes 24.8 and 24.9)	12,500,000	29,523,238	258,839,632	300,862,870	4,729,767	–	305,592,637
Effect of business combination (see Note 4.2)	19,693,175	17,506,618	57,645,443	94,845,236	1,693,969	68,196,541	164,735,746
Effect of termination of Investment Agreement (see Notes 1.2, 20.3 and 24.4)	(5,660,995)	(20,478,227)	(2,828,268)	(28,967,490)	(81,759)	–	(29,049,249)
Translation adjustments	2,095,163	1,333,617	(1,406,574)	2,022,206	(1,209,879)	(2,084,927)	(1,272,600)
Transfers from other accounts (see Note 7)	–	–	–	–	2,268,129	–	2,268,129
Balance at end of year (balance carried forward)	267,956,601	212,992,230	850,086,271	1,331,035,102	21,437,319	146,897,070	1,499,369,491

	2012 (As Restated see Note 4)						
	Concession Rights						
	Upfront Fees (See Notes 4, 20 and 24)	Fixed Fees (See Note 20)	Port Infrastructure (See Note 20)	Subtotal	Computer Software (See Note 20)	Goodwill (See Note 4)	Total
(Balance brought forward)	US$267,956,601	US$212,992,230	US$850,086,271	US$1,331,035,102	US$21,437,319	US$146,897,070	US$1,499,369,491
Accumulated Amortization and Impairment Losses							
Balance at beginning of year	44,088,769	62,257,929	88,274,889	194,621,587	9,171,801	277,080	204,070,468
Amortization for the year	9,390,794	9,481,726	26,207,864	45,080,384	1,525,299	–	46,605,683
Effect of termination of Investment Agreement (see Notes 1.2, 20.3 and 24.4)	(2,888,541)	(10,597,482)	(972,472)	(14,458,495)	(35,578)	–	(14,494,073)
Effect of business combination (see Note 4.2)	–	7,197,126	20,970,849	28,167,975	1,342,182	–	29,510,157
Translation adjustments	565,748	(3,693)	(866,569)	(304,514)	(354,913)	–	(659,427)
Balance at end of year	51,156,770	68,335,606	133,614,561	253,106,937	11,648,791	277,080	265,032,808
Net Book Value	US$216,799,831	US$144,656,624	US$716,471,710	US$1,077,928,165	US$9,788,528	US$146,619,990	US$1,234,336,683

	2013						
	Concession Rights						
	Upfront Fees (See Notes 4, 20 and 24)	Fixed Fees (See Note 20)	Port Infrastructure (See Note 20)	Subtotal	Computer Software (See Note 20)	Goodwill (See Note 4)	Total
Cost							
Balance at beginning of year, as previously reported	US$248,263,426	US$211,595,166	US$845,701,871	US$1,305,560,463	US$21,437,319	US$251,470,297	US$1,578,468,079
Effect of finalization of business combinations (see Note 4.2)	19,693,175	1,397,064	4,384,400	25,474,639	–	(104,573,227)	(79,098,588)
Balance at beginning of year, as restated	267,956,601	212,992,230	850,086,271	1,331,035,102	21,437,319	146,897,070	1,499,369,491
Acquisitions or additions (see Notes 24.8, 24.9 and 24.11)	51,279,735	394,254,596	155,762,166	601,296,497	4,543,905	–	605,840,402
Effect of expiration of first MICT Contract (see Note 1.2)	–	(30,614,729)	(12,485,207)	(43,099,936)	–	–	(43,099,936)
Effect of deconsolidation of SPIA (see Note 1.3)	(42,453,876)	(12,332,510)	–	(54,786,386)	(185,737)	(13,892,197)	(68,864,320)
Translation adjustments	(5,846,005)	(1,035,367)	(4,455,364)	(11,336,736)	(1,175,786)	(9,622,350)	(22,134,872)
Transfers from other accounts (see Note 7)	–	–	–	–	1,721,437	–	1,721,437
Balance at end of year	270,936,455	563,264,220	988,907,866	1,823,108,541	26,341,138	123,382,523	1,972,832,202
Accumulated Amortization and Impairment Losses							
Balance at beginning of year, as previously reported	51,156,770	68,312,237	133,533,343	253,002,350	11,648,791	277,080	264,928,221
Effect of finalization of business combinations (see Note 4.2)	–	23,369	81,218	104,587	–	–	104,587
Balance at beginning of year, as restated	51,156,770	68,335,606	133,614,561	253,106,937	11,648,791	277,080	265,032,808
Amortization for the year	9,189,392	17,160,505	32,131,463	58,481,360	2,953,815	–	61,435,175
Effect of expiration of first MICT Contract	–	(30,614,729)	(12,485,207)	(43,099,936)	–	–	(43,099,936)
Effect of deconsolidation of SPIA (see Note 1.3)	(8,946,761)			(8,946,761)	(89,024)	–	(9,035,785)
Translation adjustments	(1,040,493)	(256,217)	(1,590,444)	(2,887,154)	(717,322)	–	(3,604,476)
Balance at end of year	50,358,908	54,625,165	151,670,373	256,654,446	13,796,260	277,080	270,727,786
Net Book Value	US$220,577,547	US$508,639,055	US$837,237,493	US$1,566,454,095	US$12,544,878	US$123,105,443	US$1,702,104,416

Concession Rights

Additions to concession rights under upfront fees pertain to the license fee paid in consideration for the operation and management of Kattupalli Container Terminal in 2011 (see Note 24.34), sub-concession fee to Lekki Port in 2012 (see Notes 1.2 and 24.9) and renewal of MICT contract (see Notes 1.2 and 24.1) and payment for OPC in 2013 (see Notes 1.2 and 24.11). On the other hand, additions to fixed fees pertain to the net present value of future fixed fees in Tecplata and AGCT in 2011 (see Notes 1.2 and 24.7), in Tecplata and ICTSI Subic in 2012 (see Notes 1.2, 24.6 and 24.8), and in MICT, OPC (see Note 1.2) and changes in concession area in AGCT and PICT in 2013 . Additions to concession rights under port infrastructure pertain to acquisitions of port equipment and construction in MICT, CGSA and Tecplata in 2011, in Tecplata, MICT, AGCT and CGSA in 2012 and mainly in Tecplata, MICT and OPC in 2013. 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 accounting policy on Impairment Testing (see Note 11). As discussed in Note 1.2, ICTSI wrote-off its investment in TICT corresponding to the carrying value of TICT's net assets as of December 28, 2012 (see Note 20.3).

In April 2010, a vessel, CCNI Antartico, 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 took appropriate steps to replace the equipment, repair the berth and minimize business interruption. The damaged crane has been replaced and the berth has been repaired. The repaired berth and crane replacement have been operational since October 2010 and June 2011, respectively. 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. CGSA has commenced proceedings against vessel owners in the English High Court and have exchanged formal pleadings with owners where the basis of CGSA's claim, owners' defence to that claim, owner's counter-claim and CGSA's defence to that counter-claim have been set out. CGSA's claim against owners and the owner's counter-claim will now follow the English High Court's prescribed litigation timetable. A trial has been scheduled for 8 days beginning July 14, 2014. The parties have also agreed to attempt to settle the dispute via mediation. The parties have appointed a mediator and are currently seeking to agree a date in late March 2014.

Management is confident of making a substantial recovery from the vessel owners for the damage and losses caused. As of December 31, 2013, the Group had received a total of US$3.8 milllion for the recovery of the cost of the damaged crane from its local insurer. Related claims receivable presented under "Receivables" account in the consolidated balance sheet amounted to US$4.0 million, US$3.6 million and US$3.6 million as of December 31, 2011, 2012 and 2013, respectively (see Note 13). Management and the Group's legal counsels believe that recovery of this receivable from vessel owners is assured.

Concession rights have remaining amortization periods ranging from 3 to 41 years.

Upon recognition of the fair value of fixed fee on concession contracts, the Group also recognized the corresponding concession rights payable. Maturities of concession rights payable arising from the capitalization of fixed portion of port fees and upfront fees as of December 31, 2013 are as follows:

	Amount
2014	US$7,198,481
2015	11,451,713
2016	13,253,522
2017	14,394,436
2018 onwards	492,550,794
Total	US$538,848,946

Interest expense on concession rights payable amounted to US$18.9 million in 2011, US$16.7 million in 2012 and US$27.9 million in 2013.

Capitalized borrowing costs amounted to US$11.7 million in 2011 at a capitalization rate of 8.91 percent, US$22.6 million in 2012 at a capitalization rate of 8.96 percent and US$20.5 million in 2013 at a capitalization rate of 7.56 percent. Unamortized borrowing costs amounted to US$23.3 million, US$45.5 million and US$65.7 million as of December 31, 2011, 2012 and 2013, respectively.

Computer Software

Computer software have 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:

	2011	2012 (As Restated - see Note 4)	**2013**
Tecplata	US$38,147,780	US$38,147,780	**US$38,147,780**
PICT (see Note 4.2)	–	31,161,516	**28,863,844**
JASA and subsidiaries (see Note 4.2)	–	32,869,050	**26,561,125**
AGCT (see Note 4.1)	18,874,157	19,144,056	**19,798,326**
SPIA (see Note 1.3)	13,556,591	14,872,355	**–**
Others	9,929,848	10,425,233	**9,734,368**
	US$80,508,376	US$146,619,990	**US$123,105,443**

Goodwill is not amortized but subject to an annual impairment testing as at December 31 (see Note 11).

7. Property and Equipment

This account consists of:

	2011								
	Land	Leasehold Rights and Improvements	Port Facilities and Equipment (See Note 4)	Transportation Equipment	Office Equipment, Furniture and Fixtures (See Note 4)	Miscellaneous Equipment (See Note 4)	Port Equipment Spare Parts	Construction in Progress	Total
Cost									
Balance at beginning of year	US$27,769,848	US$116,747,747	US$203,264,062	US$45,400,196	US$24,012,518	US$5,188,971	US$2,635,347	US$46,113,778	US$471,132,467
Additions	–	3,869,641	27,538,749	2,937,734	2,718,622	456,384	81,417	28,890,854	66,493,401
Disposals	–	–	(4,159,106)	(579,896)	(3,288,770)	(139,798)	–	–	(8,167,570)
Effect of business combination (see Note 4.1)	–	–	7,846,806	–	222,372	32,683	–	–	8,101,861
Translation adjustments	(57,159)	(452,482)	(12,791,478)	918,187	2,396,556	588,873	(120,377)	(4,648,174)	(14,166,054)
Transfers from (to) other accounts (see Note 10)	–	–	3,189,900	268,812	438,237	21,828	–	1,182,318	5,101,095
Balance at end of year	27,712,689	120,164,906	224,888,933	48,945,033	26,499,535	6,148,941	2,596,387	71,538,776	528,495,200
Accumulated Depreciation, Amortization and Impairment Losses									
Balance at beginning 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
Depreciation and amortization for the year	–	5,078,454	13,524,973	5,134,293	2,595,738	519,398	343,036	–	27,195,892
Disposals	–	–	(3,804,875)	(510,326)	(3,264,688)	(136,560)	–	–	(7,716,449)
Effect of business combination (see Note 4.1)	–	–	5,084,656	–	113,967	24,116	–	–	5,222,739
Translation adjustments	–	(1,755,244)	(224,795)	(104,070)	30,514	(57,466)	(43,354)	–	(2,154,415)
Balance at end of year	1,317,641	29,015,267	75,275,801	22,173,989	16,544,974	3,739,913	991,951	–	149,059,536
Net Book Value	US$26,395,048	US$91,149,639	US$149,613,132	US$26,771,044	US$9,954,561	US$2,409,028	US$1,604,436	US$71,538,776	US$379,435,664

2012 (As Restated - see Note 4)	Land	Leasehold Rights and Improvements	Port Facilities and Equipment (See Notes 1, 4, 20 and 24)	Transportation Equipment	Office Equipment, Furniture and Fixtures (See Note 4)	Miscellaneous Equipment (See Note 4)	Port Equipment Spare Parts	Construction in Progress	Total
Cost									
Balance at beginning of year	US$27,712,689	US$120,164,906	US$224,888,933	US$48,945,033	US$26,499,535	US$6,148,941	US$2,596,387	US$71,538,776	US$528,495,200
Additions	–	1,596,366	14,136,490	5,113,154	2,266,709	699,355	257,882	165,463,128	189,533,084
Disposals	–	–	(5,888,380)	(1,804,197)	(98,595)	(14,246)	–	–	(7,805,418)
Effect of business combination (see Note 4.2)	–	4,569,921	60,307,868	3,959,957	1,038,046	394,361	–	68,954	70,339,107
Effect of termination of Investment Agreement (see Notes 1.2 and 24.4)	–	–	(49,749)	–	–	–	–	–	(49,749)
Translation adjustments	1,896,956	(881,752)	(6,226,619)	(335,606)	(111,144)	(33,803)	(142,281)	11,460,542	5,626,293
Transfers from (to) other accounts (see Note 6)	–	13,682,073	(4,372,748)	1,333,312	252,696	407,899	(17,045)	(14,406,860)	(3,120,673)
Balance at end of year	29,609,645	139,131,514	282,795,795	57,211,653	29,847,247	7,602,507	2,694,943	234,124,540	783,017,844
Accumulated Depreciation, Amortization and Impairment Losses									
Balance at beginning of year	1,317,641	29,015,267	75,275,801	22,173,989	16,544,974	3,739,913	991,951	–	149,059,536
Depreciation and amortization for the year	–	5,818,687	18,441,172	5,809,072	3,042,479	493,581	186,694	–	33,791,685
Disposals	–	–	(3,200,601)	(1,053,936)	(98,087)	(12,902)	–	–	(4,365,526)
Effect of business combination (see Note 4.2)	–	1,907,938	22,599,092	62,900	77,457	–	–	–	24,647,387
Effect of termination of Investment Agreement (see Notes 1.2 and 24.4)	–	–	(18,460)	–	–	–	–	–	(18,460)
Translation adjustments	–	(1,264,803)	(1,629,128)	(69,718)	2,769,339	(5,444)	(61,609)	–	(261,363)
Transfers from (to) other accounts	–	76,140	48,590	(130,566)	(852,567)	–	5,859	–	(852,544)
Balance at end of year	1,317,641	35,553,229	111,516,466	26,791,741	21,483,595	4,215,148	1,122,895	–	202,000,715
Net Book Value	US$28,292,004	US$103,578,285	US$171,279,329	US$30,419,912	US$8,363,652	US$3,387,359	US$1,572,048	US$234,124,540	US$581,017,129

2013	Land	Leasehold Rights and Improvements	Port Facilities and Equipment (See Notes 1, 4, 20 and 24)	Transportation Equipment	Office Equipment, Furniture and Fixtures (See Note 4)	Miscellaneous Equipment (See Note 4)	Port Equipment Spare Parts	Construction in Progress	Total
Cost									
Balance at beginning of year, as previously reported	US$29,609,645	US$137,866,139	US$277,167,085	US$57,270,430	US$29,821,958	US$7,602,507	US$2,694,943	US$234,124,540	US$776,157,247
Effect of business combination (see Note 4.2)	–	1,265,375	5,628,710	(58,777)	25,289	–	–	–	6,860,597
Balance at beginning of year, as restated	29,609,645	139,131,514	282,795,795	57,211,653	29,847,247	7,602,507	2,694,943	234,124,540	783,017,844
Additions	–	2,164,076	46,108,493	2,785,489	4,162,990	970,805	508,043	209,338,807	266,038,703
Disposals	–	–	(8,431,470)	(822,421)	(117,553)	(44,741)	(22,762)	–	(9,438,947)
Effect of deconsolidation of SPIA (see Note 1.2)	(4,945,623)	(179,102)	–	(789,546)	(215,546)	(21,809)	–	(71,405,534)	(77,557,160)
Translation adjustments	(2,095,026)	1,120,292	(15,376,931)	(941,788)	(467,041)	(111,755)	(274,065)	(16,434,601)	(34,580,915)
Transfers from (to) other accounts (see Note 6)	–	61,787,627	150,145,687	10,292,510	5,026,282	(669,897)	460,270	(225,324,657)	1,717,822
Balance at end of year	22,568,996	204,024,407	455,241,574	67,735,897	38,236,379	7,725,110	3,366,429	130,298,555	929,197,347
Accumulated Depreciation, Amortization and Impairment Losses									
Balance at beginning of year	1,317,641	35,489,960	111,268,184	26,792,887	21,483,064	4,215,148	1,122,895	–	201,689,779
Effect of business combination (see Note 4.2)	–	63,269	248,282	(1,146)	531	–	–	–	310,936
Balance at beginning of year, as restated	1,317,641	35,553,229	111,516,466	26,791,741	21,483,595	4,215,148	1,122,895	–	202,000,715
Depreciation and amortization for the year	–	7,347,938	18,823,729	6,002,240	4,651,630	658,387	217,295	–	37,701,219
Disposals	–	–	(3,837,029)	(707,379)	(55,446)	(42,381)	(3,029)	–	(4,645,264)
Effect of deconsolidation of SPIA (see Note 1.2)	(1,317,641)	(152,149)	–	(439,300)	(144,325)	(21,809)	–	–	(2,075,224)
Translation adjustments	–	(3,002,223)	(4,796,346)	(314,964)	(1,209,432)	(14,816)	(123,839)	–	(9,461,620)
Transfers from (to) other accounts	–	202,728	(4,538,851)	308,369	1,557,048	–	–	–	(2,470,706)
Balance at end of year	–	39,949,523	117,167,969	31,640,707	26,283,070	4,794,529	1,213,322	–	221,049,120
Net Book Value	US$22,568,996	US$164,074,884	US$338,073,605	US$36,095,190	US$11,953,309	US$2,930,581	US$2,153,107	US$130,298,555	US$708,148,227

On May 17, 2012, a vessel hit one gantry crane of BCT causing damage to the crane and another gantry crane, some empty dry container vans, portions of the quay and related infrastructure in the area, and physical injuries to three employees of BCT.

The net book value of the gantry crane as of the date of the incident amounted to US$2.5 million, which is fully recoverable from the insurance company and the vessel owner. The Group believes that the incident would not result in any significant effect on the operations and profitability of the terminal as the majority of the terminal, including berthing areas, remains fully operational. In 2012, BCT recognized claims receivable from the insurance company amounting to US$4.7 million which corresponds to the net book value of damaged gantry crane and cost of restoring the damaged quay and related infrastructure (see Note 13). As of July 31, 2013, the claims receivable increased to US$4.9 million. BCT recovered a total of US$6.1 million in August 2013 from the local insurer as recovery of the cost of the damaged gantry crane and other related costs. The excess of the amount received from the local insurer of US$1.2 million was recorded as "Other income" in the 2013 consolidated statements of income. As of December 31, 2013, the outstanding claims receivable of BCT amounted to US$4.0 million representing the book value of the other damaged gantry crane and other related costs.

Capitalized borrowing costs amounted to US$4.0 million in 2011 at a capitalization rate of 8.91 percent, US$7.7 million in 2012 at a capitalization rate of 8.96 percent and US$15.1 million in 2013 at a capitalization rate of 7.56 percent. Unamortized borrowing costs amounted to US$6.2 million, US$13.9 million and US$28.9 million as of December 31, 2011, 2012 and 2013, respectively.

Fully depreciated property and equipment with cost amounting to US$21.1 million, US$24.3 million and US$37.4 million as of December 31, 2011, 2012 and 2013, respectively, are still being used in the Group's operations.

Port equipment with a total carrying value of US$32.3 million owned by BCT as of December 31, 2011, were pledged as collateral to secure BCT's loan agreement with a syndicate of a Polish and international banks. As of December 31, 2012, these port equipment had been released from all liens and encumbrances arising from the mentioned loan agreements (see Note 16.2.2). On the other hand, port equipment of BCT with a total carrying value of US$28.1 million and US$24.3 million were pledged as collateral for its outstanding term loan facility (see Note 16.2.2) as of December 31, 2012 and 2013, respectively; port equipment of AGCT with a total carrying value of HRK170.9 million (approximately US$30.8 million) were pledged as collateral for its outstanding foreign currency-denominated loan (see Note 16.2.4) as of December 31, 2013; and all present and future plant machinery, tools and equipment of PICT of up to Rs.3.4 billion (approximately US$35.0 million) and Rs.2.0 billion (approximately US$19.0 million) are used to secure its long-term debt from a commercial bank in Pakistan (see Note 16.2.4) as of December 31, 2012 and 2013, respectively.

8. Investment Properties

The details of investment properties are as follows:

2011	Land and Improvements	Building and Others	Total
Cost			
Balance at beginning of year	US$33,151,566	US$674,813	US$33,826,379
Translation adjustments	–	–	–
Balance at end of year	33,151,566	674,813	33,826,379
Accumulated Depreciation and Amortization			
Balance at beginning of year	3,082,835	270,250	3,353,085
Amortization during the year	315,872	31,868	347,740
Translation adjustments	–	(89)	(89)
Balance at end of year	3,398,707	302,029	3,700,736
Net Book Value	US$29,752,859	US$372,784	US$30,125,643

2012	Land and Improvements	Building and Others	Total
Cost			
Balance at beginning of year	US$33,151,566	US$674,813	US$33,826,379
Translation adjustments	1,458,592	10,632	1,469,224
Balance at end of year	34,610,158	685,445	35,295,603
Accumulated Depreciation and Amortization			
Balance at beginning of year	3,398,707	302,029	3,700,736
Amortization during the year	315,872	32,051	347,923
Translation adjustments	(438)	3,404	2,966
Balance at end of year	3,714,141	337,484	4,051,625
Net Book Value	US$30,896,017	US$347,961	US$31,243,978

2013	Land and Improvements	Building and Others	Total
Cost			
Balance at beginning of year	US$34,610,158	US$685,445	US$35,295,603
Translation adjustments	(1,727,815)	(11,654)	(1,739,469)
Reclassification to noncurrent assets held for sale (see Note 1.3)	(16,551,836)	–	(16,551,836)
Balance at end of year	16,330,507	673,791	17,004,298
Accumulated Depreciation and Amortization			
Balance at beginning of year	3,714,141	337,484	4,051,625
Amortization during the year	315,872	32,020	347,892
Translation adjustments	–	(4,168)	(4,168)
Balance at end of year	4,030,013	365,336	4,395,349
Net Book Value	US$12,300,494	US$308,455	US$12,608,949

Land and improvements mainly include land held for capital appreciation and land improvements subject to operating leases. Investment properties of MICT and IWI have a fair value of US$30.6 million as of December 26, 2012 as determined based on valuations performed by qualified independent appraiser whose report was dated January 17, 2013. Management believes that there is no significant change in the fair value of the said investment properties as of December 31, 2013 from the fair values as of December 26, 2012 because there were no significant improvements made to the said investment property in 2013 and no impairment indicators existed as of December 31, 2013.

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.

Rental income derived from rental-earning investment properties presented as part of "Other income" account in the consolidated statements of income amounted to US$0.2 million in 2011 and 2012 and US$0.3 million in 2013 (see Note 20.1). These amounts include the rental income from the investment property classified as noncurrent asset held for sale in 2013 (see Note 1.3). 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 2011, 2012 and 2013. The rent agreement covering rental-earning investment properties is renewable at the option of both parties yearly.

9. **Investments in and Advances to a Joint Venture and Associate**

This account consists of:

	2011	2012	**2013**
Investment in and advances to a joint venture (see Note 1.3)	US$–	US$–	**US$78,174,231**
Investment in an associate	7,474,994	7,474,994	**7,474,994**
	7,474,994	7,474,994	**85,649,225**
Less allowance for probable losses	7,474,994	7,474,994	**7,474,994**
	US$–	US$–	**US$78,174,231**

Investment in and Advances to a Joint Venture

Investment in a joint venture pertains to the Group's remaining 45.65 percent interest in SPIA (see Note 1.3).

In 2013, the movements and details of this account are as follows:

Investment in a Joint Venture:	
Retained interest in SPIA[1] (see Note 1.3)	US$28,045,737
Equity in net loss during the period[2] (see Note 20.3)	(260,528)
Balance at December 31, 2013	27,785,209
Advances to a joint venture (see Note 22.1)	50,389,022
	US$78,174,231

[a] *Remeasured at fair value*

[b] *Represents share in net loss of SPIA from November 1 to December 31, 2013.*

The summarized financial information of SPIA, which is currently in construction stage, as of and for the year ended December 31, 2013 is as follows:

Current assets, including cash and cash equivalents of US$13.8 million	US$16,088,748
Noncurrent assets	187,358,271
Current liabilities, including income tax payable of US$51 thousand	126,753,018
Noncurrent liabilities, including deferred tax liabilities of US$7.2 million	18,118,341

EBITDA	(US$2,315,031)
Depreciation and amortization	(1,380,197)
Other income, including interest income of US$36.7 thousand	1,530,586
Other expenses, including interest expense of US$2.2 million	(4,217,770)
Benefit from income tax	459,798
Net loss	(US$5,922,614)

As at December 31, 2013, noncurrent assets and current liabilities of SPIA consist mainly of construction in-progress and advances from stockholders, respectively.

The difference between the carrying value of investment in SPIA against the share in net assets of SPIA represents the fair value of the concession rights of SPIA.

Investment in an Associate

The Group also has a 49 percent 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. **Other Noncurrent Assets**

This account consists of:

	2011 (As Restated - see Note 3)	2012 (As Restated - see Note 3)	**2013**
Input tax (see Note 14)	US$–	US$26,881,370	**US$58,061,956**
Advance rent and deposits	6,485,307	13,426,123	**24,312,545**
Restricted cash (see Notes 1.2, 20.3, 24.4, 24.14 and 25)	11,303,784	10,773,600	**14,183,276**
Advances to suppliers and contractors (net of impairment loss of US$4.3 million, US$4.6 million and US$0.7 million, as of December 31, 2011, 2012 and 2013, respectively)	41,648,305	54,395,326	**10,582,523**
AFS investments (see Note 26):			
Quoted equity shares - at fair value	992,662	1,384,564	**1,580,395**
Unquoted equity shares - at cost	757,615	786,908	**752,226**
Pension assets (see Note 23)	1,868,302	793,847	**983,648**
Prepaid expenses and others	5,644,546	10,059,177	**2,887,670**
	US$68,700,521	US$118,500,915	**US$113,344,239**

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.

Input Tax

Input tax arises when an entity purchases goods or services from a VAT-registered supplier or vendor. In 2012 and 2013, this mainly includes input tax recognized by Tecplata and CMSA associated with payments for the purchase of terminal equipment and civil works in relation to the ongoing construction activities at these terminals. The input tax is classified as noncurrent because it is not expected to be utilized within 12 months from the balance sheet date (see Note 14).

Advance Rent and Deposits

Advance rent and deposits mainly pertain to advance payments for future rental and deposits for future acquisition of properties and investments. An expense shall be recognized when this advance 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. As of December 31, 2013, this account comprised mainly of advances and deposits to contractors and for investments amounting to US$17.3 million.

Restricted Cash

Restricted cash pertained mainly to cash deposits placed by the Group as required by the concession agreements for MICTSL, SPIA, NICTI and TICT, except that these assets, as of December 31, 2012 and 2013, no longer included restricted cash in TICT, as these formed part of the net assets written-off in 2012 upon the Group's withdrawal of its investment in Syria (see Notes 1.2, 20.3 and 24.4). This account included the cash of CGSA placed in a special purpose trust to pay principal and interest due to holders of the securities and other expenses in accordance with the securitization agreement (see Note 16.2.3). This also included the garnished cash of TSSA arising from a civil suit filed by a former customer of TSSA (see Note 25).

AFS Investments

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

	2011	2012	**2013**
Balance at beginning of year	US$468,736	US$470,626	**US$862,919**
Change in fair value of quoted AFS investments	1,890	392,293	**195,749**
Balance at end of year (see Note 15.7)	US$470,626	US$862,919	**US$1,058,668**

On June 1, 2011, IFEL announced, through its financial adviser, The Hong Kong and Shanghai Banking Corporation Limited, Singapore Branch, its intention to make a voluntary conditional cash offer (The Offer) for all issued and paid-up ordinary shares in the capital of Portek International Limited (Portek), other than those already owned, controlled or agreed to be acquired by IFEL and parties acting in concert with it. The Offer Price was SGD1.20 per share, payable in cash but subject to conditions precedent. As of June 30, 2011, the Group held 25,445,000 shares representing approximately 16.79 percent ownership in Portek at a total cost of US$21.1 million (SGD26.2 million) classified as AFS investments. On July 13, 2011, Mitsui & Co. Ltd (Mitsui), a shareholder of Portek, announced its intention to make a voluntary conditional offer for all shares of Portek which it did not own and control. On August 1, 2011, IFEL withdrew the Offer. Any previous acceptance to the Offer was deemed not to have been made. Subsequently, the Group sold the entire 25,445,000 Portek shares to Mitsui for US$29.6 million (SGD35.6 million) recognizing an aggregate gain on sale of AFS investments amounting to US$8.4 million (SGD9.4 million) recognized as “Other income” in the 2011 consolidated statement of income (see Note 20.1).

11. **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 a joint venture and associate, 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 has 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 6.68 percent to 13.6 percent in 2011, 7.0 percent to 12.6 percent in 2012 and 8.29 percent to 15.54 percent in 2013.

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 gross domestic product (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 recognizes that unfavorable conditions can materially affect the assumptions used in the determination of value-in-use. An increase of 1.5 percent to 72.37 percent, 3.2 percent and 0.50 percent to 1.75 percent in the discount rates, or a reduction of growth rates 3.22 percent, 0.1 percent to more than 1.0 percent and 0.10 percent to 2.0 percent would give a value-in-use equal to the carrying amount of the cash generating units in 2011, 2012 and 2013, respectively.

12. Cash and Cash Equivalents

This account consists of:

	2011	2012	**2013**
Cash on hand and in banks (see Notes 1.2 and 20.3)	US$67,827,093	US$65,266,208	**US$117,923,411**
Cash equivalents	389,808,637	121,578,705	**124,311,128**
	US$457,635,730	US$186,844,913	**US$242,234,539**

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.

Mexican peso-denominated cash equivalents aggregating US$14.1 million (MXN196.2 million) and US$40.0 million (MXN557.2 million) as of December 31, 2011 were designated by the Parent Company as cash flow hedges of the variability of Mexican peso cash flows that is required to settle Mexican peso-denominated payables that would arise from forecasted Mexican peso-denominated monthly fixed port fees to the API from November 2011 until October 2012 and civil work payments to contractors, respectively (see Note 26.4).

As of December 31, 2012 an aggregate of US$5.3 million (MXN 68.6 million) and US$24.6 million (MXN316.4 million) equivalent of Mexican peso-denominated short-term investments were designated by the Parent Company as cash flow hedges of the variability of Mexican peso cash flows that is required to settle Mexican peso-denominated payables that would arise from forecasted Mexican peso-denominated operating expenses from January until March 2013 and civil work payments to contractors, respectively (see Note 26.4). As of December 31, 2013, ICTSI did not have any outstanding Mexican peso-denominated short-term investments designated as cash flow hedge.

As of December 31, 2013 an aggregate of US$39.4 million (₱1.75 billion) equivalent of Philippine peso-denominated cash equivalents were designated by the Parent Company as cash flow hedges of the variability of Philippine peso cash flows that is required to settle Philippine peso-denominated payables that would arise from forecasted payments to the PPA (see Note 26.4).

As of December 31, 2013, an aggregate of US$15.3 million (AR$99.9 million) equivalent of Argentine peso-denominated cash and cash equivalents remained designated by the Parent Company as cash flow hedges of the variability of Argentine peso cash flows that is required to settle Argentine peso-denominated payments for the civil works construction and operating expenses at the terminal in Argentina (see Note 26.4).

As discussed in Note 1.2, ICTSI wrote-off its investment in TICT corresponding to the carrying value of TICT's net assets as of December 28, 2012 (see Note 20.3).

Interest income derived from interest-earning bank deposits and short-term investments amounted to US$8.8 million, US$7.8 million and US$12.0 million for the years ended December 31, 2011, 2012 and 2013, respectively.

13. Receivables

This account consists of:

	2011	2012	**2013**
Trade (see Notes 1.2, 20.3 and 24.4)	US$48,416,251	US$65,423,986	**US$73,980,246**
Advances and nontrade (see Notes 6 and 7)	11,547,447	12,818,521	**14,481,621**
	59,963,698	78,242,507	**88,461,867**
Less allowance for doubtful accounts	3,199,818	3,343,813	**3,321,205**
	US$56,763,880	US$74,898,694	**US$85,140,662**

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 that may be applied against payable or collectible within 12 months and claims receivable amounting to US$4.0 million, US$8.2 million and US$7.6 million as of December 31, 2011, 2012 and 2013, respectively (see Notes 6 and 7).

Movements in the allowance for doubtful accounts are summarized below:

	2011		
	Trade	Advances and Nontrade	Total
Balance at beginning of year	US$2,989,898	US$72,522	US$3,062,420
Provision during the year	419,919	–	419,919
Write-off	(130,718)	–	(130,718)
Translation adjustments	(151,805)	2	(151,803)
Balance at end of year	US$3,127,294	US$72,524	US$3,199,818

	2012		
	Trade	Advances and Nontrade	Total
Balance at beginning of year	US$3,127,294	US$72,524	US$3,199,818
Provision during the year	243,238	–	243,238
Effect of business combinations (see Note 4.2)	17,915	–	17,915
Write-off	(13,160)	–	(13,160)
Translation adjustments	(108,926)	4,928	(103,998)
Balance at end of year	US$3,266,361	US$77,452	US$3,343,813

	2013		
	Trade	**Advances and Nontrade**	**Total**
Balance at beginning of year	**US$3,266,361**	**US$77,452**	**US$3,343,813**
Provision during the year	**374,262**	**–**	**374,262**
Write-off	**(148,501)**	**(24,694)**	**(173,195)**
Translation adjustments	**(223,675)**	**–**	**(223,675)**
Balance at end of year	**US$3,268,447**	**US$52,758**	**US$3,321,205**

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

14. Prepaid Expenses and Other Current Assets

This account consists of:

	2011	2012	**2013**
Input tax (see Note 10)	US$26,612,247	US$31,943,281	**US$35,598,500**
Prepaid port fees, insurance, bonds and other expenses	7,508,716	18,690,689	**11,930,089**
Creditable withholding taxes	3,563,191	2,801,554	**5,372,352**
Tax credit certificates	5,754,433	5,617,560	**4,750,617**
Others (see Notes 1.2 and 20.3)	4,294,137	4,549,361	**4,842,135**
	US$47,732,724	US$63,602,445	**US$62,493,693**

Input Tax
This account includes input tax expected to be applied against output tax within 12 months from the balance sheet date mainly pertaining to input tax recognized by ICTSI, Tecplata and CMSA associated with the purchase of terminal equipment and payments of civil works in relation to the construction activities at these terminals (see Note 10).

Tax Credit Certificates
Tax credit certificates pertain to tax credit certificates issued to ICTSI amounting to US$5.8 million, US$5.6 million and US$4.8 million as of December 31, 2011, 2012 and 2013, respectively. These tax credit certificates can be applied against certain future tax liabilities of ICTSI, as allowed by their respective tax authorities.

As discussed in Note 1.2, ICTSI wrote-off its investment in TICT corresponding to the carrying value of TICT's net assets as of December 28, 2012 (see Note 20.3).

15. Equity

The Group was listed with the PSE on March 23, 1992. In its initial public offering, the Parent Company offered the share at a price of ₱6.70. As of December 31, 2011, 2012 and 2013, the Parent Company had 1,614, 1,556 and 1,512 sharesholders on record, respectively.

15.1 Capital Stock and Treasury Shares

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

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

	Number of Shares					
	Authorized			Issued and Subscribed		
	2011	2012	**2013**	2011	2012	**2013**
Preferred A Shares - nonvoting, non-cumulative, US$0.048 (₱1.00) par value:	993,000,000	993,000,000	**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	**700,000,000**	700,000,000	700,000,000	**700,000,000**
Common Stock - US$0.048 (₱1.00) par value:						
Beginning of year	4,227,397,381	4,227,397,381	**4,227,397,381**	1,992,066,860	1,992,066,860	**1,992,066,860**
Issuances during the year	–	–	**–**	–	–	**53,110,811**
End of year	4,227,397,381	4,227,397,381	**4,227,397,381**	1,992,066,860	1,992,066,860	**2,045,177,671**
Treasury Shares						
Balance at beginning of year				(56,259,000)	(52,186,500)	**(49,694,000)**
Sale of shares				–	–	**36,889,189**
Acquisitions during the period				–	–	**(160,000)**
Issuance for share-based payments (see Note 19)				4,072,500	2,492,500	**1,712,500**
Balance at end of year				(52,186,500)	(49,694,000)	**(11,252,311)**

	Amount issued and subscribed		
	2011	2012	**2013**
Preferred Stock	US$236,222	US$236,222	**US$236,222**
Common Stock			
Balance at beginning of year	US$66,488,812	US$66,488,812	**US$66,488,812**
Issuance of shares	–	–	**1,292,717**
	66,488,812	66,488,812	**67,781,529**
Subscription Receivable			
Balance at beginning of year	(459,040)	(452,623)	**(451,939)**
Collections during the year	6,417	684	**361**
	(452,623)	(451,939)	**(451,578)**
Balance at end of year	US$66,036,189	US$66,036,873	**US$67,329,951**
Treasury Shares			
Balance at beginning of year	(US$5,206,751)	(US$4,671,402)	**(US$4,599,163)**
Sale of shares	1,546,019	690,802	**3,414,082**
Issuance for treasury shares	–	–	**583,482**
Acquisitions during the period	–	–	**(347,896)**
Share-based payments (see Note 19)	(1,010,670)	(618,563)	**(424,991)**
Balance at end of year	(US$4,671,402)	(US$4,599,163)	**(US$1,374,486)**

Preferred Shares

The Preferred A shares, which were subscribed to by ICTHI, are nonvoting, entitled to dividend at rates to be fixed by the Board, non-cumulative, convertible to common shares under such terms to be provided by the Board, redeemable at such price and terms determined by the Board and have preference over common shares in the distribution of the assets of the Parent Company (see Note 15.3). As of December 31, 2013, the Board has not fixed the dividend rate and terms of conversion of Preferred A shares.

The Preferred B shares were issued to Achillion Holdings, Inc. (Achillion). Preferred B shares have the following features: voting; issued only to Philippine nationals; not convertible into common shares; earn no dividend; redeemable at the option of the Board; and shall be redeemed if the nationality restriction applicable to 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.

Treasury Shares

Treasury shares came from the acquisition or transfer of ICTSI shares held by subsidiaries. These treasury shares are subsequently reissued upon vesting of stock awards under the Stock Incentive Plan (SIP) (see Note 19).

On May 15, 2013, ICTSI sold its 36,889,189 treasury shares together with the 53,110,811 common shares of ICTSI held by the Chairman, Mr. Enrique K. Razon, Jr., at US$2.207 (₱91.0) per share. Subsequently, ICTSI issued new common shares to Mr. Razon on May 15, 2013 which resulted in the increase in the outstanding common shares of ICTSI. The net proceeds from the said share transactions totaled US$195.9 million and resulted in the increase of US$1.3 million in common stock and US$191.2 million in additional paid-in capital and the reduction in treasury shares of US$3.4 million.

15.2 Additional Paid-in Capital

In 2011, 2012 and 2013, additional paid-in capital increased by US$24.4 million, US$8.1 million and nil, respectively, as a result of IWI's sale of ICTSI shares (see Note 15.3).

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 amounted to US$0.8 million, US$2.4 million and US$4.0 million in 2011, 2012 and 2013, respectively, as a result of granting and vesting of stock awards (see Notes 19 and 21).

15.3 Cost of Shares Held by Subsidiaries

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

	Number of Shares Held by Subsidiaries		
	2011	2012	**2013**
Preferred shares	3,800,000	3,800,000	**3,800,000**
Common shares	19,365,940	–	**–**
	23,165,940	3,800,000	**3,800,000**

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

	2011		2012		2013	
	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	30,539,300	US$45,124,204	19,365,940	US$21,017,682	–	–
Acquisition of shares by a subsidiary	20,068,240	21,653,987	–	–	–	–
Sale of shares held by subsidiaries	(31,241,600)	(45,760,509)	(19,365,940)	(21,017,682)	–	–
Balance at end of year	19,365,940	21,017,682	–	–	–	–
Total		US$93,510,163		US$72,492,481		**US$72,492,481**

Common Shares. In 2011, IWI acquired 20,068,240 ICTSI shares for US$21.7 million (₱935.3 million).

In the same year, IWI sold 31,241,600 ICTSI common shares ("Sale Shares") through a placement to institutional investors at ₱55.40 (US$1.30) per share. The proceeds of the sale were used by the Group to fund its ongoing capital expenditure program and for general corporate purposes. The Sale Shares were crossed through the PSE on July 22, 2011, when the approval for the application for block sale was obtained from the PSE. The sale was settled on July 27, 2011. The sale resulted in (a) decrease in common shares held by subsidiaries by US$45.8 million and (b) the recognition of other comprehensive income of US$27.3 million and (c) additional paid-in capital of US$24.4 million representing the excess of proceeds over carrying value of the Sale Shares after the sale (see Note 15.2). CLSA Limited acted as sole bookrunner and sole placing agent for the sale.

In 2012, IWI sold 19,365,940 ICTSI shares for US$29.6 million (₱1,267.9 million) (see Note 15.5). ICTSI recognized gain on sale of US$24.4 million and US$8.1 million as additional paid-in capital in 2011 and 2012, respectively (see Note 15.2).

15.4 Non-controlling Interests

In 2011, the Group, together with Loginter S.A. (Loginter), the non-controlling shareholder, infused additional capital in Tecplata amounting to US$36.7 million. The Group's share in the additional infusion amounted to US$31.2 million. Further in 2011, Loginter transferred all its shares in Tecplata to Nuevos Puertos S.A. (Nuevos Puertos) (see Note 22.1).

Also in 2011, the Group acquired an additional non-controlling interest in SCIPSI amounting to US$0.2 million.

In 2012, ICTSI Mauritius further increased its shareholdings in PICT for a total cash consideration of US$127.1 million by way of the following: (a) a Share Purchase Agreement (SPA) between ICTSI Mauritius with another shareholder to purchase an additional 6.63 percent of the issued capital of PICT on November 7, 2012; (b) ICTSI Mauritius' purchase of an additional 6.25 percent of the issued capital of PICT from the Karachi Stock Exchange on December 19, 2012 and; (c) an SPA entered into by ICTSI Mauritius for the purchase of Aeolina Investments Limited (AIL), a British Virgin Islands-registered company, owning 15.72 percent of PICT shares, on December 28, 2012. As a result of the above transactions, ICTSI Mauritius's aggregate direct and indirect ownership in PICT increased to 63.59 percent as of December 31, 2012 (see Notes 1.2 and 4.2). The excess of the cash paid over the fair value of the additional interests acquired amounting to US$114.2 million was recorded as excess of acquisition cost over the carrying value of non-controlling interests in the 2012 consolidated balance sheet.

Also in 2012, ICTSI, through ICTSI Ltd. and IPSAL, further increased its shareholdings in Tecplata by infusing additional capital amounting to US$36.7 million. Nuevos Puertos, the non-controlling shareholder, did not participate in the said infusion of additional capital. As a result, the ownership of Nuevos Puertos in Tecplata was diluted by 6.68 percent. ICTSI now owns 91.68 percent equity interest in Tecplata (see Note 1.3).

In 2013, ICTSI Mauritius purchased 0.9 percent additional equity interest in PICT for US$2.0 million resulting in an excess of cost over carrying value of non-controlling interest amounting to US$1.5 million. In 2013, PICT declared dividends totaling US$35.7 million (PKR3.7 billion). As of December 31, 2013, dividends distributed to ICTSI Mauritius and non-controlling shareholders totaled US$10.9 million (PKR1.1 billion) and US$9.9 million (PKR1.0 billion), respectively.

In 2013, ICTSI through its subsidiaries ICTSI Ltd. and IPSAL, purchased 54.92 percent ownership in Nuevos Puertos, non-controlling shareholder of Tecplata, for US$14.0 million. The purchase was accounted for as an acquisition of non-controlling interests. This transaction effectively increased ICTSI's ownership in Tecplata to 96.25 percent, thereby resulting in the recognition of an excess of cost over carrying value of non-controlling interest amounting to US$8.2 million.

15.5 Retained Earnings

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

	2011	2012	**2013**
Date of Board approval	April 14, 2011	April 19, 2012	**April 18, 2013**
Cash dividends per share	US$0.012 (₱0.50)	US$0.015 (₱0.65)	**US$0.017 (₱0.70)**
Record date	May 3, 2011	May 4, 2012	**May 6, 2013**
Payment date	May 17, 2011	May 18, 2012	**May 21, 2013**
Portion of cash dividends declared pertaining to common shares held by subsidiaries and thus reverted to retained earnings (see Note 15.3)	US$0.4 million (₱17.6 million)	US$–	US$–

Common shares held by subsidiaries were sold on April 16, 2012, prior to the declaration of dividends.

Moreover, retained earnings were reduced by distributions paid out by RCBV to holders of Securities discussed in Note 15.6 below aggregating US$8.4 milllion in 2011, US$26.8 million in 2012 and US$29.3 million in 2013.

Of the total retained earnings of US$452.9 million, US$539.6 million and US$649.7 million, as of December 31, 2011, 2012 and 2013, respectively, undistributed earnings of subsidiaries amounting to US$326.2 million, US$415.0 million and US$449.0 million as of December 31, 2011, 2012 and 2013, respectively, were not available for dividend distribution (see Note 21).

On December 28, 2012, the Parent Company appropriated additional US$83.0 million of its retained earnings to complete construction and development projects in Tecplata and CMSA as well as to continue construction activities in SPIA and other capital expenditures for expansion projects in MICT, MICTSL, BICT and BCT in 2013. On December 27, 2013, the Parent Company appropriated additional US$9.4 million of its retained earnings for additional working capital requirements and domestic and foreign expansion projects in the ensuing year. As of December 31, 2013, total appropriated retained earnings of the Parent Company amounted to US$313.2 million.

15.6 Subordinated Perpetual Capital Securities

On April 20, 2011, the Board of ICTSI approved the investment by its wholly owned subsidiary, ICTSI Ltd., in RCBV common shares. The Board also approved for ICTSI to guarantee under such terms and conditions, as the Board may reasonably determine, the issuance, offer and sale by RCBV of subordinated perpetual capital securities in such amount, with interest rate and under such other terms and conditions as the Board and/or RCBV may subsequently approve or ratify.

RCBV was incorporated with limited liability in the Netherlands on April 19, 2011 whose primary purpose, among others, is to act as a financing subsidiary of ICTSI. RCBV is 75 percent-owned by ICTSI Ltd. and its ultimate parent company is ICTSI.

On April 28, 2011, RCBV (the "Issuer") and ICTSI (the "Guarantor") signed a Subscription Agreement with The Hong Kong and Shanghai Banking Corporation Limited (HSBC) and Citigroup Global Markets Limited (Citi) for the issuance of US$200,000,000 8.375 percent subordinated guaranteed perpetual capital securities (the "Original Securities"). The Original Securities confer a right to receive a return on the Original Securities (the "Distribution") every Distribution Payment Date as described in the terms and conditions of the Original Securities. These distributions are payable semi-annually in arrears on the Distribution Payment Dates of each year. However, the Issuer may, at its sole and absolute discretion, prior to any Distribution Payment Date, resolve to defer payment of all or some of the Distribution which would otherwise be payable on that Distribution Payment Date subject to exceptions enumerated in the terms and conditions of the Original Securities. The Original Securities are perpetual securities in respect of which there is no fixed redemption date but the Issuer may, at its option change the status of the Securities or redeem the same on instances defined under its terms and conditions.

On April 29, 2011, the Board approved the terms and conditions of the Original Securities, which were subsequently issued on May 5, 2011. The net proceeds from the issue of the Original Securities amounting to US$193.4 million were used for the development of greenfield projects, potential acquisitions and general corporate purposes.

On January 9, 2012, ICTSI tapped a further US$150.0 million (the "Further Securities") of the Original Securities discussed in the preceding paragraphs, increasing the size to US$350.0 million. The Further Securities were issued on January 17, 2012. The Original and Further Securities are collectively referred to as the "Securities." The Further Securities were issued at a price of 98.375 percent (plus interest accrued on the Securities from and including November 5, 2011 to but excluding January 17, 2012). The net proceeds from the issue of the Further Securities amounting to US$143.6 million were used for the same purpose as the Original Securities.

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

The Securities are treated as a liability in the financial statements of the Issuer or RCBV since it has the obligation to pay the accumulated distributions should the Guarantor declare dividends to its common stockholders. On the other hand, the Securities are treated as part of equity attributable to equity holders of the parent in the consolidated financial statements of the Group because nothing in the terms and conditions of the Securities gives rise to an obligation of the Group to deliver cash or another financial asset in the future as defined by PAS 32. However, should the Issuer decide to exercise its option to redeem the Securities, the Securities shall be treated as a financial liability from the date the redemption option is exercised. Should the Issuer also opt to not defer payment of distributions on a Distribution Payment Date, all distributions in arrears as of that date will be recognized as a financial liability until payment is made.

RCBV paid distributions totaling US$8.4 million, US$26.8 million and US$29.3 million to the holders of the Securities in 2011, 2012 and 2013, respectively (see Note 15.5). Related interest expense accrued by the Issuer or RCBV amounted to US$2.6 million, US$4.5 million and US$4.5 million as of December 31, 2011, 2012 and 2013, respectively. However, the interest expense has not been recognized in the consolidated statement of income since the Securities are presented as equity attributable to equity holders of the parent.

15.7 Other Comprehensive Loss - Net

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

	2011 As Restated - see Note 3)	2012 As Restated - see Notes 3 and 4)	**2013**
Cumulative translation adjustments* (see Notes 15.3 and 22.1)	(US$84,457,854)	(US$76,445,854)	**(US$118,567,762)**
Unrealized mark-to-market loss on derivatives (see Note 26.4)	(7,550,633)	(9,726,549)	**(4,744,190)**
Unrealized mark-to-market gain on AFS investments (see Note 10)	470,626	862,919	**1,058,668**
Actuarial gains (losses) on defined benefit plans	388,874	(322,652)	**1,336,211**
Business combination revaluation reserve	609,969	609,969	**609,969**
	(US$90,539,018)	(US$85,022,167)	**(US$120,307,104)**

** Cumulative translation adjustments arise from the change in functional currency of the Parent Company and translation of foreign operations.*

16. Long-term Debt

16.1 Outstanding Balance and Maturities

Outstanding balance of the long-term debt (net of debt issue costs) as of December 31 is presented below:

	2011	2012	**2013**
US dollar-denominated notes (see Note 16.2.1)	US$447,928,351	US$448,101,600	**US$271,776,808**
US dollar-denominated term loans (see Note 16.2.2)	17,163,300	169,337,734	**29,302,758**
US dollar-denominated securities (see Note 16.2.3)	55,034,687	48,951,163	**38,250,381**
Foreign currency-denominated loans (see Note 16.2.4)	128,597,737	104,726,432	**39,242,075**
US dollar-denominated medium term notes (see Note 16.2.5)	–	–	**561,205,691**
	648,724,075	771,116,929	**939,777,713**
Less current portion	58,802,172	240,776,404	**34,080,085**
	US$589,921,903	US$530,340,525	**US$905,697,628**

The balance and movements in unamortized debt issuance cost, premiums and discounts, net of the recognized fair value of prepayment option on ICTSI's loan, related to long-term debt as of and for the year ended December 31 are shown below:

	2010	2011	**2012**
Balance at beginning of year	US$4,049,040	US$3,587,054	**US$3,748,833**
Debt issuance cost during the year	809,490	1,220,454	**10,317,493**
Amortization during the year	(1,175,232)	(1,165,361)	**(2,231,082)**
Effect of business combination (see Note 4.2)	–	102,553	**–**
Premium on exchange of notes (see Note 16.2.1)	–	–	**28,617,000**
Write-off due to prepayment of long-term debt (see Notes 16.2.2 and 20.3)	–	–	**(129,714)**
Translation adjustments	(96,244)	4,133	**(98,810)**
Balance at end of year	US$3,587,054	US$3,748,833	**US$40,223,720**

Amortization of debt issuance costs were presented as part of "Interest expense and financing charges on borrowings" in the consolidated statements of income.

Principal maturities of long-term debt (gross of unamortized debt issuance cost) as of December 31, 2013 are as follows:

	Amount
2014	US$34,351,477
2015	31,195,002
2016	21,882,744
2017	5,570,734
2018 onwards	887,001,476
	US$980,001,433

16.2 Details and Description

16.2.1 US Dollar-denominated Notes

On March 10, 2010, ICTSI signed a Subscription Agreement with The Hong Kong Shanghai Banking Corporation Limited (HSBC) and JP Morgan Securities, Ltd. for the issuance of ten-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 maturing on March 17, 2020. The Original Notes bear interest at a fixed rate of 7.375 percent, net of applicable taxes, 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 percent, net of applicable taxes, and was set at a price of 102.627 for an effective yield of 7.0 percent.

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 16.2.2).

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.

On September 17, 2013, ITBV exchanged newly issued US$207.5 million 5.875 percent Notes due 2025 for ICTSI's US$178.9 million 7.375 percent Notes due 2020. The 2020 Notes were then reduced from US$450.0 million to US$271.1 million. The 2025 Notes were issued by ITBV under its US$1.0 billion MTN programme, and are unconditionally and irrevocably guaranteed by ICTSI (see Note 16.2.5).

As of December 31, 2013, the outstanding balance of the Notes amounted to US$271.8 million.

16.2.2 US Dollar-denominated Term Loans

Unsecured Medium-Term Loans. In 2012, ICTSI availed of unsecured medium-term loans from Australia and New Zealand Banking Group Limited, Manila Branch, The Hong Kong Shanghai Banking Corporation Limited (HSBC), Manila Branch, and Metropolitan Bank and Trust Company aggregating US$160.0 million for general corporate requirements (see Note 27). The loans were bearing interest at prevailing market rates ranging from 1.1819 percent to 1.3490 percent. In January and February 2013, US$140.0 million of the medium-term loans were prepaid. The remaining balance of US$20.0 million was paid in October 2013.

In October 2013, ICTSI availed of unsecured medium-term loan from Australia and New Zealand Banking Group Limited, Manila Branch, amounting to US$20.0 million to refinance the balance of the loans in the preceding paragraph. The loan bears interest at prevailing market rates, ranging from 1.1260 percent to 1.1479 percent and will mature in November 2014. As of December 31, 2013, the loan was fully outstanding.

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 the expansion of its handling capacity. The loan bears interest at 1.1 percent over the LIBOR or, on or after a 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$32.3 million as of December 31, 2011, 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$7.9 million as of December 31, 2011. In 2012, BCT repaid the outstanding principal balance of the loan amounting to US$7.9 million, which was reclassified as current portion of long-term debt in the 2011 consolidated balance sheet. Accordingly, all liens and encumbrances related to the port equipment, together with other assets of BCT, which were used to secure the loan, were released upon the settlement of the loan in 2012.

On October 27, 2011, BCT entered into a facilities agreement with Bank Polska Kasa Opieki S.A. ("Bank Polska") under which Bank Polska agreed to provide (i) term loan facility up to US$9.2 million, (ii) a capex facility up to US$36.3 million to finance or refinance project costs and fees, and (iii) an overdraft facility up to US$1.0 million to finance working capital requirements. Both the term loan and capex facility bear interest at 2.65 percent over LIBOR. The utilization under the overdraft facility will bear interest at 1.75 percent over LIBOR or Warsaw Interbank Offered Rate (WIBOR), as the case may be. WIBOR is determined by the Financial Markets Association-ACI Polska for utilizations requested in Polizh Zloty.

The purpose of the term loan facility under the facilities agreement is to refinance all existing financial indebtedness under the 2004 loan agreement. The 2011 loan agreement provided for substantially the same security arrangement and restrictions on the payment of dividends to ICTSI, as provided for in the 2004 loan agreement. One of the conditions precedent to any borrowing under the facilities agreement is for BCT to confirm the availability of the grant by the *Centrum Unijnych Projektow Transportowych* (CUPT), a Polish grant authority (the "EU Grant"), in an amount not lower than PLN50.0 million (approximately equivalent to US$16.2 million) to partly finance the cost of BCT's projected capital expenditure requirements.

On March 29, 2012, BCT and CUPT signed the EU Grant whereby CUPT would grant BCT a subsidy amounting to US$17.3 million (53.9 million Polish zloty). The confirmation of the availability of the EU grant is a condition precedent to any borrowing under the facility agreement with Bank Polska, as discussed above. As of December 31, 2013, BCT has availed a total of US$2.0 million of the grant. The grant is treated as deferred income and is amortized over the useful life of the related asset.

On April 27, 2012, BCT availed: (i) US$7.9 million from the term loan facility; and (ii) US$0.9 million from the capital expenditure facility with Bank Polska, discussed in the preceding paragraph. On October 28, 2013, BCT availed of another US$2.0 million from the same capital expenditure facility. Both the term loan and capex facilities bear interest at 2.65 percent over London Interbank Offered Rate (LIBOR). As of December 31, 2013, aggregate outstanding balance under the term loan and capital expenditure facilities, net of related debt issuance cost, amounted to US$9.4 million.

CGSA. In August, September and November 2010 and in January and August 2011, CGSA availed of two-year unsecured Term Loans with local banks, namely, Banco Bolivariano, Banco Del Pacifico, Banco De Guayaquil, Banco Internacional and Banco Pichincha ("Local Banks in Ecuador") totaling US$10.0 million and US$7.5 million, respectively, to finance capital expenditures and working capital requirements. The Term Loans with Local Banks in Ecuador bear a fixed interest rate of 8.0 percent with the principal payable in monthly installments. The outstanding balance of the Term Loans with Local Banks in Ecuador amounted to US$9.3 million, US$1.8 million and nil as of December 31, 2011, 2012 and 2013, respectively.

16.2.3 US Dollar-denominated Securities

On September 23, 2011, CGSA engaged in a fiduciary contract as originator for a securitization arrangement under which it transferred its receivables and future operating revenues from selected customers such as shipping lines and banana exporters (the "securitized assets") to a special purpose trust administered by *Administradora de Fondos de Inversión y Fideicomisos Futura FUTURFID S.A.* (formerly named *Administradora de Fondos de Inversion Y Fideicomisos BG S.A.*) as trustee and handling agent. On October 24, 2011, the special purpose trust was officially approved to issue securities in three series against the securitized assets in the aggregate principal amount of US$60.0 million with each series to mature within five years from date of issue. Series A bears variable interest at the rate of 2.5 percent plus the reference interest rate for savings posted by Central Bank of Ecuador subject to a readjustment every quarter, while Series B and Series C bear interest at a fixed rate of 7.5 percent. Principal and interest are payable quarterly for each series.

The proceeds of the securitization issue, which were remitted to CGSA as consideration for the securitized assets, will be used to finance capital expenditures and expansion of port operations. On the other hand, regular cash flows from the securitized assets will be used by the special purpose trust to pay principal and interest due to holders of the securities and other expenses. Any excess in the cash flows remaining with the special purpose trust, after all obligations to holders of securities and relevant third parties are fully paid, will revert to CGSA as the originator. The securities issued pursuant to the securitization agreement are currently registered with and traded in the Ecuadorian stock market.

As of December 31, 2011, CGSA has received proceeds from the issuance and placement of securities under the securitization agreement amounting US$55.0 million, net of debt issuance cost of US$0.8 million. In February 2012, CGSA placed the balance of the US$60.0 million securities, through a special purpose trust approved in 2011, amounting to US$4.2 million. In 2012 and 2013, CGSA had paid US$10.3 million and US$11.1 million of the outstanding securities, respectively. As of December 31, 2013, the outstanding principal balance of securities amounted to US$38.3 million.

16.2.4 Foreign Currency-denominated Loans

PICT. On July 11, 2011, PICT signed a five-year Rs.2.5 billion (equivalent to US$29.1 million) Agreement for Financing on Mark-up Basis (Term Finance) with Faysal Bank Limited. The loan carries mark-up at the rate of six months Karachi Interbank Offered Rate (KIBOR) plus 1.75 per cent and is secured against all present and future property and equipment and underlying port infrastructures of the concession right. Principal is repayable in nine equal semi-annual installments commencing in July 2012. Proceeds of the loan were partially used to fully pay the loans with International Finance Corporation (IFC) and Organization of the Petroleum Exporting Countries Fund for International Development (OFID) amounting to Rs.2.4 billion (US$27.9 million) on July 22, 2011 which were originally maturing in January 2018. The loan with remaining balance of Rs.1.5 billion was refinanced by Habib Bank Limited. The new loan carries a mark-up at the rate of six months Karachi Interbank Offered Rate (KIBOR) plus 0.75 percent and is secured against all present and future property and equipment and underlying port infrastructures of the concession right. Principal is repayable in five equal semi-annual installments commencing in June 2015. As of December 31, 2013, outstanding principal balance of the loan amounted to Rs.1.5 billion (US$14.2 million).

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 percent or (2) the BSP Reverse Repo Rate. Principal is payable in quarterly installments starting in the ninth quarter. The DBP-LBP Term Loan Facility is unsecured. The DBP-LBP Term Loan Facility was fully availed of in March 2009. As of December 31, 2013, the loan has been fully paid.

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 Hong Kong and Shanghai Banking Corporation Limited (HSBC), 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 percent for the five and a half -year FXCN Note and 10.25 percent for the seven-year FXCN Note. One percent of principal is payable every year and the remaining balance is due in 2014 for the 5.5-year FXCN and in 2015 for the 7-year FXCN. The entire facility was fully drawn in 2008. In May 2012, ICTSI prepaid the 5.5-year FXCN note. As of December 31, 2013, outstanding principal balance of the term loan facility amounted to US$10.5 million.

AGCT. In March 2013, AGCT signed the first part of a ten-year loan agreement for EUR6.2 million (US$8.1 million) with Raiffeisenbank Austria d.d. to partly finance the purchase of port equipment intended for the Brajdica Container Terminal. The principal is repayable in 112 monthly installments starting January 31, 2014 until April 30, 2023. Interest is payable monthly based on floating interest rate computed at 1-month Euro Interbank Offered Rate plus a spread of 4.2 percent. The loan is secured by AGCT's port equipment (see Note 7).

On July 22, 2013, AGCT signed the second part of the same loan agreement for EUR4.4 million (US$5.6 milion). Principal is repayable in 120 monthly installments starting January 31, 2014 until December 31, 2023. Interest is payable monthly based on floating interest rate computed at 1-month Euro Interbank Offered Rate plus a spread of 4.2 percent. The loan is secured by AGCT's port equipment (see Note 7).

As of December 31, 2013, both loans were fully drawn and the total outstanding balance of the loans amounted to US$14.6 million (EUR10.6 million).

16.2.5 US Dollar-denominated Medium Term Note Programme (the "MTN Programme")

On January 9, 2013, ICTSI Treasury, a majority owned subsidiary through ICTSI Ltd., established the MTN Programme that would allow ICTSI Treasury from time to time to issue medium term notes (MTN), unconditionally and irrevocably guaranteed by ICTSI. The aggregate nominal amount of the MTN outstanding will not at any time exceed US$750.0 million (or its equivalent in other currencies), subject to increase as described in the terms and conditions of the Programme Agreement. This was increased to US$1.0 billion in August 2013.

Also, on January 9, 2013, ICTSI Treasury and ICTSI signed a Subscription Agreement with HSBC and UBS AG, Hong Kong Branch, for the issuance of ten-year US$300.0 million guaranteed MTN (the "Original MTN") under the MTN Programme. The Original MTN were issued on January 16, 2013 to mature on January 16, 2023 at a fixed interest rate of 4.625 percent, net of applicable taxes, and were set at a price of 99.014 and payable semi-annually in arrears.

Moreover, on January 28, 2013, ICTSI Treasury and ICTSI signed a Subscription Agreement with UBS AG, Hong Kong Branch, for the issuance of an additional ten-year US$100.0 million guaranteed MTN under the MTN Programme (the "MTN Tap") to form a single series with the Original MTN discussed in the preceding paragraph. The MTN Tap were issued on February 4, 2013 to mature on January 16, 2023 at a fixed interest rate of 4.625 percent, net of applicable taxes, and were set at a price of 101.25 and payable semi-annually in arrears.

The aggregate net proceeds of the MTN amounting to US$393.8 million were used to refinance some of ICTSI's existing debt and for other general corporate purposes.

In June 2013, ICTSI purchased a total of US$6.0 million of ICTSI Treasury's US$400.0 million MTN at US$5.7 million. This resulted in the recognition of US$0.3 million gain in the 2013 consolidated statement of income (see Note 20.1).

As of December 31, 2013, outstanding notes under the programme was US$561.2 million, which includes the US$207.5 million 5.875 percent notes due 2025 discussed in Note 16.2.1.

The MTN were not registered with the SEC. The MTN 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 MTN are traded and listed in the Singapore Stock Exchange.

16.3 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 and subsidiaries' assets, acquisitions of futures or stocks, and extending loans to others, except in the ordinary course of business. ICTSI is 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, 2011, 2012, and 2013, ICTSI and subsidiaries were in compliance with their loan covenants.

Interest expense, net of amount capitalized as intangible assets and property and equipment, presented as part of "Interest expense and financing charges on borrowings" account in the consolidated statements of income, amounted to US$37.8 million, US$29.2 million and US$40.2 million in 2011, 2012 and 2013, respectively (see Notes 6 and 7).

17. Loans Payable

Loans payable are unsecured loans obtained by ICTSI and its various subsidiaries. As of December 31, 2011, this account included an unsecured US$-denominated short-term loan of SPIA with Citibank Colombia at a fixed rate of 1.65 percent and an unsecured short-term US$-denominated loans of CGSA with Banco Boliviano amounting to US$2.0 million and US$0.5 million at fixed interest rates of 8.00 percent and 8.63 percent, respectively, as of December 31, 2011. As of December 31, 2012, this account included an unsecured US$-denominated short-term loan of ICTSI with Bank of Tokyo - Mitsubishi UFJ, Manila Branch amounting to US$10.0 million at a floating interest rate of 0.85 percent and an unsecured short-term US$-denominated loan of BCT with Bank Polska Kasa Opieki S.A. amounting to US$0.3 million at floating interest rate of 1.9617 percent. In 2012, SPIA and CGSA settled their short-term US$-denominated loans totaling US$2.5 million. In 2013, BCT fully paid its unsecured short-term US$-denominated loan and ICTSI renewed its unsecured US$-denominated short-term loan with Bank of Tokyo - Mitsubishi UFJ, Manila Branch which loan was fully outstanding as of December 31, 2013 at the amount of US$10.0 million.

In March 2013, CGSA obtained a one-year unsecured loan with Banco Bolivariano amounting to US$3.0 million at a fixed interest rate of 8.0 percent. In April 2013, CGSA obtained one-year unsecured loans from Banco del Pacifico and Citibank Ecuador amounting to US$2.0 million and US$1.5 million at fixed interest rates of 8.0 percent and 8.1 percent, respectively. In July 2013, CGSA obtained a one-year unsecured loan from Banco Bolivariano amounting to US$0.2 million at a fixed interest rate of 8.83 percent. The total outstanding balance of the four loans as of December 31, 2013 was US$2.1 million.

Interest expense incurred related to these loans payable amounted to US$0.02 million in 2011, US$0.02 million in 2012 and US$0.3 million in 2013.

18. Accounts Payable and Other Current Liabilities

This account consists of:

	2011	2012	**2013**
Trade (see Notes 1.2, 20.3 and 22.1)	US$73,533,929	US$114,213,822	**US$88,319,314**
Accrued expenses:			
Interest (see Notes 16.3 and 17)	13,130,068	14,665,050	**18,372,629**
Salaries and benefits	10,041,820	12,326,750	**10,910,599**
Output and other taxes	9,518,747	10,203,978	**12,338,485**
Others	6,244,768	7,168,638	**7,882,634**
Provisions for claims and losses (see Note 25)	6,531,910	9,763,184	**11,279,320**
Dividends payable	635,396	2,995,661	**2,545,830**
Finance lease payable	850,857	2,603,465	**2,193,886**
Customers' deposits	2,387,511	3,793,660	**4,281,784**
Others (see Notes 1.2, 20.3 and 25)	4,602,002	5,468,967	**5,127,809**
	US$127,477,008	US$183,203,175	**US$163,252,290**

Trade payables are noninterest-bearing and are generally settled on 30-60 days' terms. In 2012, trade payable increased primarily due to the accumulation of invoices from suppliers of port equipment and civil works in relation to the ongoing construction activities at Tecplata and CMSA.

As discussed in Note 1.2, ICTSI wrote-off its investment in TICT corresponding to the carrying value of TICT's net assets as of December 28, 2012 (see Note 20.3).

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:

	2011	2012	**2013**
Balance at beginning of year	US$4,862,447	US$6,531,910	**US$9,763,184**
Provision during the year	2,112,890	6,094,482	**2,112,418**
Settlement during the year	(916,064)	(1,971,637)	**(69,527)**
Effect of business combination (see Note 4.1)	503,757	–	**–**
Translation difference	(31,120)	(891,571)	**(526,755)**
Balance at end of year	US$6,531,910	US$9,763,184	**US$11,279,320**

19. Share-based Payment Plan

Certain officers and employees of the Group receive remuneration in the form of share-based payment transactions, whereby officers and employees are given awards, in the form, of ICTSI common shares, in lieu of cash incentives and bonuses under the Stock Incentive Plan (SIP) ("equity-settled transactions"). The SIP was approved by the stockholders of ICTSI on March 7, 2007, effective for a period of ten years unless extended by the Board. The shares covered by the SIP are held under treasury until they are awarded and issued to the officers and employees as determined by the Stock Incentive Committee. As of December 31, 2013, there were 32,401,000 ICTSI common shares granted in aggregate under the SIP since it became effective in 2007. Also, as of December 31, 2013, 11,252,311 ICTSI common shares were held under treasury and allotted for the SIP (see Note 15.1).

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 percent will vest one year from the grant date and the other 50 percent 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 directors of ICTSI, its subsidiaries or affiliates; or other persons who have contributed to the success and profitability of ICTSI or its subsidiaries or affiliates.

Stock awards granted by the Stock Incentive Committee to officers and employees of ICTSI and ICTSI Ltd. for the past three years are shown below:

Grant Date	Number of Shares Granted	Fair value per Share at Grant Date
March 9, 2011	1,700,000	US$1.00 (₱43.30)
March 9, 2012	1,900,000	US$1.34 (₱57.00)
March 11, 2013	2,375,000	US$2.21 (₱89.70)

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 2011, 2012 and 2013 follow:

	2011	2012	**2013**
Balance at beginning of year	5,685,000	3,312,500	**2,720,000**
Stock awards granted	1,700,000	1,900,000	**2,375,000**
Stock awards vested and issued	(4,072,500)	(2,492,500)	**(1,712,500)**
Balance at end of year	3,312,500	2,720,000	**3,382,500**

On August 15, 2012, ICTSI accelerated the vesting of 75,000 shares awarded to a certain officer. Those shares were originally scheduled to vest in March 2013.

Total compensation expense recognized on the vesting of the fair value of stock awards and presented as part of manpower costs in the consolidated statements of income amounted to US$1.7 million, US$2.2 million and US$4.0 million in 2011, 2012 and 2013, respectively, under the SIP. A corresponding increase in additional paid-in capital, net of applicable tax, was also recognized in the consolidated statement of changes in equity (see Note 15.2).

20. Income and Expenses

20.1 Other Income

This account consists of:

	2011	2012	**2013**
Gain on settlement of insurance claim (see Note 7)	US$–	US$–	**US$1,383,116**
Rental income (see Notes 8 and 22.1)	497,562	859,285	**865,265**
Gain on sale of:			
Property and equipment (see Note 22.1)	635,211	752,467	
Shares in SPIA-net (see Note 1.3)	–	–	**292,002**
AFS investments (see Note 10)	8,447,216	–	
Gain on early extinguishment of debt (see Note 16.2.5)	–	–	**294,293**
Dividend income	240	5,078	**4,861**
Unrealized mark-to-market gain on derivatives (see Note 26)	861,927	613,265	**–**
Others	1,236,772	1,400,559	**1,558,970**
	US$11,678,928	US$3,630,654	**US$4,784,157**

20.2 Port Authorities' Share in Gross Revenues

This account consists of port authorities' share in gross revenues of the Group as stipulated in agreements with the port authorities where the Group operates (see Note 24). Port authorities' share in gross revenues includes variable fees aggregating US$94.1 million in 2011, US$102.9 million in 2012 and US$115.5 million in 2013.

On May 1, 2010, ICTSI hedged forecasted Philippine peso-denominated variable port fees that were to be payable through 2011. Similarly, on May 20, 2013, ICTSI hedged Philippine peso-denominated variable fees that were to be payable from January to October 2014. Foreign currency translation losses previously deferred in equity would form part of variable fees upon accrual of the hedged port fees. ICTSI recognized foreign currency losses amounting to US$0.8 million as part of "Port authorities' share in gross revenues" in the 2011 consolidated statement of income and nil in 2012 and 2013 (see Notes 12 and 26.4).

20.3 Other Expenses

	2011	2012	2013
Pre-termination cost and other bank charges (see Notes 16.1 and 16.2.2 and 26.5)	US$2,512,471	US$3,326,804	US$2,551,003
Unrealized mark-to-market loss on derivatives	249,585	–	460,859
Loss on sale of property and equipment	16,769	6,672	361,467
Equity in net loss of a joint venture (see Notes 1.2 and 24.4)	–	–	260,528
Management fees (see Note 22.1)	135,277	129,164	152,398
Write-off of net assets of a subsidiary (see Notes 1.2 and 24.4)	–	831,014	–
Equity tax	2,649,063	–	–
Others	1,832,586	318,395	1,735,234
	US$7,395,751	US$4,612,049	US$5,521,489

As discussed in Note 1.2, ICTSI recognized a loss amounting to US$0.8 million on the write-off of TICT's assets consisting of its intangibles, property and equipment, deferred tax assets, restricted cash, cash and cash equivalents, receivables, spare parts and supplies and prepaid expenses and other current assets, net of the extinguishment of its accounts payables and other liabilities.

21. Income Tax

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

	2011 (As Restated - see Note 3)	2012 (As Restated - see Notes 3 and 4)	**2013**
Deferred tax assets:			
Unrealized foreign exchange losses	US$104,713	US$38,763	**US$18,628,965**
Intangible assets and concession rights payable under IFRIC 12	10,839,793	6,461,201	**8,391,144**
NOLCO	2,242,725	763,957	**7,293,664**
Allowance for doubtful accounts and other provisions	2,090,398	2,592,688	**4,218,036**
Accrued retirement cost and other expenses	556,689	749,150	**714,255**
Allowance for obsolescence	114,946	28,811	**162,589**
Share-based payments	667,185	240,943	**45,233**
Impairment loss	53,785	76,886	**–**
Pre-operating expense of a subsidiary	5,871,438	–	**–**
Others	4,045,997	3,191,945	**5,246,233**
	US$26,587,669	US$14,144,344	**US$44,700,119**
Deferred tax liabilities:			
Excess of fair value over book value of net assets of BCT, MTS, YRDICTL, DIPSSCOR, SPIA, SCIPSI, Tecplata and AGCT	US$23,286,168	US$27,863,057	**US$19,804,989**
Capitalized borrowing costs	8,458,136	11,665,846	**17,600,443**
Accelerated depreciation and translation difference between functional and local currency	5,413,167	15,296,824	**13,182,729**
Difference in depreciation and amortization periods of port infrastructure classified as concession rights	4,281,550	5,174,034	**8,306,186**
Unrealized mark-to-market gain on derivatives	527,283	359,532	**221,274**
Unrealized foreign exchange gain	2,142,625	4,873,240	**55,174**
Others	1,448,836	2,131,747	**1,706,865**
	US$45,557,765	US$67,364,280	**US$60,877,660**

The Parent Company is subjected to income tax based on its Philippine peso books even as its functional currency is US dollars. The Philippine peso depreciated from ₱41.05 to US$1 closing rate as of December 31, 2012 to ₱44.395 to US$1 as of December 31, 2013. As a result, the Parent Company's US dollar-denominated net monetary liabilities were translated to Philippine peso giving rise to the recognition of deferred tax asset on unrealized foreign exchange loss in 2013 compared to deferred tax liability on unrealized foreign exchange gain in 2012. Consequently, there was a significant increase in the Group's deferred tax assets and a decrease in deferred tax liabilities as of December 31, 2013, and an increase in benefit from deferred income tax in the consolidated statements of income for 2013.

Deferred tax assets on NOLCO of certain subsidiaries amounting to US$6.3 million, US$7.1 million and US$4.0 million as of December 31, 2011, 2012 and 2013, 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. Deferred tax assets arising from NOLCO are recognized for subsidiaries when there is expectation of sufficient future taxable profits from which these deferred tax assets can be utilized.

As of December 31, 2011, 2012 and 2013, deferred tax liability has not been recognized on undistributed earnings of subsidiaries amounting to US$326.2 million, US$415.0 million and US$449.0 million, respectively, because the Parent Company has control over such earnings, which have been earmarked for reinvestment in foreign port projects and are not expected to reverse in the foreseeable future (see Note 15.5).

ICTSI recognized deferred tax liability amounting to US$2.0 million in 2011, US$2.6 million in 2012 and nil in 2013, on unrealized mark-to-market gains arising from cross-currency swap transactions (see Notes 26.4 and 26.6) and deferred tax asset amounting to

US$0.3 million in 2011, US$0.2 million in 2012 and US$0.1 million in 2013, on the excess of the tax deduction (or estimated future deduction) on stock awards over the related cumulative compensation expense (see Notes 15.2 and 19). The Group recognized deferred tax asset on actuarial loss amounting to US$0.5 million in 2011, US$0.3 million in 2012 and deferred tax liability on actuarial gain amounting to US$0.4 million in 2013. 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 presented is as follows:

	2011 (As Restated - see Note 3)	2012 (As Restated - see Notes 3 and 4)	**2013**
Income tax expense computed at statutory tax rates	US$49,859,804	US$54,752,632	**US$49,132,692**
Add (deduct):			
Income tax incentive	(10,066,288)	(13,576,206)	**(10,913,466)**
Derecognized deferred tax asset on losses of subsidiaries	–	8,794,310	**–**
Nondeductible tax losses (nontaxable gains) of subsidiaries - net	1,663,021	(1,354,359)	**(1,765,865)**
Interest income already subjected to final tax	(1,372,241)	(743,595)	**(673,078)**
Unallowable interest expense	481,441	253,430	**271,373**
Others - net	(419,314)	(35,922)	**(1,756,418)**
	US$40,146,423	US$48,090,290	**US$34,295,238**

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

Name of Company	Tax Rate	Tax Rules
NICTI	42.0%	Combined tax rate of 42.0 percent is composed of 28 percent imposed by Japan Government and the other 14 percent imposed by the City and Prefecture.
Tecplata and PICT	35.0%	Tecplata's nominal tax rate is 35 percent. In addition, Tecplata is subject to minimum presumed income tax by applying the effective 1% rate on computable assets as of each year-end. This tax is supplementary to income tax. Tecplata's obligation for each fiscal year shall be the higher of these two taxes. However, should the minimum presumed income tax exceed income tax in a given fiscal year, such excess may be computed as payment on account of any income tax excess over minimum presumed income tax that may occur in any of the ten subsequent fiscal years. Tax losses can be carried forward for five years. Corporate tax rate in Pakistan that applies to PICT is 35 percent. All resident companies are subject to minimum tax at 0.5 percent of their turnover if the actual tax liability is less than the amount of minimum tax. The excess of minimum tax over the actual tax liability may be carried forward and used to set off the actual tax liability of the following five taxable years. Turnover means the gross receipts from sale of goods, services rendered and the execution of contracts, other than income governed under the final tax regime. In Pakistan, deductible depreciation is computed by applying the applicable rates, as provided in the Third Schedule to the Ordinance, to the particular category of assets on a diminishing balance method. The rate of tax depreciation ranges from 10 to 30 percent depending on the category of the assets. An initial depreciation allowance at the rate of 50 percent and 25 percent, depending on the category of assets, is also available for eligible depreciable assets, in accordance with section 23 of the Ordinance.
ICTSI Oregon	34.0%	ICTSI Oregon is subject to federal tax rate of about 34 percent to 35 percent. ICTSI Oregon is also subject to state tax of 7.6 percent and city/county tax of 3.65 percent based on taxable income less federal tax. Under the federal and local state corporate income tax systems, corporations that are not an exempt and small corporation are subject to an Alternative Minimum Tax (AMT) at a rate of 20 percent. Corporations pay the minimum amount of tax subject to federal and state regulations. There is no minimum tax on corporation in a net operating loss position. However, certain states require taxes to be remitted on a gross revenue basis. Net operating losses can be carried forward for 20 years and carried back for two years.
ICTSI India	30.9%	The corporate tax rate is 30.9 percent for companies with income less than Indian Rupee (INR)10 million and 32.445 percent for companies with income more than INR10 million. A Minimum Alternate Tax (MAT) is imposed at 18.5 percent (plus any applicable surcharge and cess) on the adjusted book profits of corporations whose tax liability is less than 18.5 percent of their book profits. A credit is available for MAT paid against tax payable on normal income; the credit may be carried forward for offset against income tax payable in the following 10 years.
ICTSI and other Philippine subsidiaries, excluding SBITC and ICTSI Subic	30.0%	Effective January 1, 2009, the corporate income tax rate of Philippine entities is reduced from 35 percent to 30 percent in accordance with Republic Act No. 9337. On May 14, 2008, the Board of Investments (BOI) 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 Investment Code of 1987. From November 2011, Berth 6 is entitled, among others, to an income tax holiday for a period of six years. Berth 6 was completed, inaugurated and started full commercial operations in July 2012 (see Notes 24.8 and 29.2). In 2012 and

Name of Company	Tax Rate	Tax Rules
		2013, Berth 6 recognized gross revenues from port operations amounting to US$28.7 million and US$63.5 million and availed of tax incentive arising from the income tax holiday of US$2.9 million and US$10.4 million, respectively. On December 18, 2008, the Bureau of Internal Revenue issued Revenue Regulations No. 16-2008, which implemented the provisions of Republic Act 9504 on Optional Standard Deductions (OSD). This regulation allows both individuals and corporate taxpayers to use OSD in computing for taxable income. Corporations may elect a standard deduction equivalent to 40% of gross income, as provided by law, in lieu of the itemized allowed deductions. For the year ended December 31, 2013, BIPI, MICTSI, DIPSSCOR and SCIPSI have elected to use OSD in computing for their taxable income. On December 3, 2013, HIPS was registered with the BOI as a new operator of port infrastructure on a non-pioneer status under the Omnibus Investment Code of 1987. HIPS is entitled, among others, to an income tax holiday for four years from January 2016 or start of commercial operations, whichever is earlier.
CMSA	29.0%	CMSA's corporate income tax rate is 30 percent applicable until 2012 and 29 percent in 2013. Effective January 1, 2014, the tax rate will be 30 percent. In accordance with Mexican Tax Laws, CMSA is subject to the higher between the corporate income tax and the Flat-rate Business Tax (FRBT). FRBT is computed by applying the 17.5 percent rate to income determined on the basis of cash flows, net of authorized credits. In December 2013, CMSA applied, for tax purposes, the accelerated depreciation for Port facilities and Port equipment the maximum percentage allowed in the Mexican Tax Law of 74% and 85%, respectively which generated a substantial tax loss in 2013. Tax losses can be carried forward for 10 years.
ICBV and RCBV	25.0%	The corporate income tax rate in the Netherlands is 20.0 percent on taxable income of up to €200,000 and 25.0 percent on taxable income exceeding €200,000. Tax losses in Netherlands can be carried forward for nine years.
OPC	25.0%	OPC's corporate income tax rate is 25 percent. A 5 percent temporary social contribution is levied in addition to the corporate income tax applied to the excess of net taxable income above HNL 1.0 million. An Alternate Minimum Tax (AMT) is levied on a taxpayer that has operating losses in the past five years and whose gross income in the past year is HNL100,000 or more. AMT is computed by applying the 1.0 percent rate to gross income. OPC is exempt from AMT during its first five years of operations.
MTS, JASA, OJA, PT CTSSI and YRDICTL	25.0%	Registered as a Sino-foreign joint venture in China, YRDICTL is entitled to a full tax holiday in the first five years and 50 percent exemption in the subsequent five years starting January 1, 2008. Tax losses can be carried forward for five years.
CGSA	22.0%	CGSA's corporate income tax rate applicable for 2011 was 24 percent but was gradually reduced to 23 percent in 2012 and would be 22 percent in the following years. This tax is calculated after deducting 15 percent of social contribution on profits for workers resulting in a combined tax rate of 35.40 percent in 2011.
MICTSL	20.0%	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 percent 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 percent to 24 percent effective 2008, 23 percent effective 2010, 21 percent effective 2012 and 20 percent effective 2013.
NMCTS	20.0%	Effective 2012, NMCTS applies a tax rate of 20 percent. The first B$100,000 of chargeable income is taxed at a reduced rate of one quarter of the full rate, while the next B$150,000 is taxes at half the full rate. The balance of chargeable income is taxed at the full rate.
BCT	19.0%	BCT is subject to statutory corporate income tax rate.
TSSA	15.25%	TSSA's nominal tax rate of 25.0 percent was granted a tax rate reduction resulting to a tax rate of 15.25 percent. The tax incentive is applicable for the years 2005 to 2022 on profits from port operating services in Suape, Pernambuco.
BICTL	15.0%	BICTL is subject to statutory corporate income tax rate.
SPIA	15.0%	SPIA is incorporated in Colombia. However, on June 26, 2012, the Colombian Government issued the formal resolution granting SPIA a Free Trade Zone status. Effective 2012, the income tax applicable to SPIA is 15 percent instead of 33 percent general corporate income tax rate in force in 2012. In addition, the tax reform approved by the Colombian Government in December 2012 did not change the income tax rate applicable for Free Trade Zone Users.
AGCT	10.0%	The statutory corporate income tax rate in Croatia is 20 percent. However, AGCT is subject to a 50 percent reduction or 10 percent corporate income tax rate because it operates inside the free-trade zone in Croatia.
SBITC and ICTSI Subic, Inc.	5.0%	Registered as a Subic Bay Free Port Zone Enterprise and subject to special tax rates imposed by the Subic Bay Metropolitan Authority, SBITC and ICTSI Subic, Inc. pays 5.0 percent on gross revenues less allowable deductions.

22. Related Party Transactions

22.1 Transactions with the Shareholders and Affiliates

			2011		2012		**2013**	
Related Party	Relationship	Nature of Transaction	Amount	Outstanding Receivable (Payable) Balance	Amount	Outstanding Receivable (Payable) Balance	**Amount**	**Outstanding Receivable (Payable) Balance**
					(In Millions)			
ICBV								
SPIA	Joint venture	Interest-bearing loans[i]	US$–	US$–	US$–	US$–	**US$0.3**	**US$50.4**
PSA	Joint venture partner in SPIA	Transfer of 50% of loans to SPIA[i]	–	–	–	–	**44.0**	–
Parent Company								
YRDICTL								
Yantai Port Holdings	Non-controlling shareholder	Port fees[ii]	1.50	(0.10)	1.30	(0.10)	**1.12**	**(0.04)**
Tecplata								
Loginter[iii]	Non-controlling shareholder	Infusion of additional capital (see Note 15.4)	5.50	–	–	–	–	–
Nuevos Puertos		Purchase of additional shares	–	–	–	–	**16.00**	–
SCIPSI								
Asian Terminals, Inc.	Non-controlling shareholder	Management fees	0.10	–	0.10	–	**0.16**	**(0.02)**
AGCT								
Luka Rijeka	Non-controlling shareholder	Provision of services[iv]	2.60	(0.20)	0.40	(0.01)	**0.33**	**(0.03)**
		Consulting services and rental income[v]	0.03	0.03	0.01	0.01	**0.01**	–
		Sale of equipment[vi]	0.02	–	–	–	–	–
PICT								
Premier Mercantile Services (Private) Limited	Common shareholder	Stevedoring and storage charges[vii]	–	–	1.40	(0.20)	**3.31**	**(0.42)**
Pakistan International Bulk Limited	Common shareholder	Sale of vehicles[viii]	–	–	0.20	0.20	–	–
Premier Software (Private) Limited	Common shareholder	Software maintenance charges[ix]	–	–	0.01	–	–	–
Marine Services (Private) Limited, Portlink International (Private) Limited, and AMI Pakistan (Private) Limited	Common shareholder	Container handling revenue[x]	–	–	0.03	–	**0.40**	**0.06**

(i) Prior to the sale of 45.65 percent share in SPIA to PSA, the interest-bearing loans to SPIA in 2011 and 2012 were eliminated during consolidation. The loans were used by SPIA to finance its ongoing construction of the terminal. Interest rates were determined on an arm's-length basis. As part of the sale of the shares to SPIA, ICBV transferred half of its loans receivable from SPIA to PSA in exchange for cash.

(ii) 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 (see Note 24.26). Port fees remitted by YRDICTL for YPH are presented as part of "Port authorities' share in gross revenues" in the consolidated statements of income. Outstanding payable to YPH related to these port charges presented under "Accounts payable and other current liabilities" account in the consolidated balance sheets.

(iii) On October 19, 2011, Loginter transferred all its shares in Tecplata to Nuevos Puertos, a new company owned by the stockholders of Loginter, to facilitate Tecplata's compliance with local regulations, among others (see Note 15.4).

(iv) AGCT has entered into agreements with Luka Rijeka, a non-controlling shareholder, for the latter's provision of services such as equipment maintenance, power and fuel and supply of manpower, among others. Total expenses incurred by AGCT in relation to these agreements were recognized and presented in the consolidated income statement as part of Manpower costs, Equipment and facilities - related expenses and Administrative and other operating expenses.

(v) AGCT has earned revenues from consulting services and rental income for providing space for general cargo to Luka Rijeka. Related revenues were recognized under "Other income" account in the consolidated statements of income.

(vi) In 2011, AGCT sold equipment to Luka Rijeka resulting in a gain of US$21 thousand (HRK0.1 million) recognized as part of "Other income" account in the 2011 consolidated statement of income (see Note 20.1).

(vii) PICT has entered into an agreement with Premier Mercantile Services (Private) Limited for the latter to render stevedoring and other services, which are settled on a monthly basis.

(viii) In 2012, PICT sold four vehicles to Pakistan International Bulk Limited amounting to US$0.2 million.

(ix) Premier Software provided maintenance of payroll software to PICT paid on a monthly basis.

(x) Marine Services, Portlink and AMI are customers of PICT. Services provided to these parties amounted to US$ 0.03 million in 2012 and US$ 0.40 million in 2013.

The outstanding balance arising from these related party transactions are current and payable without the need for demand.

22.2 Compensation of Key Management Personnel

Compensation of key management personnel consists of:

	2010	2011	**2012**
Short-term employee benefits	US$2,990,002	US$2,422,500	**US$2,491,134**
Post-employment pension	26,741	6,886	**82,471**
Share-based payments	1,649,619	1,133,973	**882,453**
Total compensation to key management personnel	US$4,666,362	US$3,563,359	**US$3,456,058**

23. **Pension Plans**

Defined Benefit Pension Plans

The Parent Company, BCT, BIPI, DIPSSCOR, SBITC, MTS, JASA, OJA, SCIPSI, MICTSL , MICTSI, AGCT, CGSA and CMSA 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 included as manpower costs amounted to US$0.6 million in 2011, US$1.8 million in 2012 and US$1.8 million in 2013.

Pension plans consist of:

	2011	2012	**2013**
Pension Assets (presented as "Other noncurrent assets")			
Asia	US$1,868,302	US$793,847	**US$983,648**
Pension liabilities			
Asia	US$126,154	US$534,973	**US$585,847**
EMEA	919,940	1,615,636	**1,506,634**
Americas	744,924	1,107,310	**1,631,182**
	US$1,791,018	US$3,257,919	**US$3,723,663**

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

	2011	2012	**2013**
Net pension expense:			
Current service cost	US$257,010	US$979,855	**US$887,626**
Net interest cost	62,989	53,888	**129,503**
Effect of asset limit	–	140,073	**–**
	US$319,999	US$1,173,816	**US$1,017,129**
Pension liabilities:			
Present value of defined benefit obligation	US$1,891,602	US$3,411,864	**US$3,869,264**
Fair value of plan assets	(100,584)	(153,945)	**(145,601)**
	US$1,791,018	US$3,257,919	**US$3,723,663**
Changes in the present value of the defined benefit obligation:			
Balance at beginning of year	US$1,270,584	US$1,891,602	**US$3,411,864**
Current service cost	257,010	979,855	**887,626**
Interest cost	70,404	90,817	**137,764**
Actuarial loss (gain) on obligations - net	476,811	84,649	**(158,832)**
Benefits paid	(8,403)	(260,649)	**(419,149)**
Translation adjustment	(174,804)	419,973	**9,991**
Change in plan position	–	205,617	**–**
Balance at end of year	US$1,891,602	US$3,411,864	**US$3,869,264**
Changes in fair value of plan assets:			
Balance at beginning of year	US$132,661	US$100,584	**US$153,945**
Interest income	7,415	36,929	**8,261**
Actuarial loss on plan assets	(3,761)	(30,406)	**(4,853)**
Benefits paid	–	(2,015)	**–**
Translation adjustment	(35,731)	(43,590)	**(11,752)**
Change in plan position	–	92,443	**–**
Balance at end of year	US$100,584	US$153,945	**US$145,601**
Actual return on plan assets	US$3,654	US$6,523	**US$3,408**

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

	2011	2012	**2013**
Net pension expense:			
Current service cost	US$584,144	US$697,320	**US$907,524**
Net interest income	(325,586)	(119,423)	**(75,813)**
	US$258,558	US$577,897	**US$831,711**
Pension assets:			
Fair value of plan assets	US$11,284,993	US$13,496,354	**US$12,902,148**
Present value of defined benefit obligation	(9,416,691)	(12,702,507)	**(11,918,500)**
	US$1,868,302	US$793,847	**US$983,648**

(Forward)

	2011	2012	**2013**
Changes in the present value of the defined benefit obligation:			
Balance at beginning of year	US$7,070,852	US$9,416,691	**US$12,702,507**
Current service cost	584,144	697,320	**907,524**
Interest cost	578,010	580,841	**637,712**
Actuarial loss (gain) on obligations - net	1,668,243	2,831,576	**(861,473)**
Benefits paid	(708,814)	(1,157,119)	**(502,667)**
Translation adjustment	224,256	538,815	**(965,103)**
Change in plan position	–	(205,617)	**–**
Balance at end of year	US$9,416,691	US$12,702,507	**US$11,918,500**
Changes in fair value of plan assets:			
Balance at beginning of year	US$10,864,223	US$11,284,993	**US$13,496,354**
Interest income	903,242	700,263	**713,525**
Actuarial gain (loss) on plan assets	(212,939)	2,275,341	**211,530**
Benefits paid	(699,994)	(1,157,199)	**(482,782)**
Translation adjustment	430,461	485,399	**(1,036,479)**
Change in plan position	–	(92,443)	**–**
Balance at end of year	US$11,284,993	US$13,496,354	**US$12,902,148**
Actual return on plan assets	US$690,303	US$2,975,604	**US$925,055**

The Group does not expect significant contributions to the retirement plans of the Parent Company and its subsidiaries in 2014.

The principal assumptions used in determining pension benefits obligation of the Parent Company, BIPI, SBITC, DIPSSCOR, MTS, OJA, JASA, SCIPSI, MICTSI, BCT, MICTSL, CMSA and CGSA are shown below (in percentage):

	2011	2012	**2013**
Discount rate			
Asia	6.22% - 8.07%	4.96% - 6.63%	**4.02%-8.50%**
EMEA	6.00%	5.00% - 10.37%	**4.00% - 6.61%**
Americas	6.50%	7.00%	**7.00%-7.50%**
Future salary increases			
Asia	5.00% - 10.00%	3.00% - 10.00%	**3.00% - 10.00%**
EMEA	4.00%	3.5% - 8.00%	**2.50% - 5.00%**
Americas	2.40%	3.00%	**2.37% - 3.00%**

A quantitative sensitivity analysis for significant assumption as at December 31, 2013 is as shown below (amounts in millions):

	Discount rate		Future salary increases	
Sensitivity level	0.5% increase	0.5% decrease	0.5% increase	0.5% decrease
Impact on the net defined benefit obligation	(US$0.6)	US$0.6	US$0.6	(US$0.6)

The sensitivity analyses above have been determined based on a method that extrapolates the impact on net defined benefit obligation as a result of reasonable changes in key assumptions occurring at the end of the reporting period.

The following payments are expected contributions to be made in the future years out of the defined benefit plan obligation:

	2011	2012	**2013**
Within the next 12 months	US$1,017,134	US$1,378,608	**US$1,571,950**
Between 2 and 5 years	2,964,787	4,053,654	**4,361,423**
Between 5 and 10 years	6,927,771	8,543,154	**7,312,913**
Beyond 10 years	38,584,242	50,118,973	**37,946,186**
Total expected payments	US$49,493,934	US$64,094,389	**US$51,192,472**

The average duration of the defined benefit plan obligation as of December 31, 2013 is 16.9 years.

The amount of experience adjustments on pension obligations amounted to US$0.7 million in 2009, US$0.4 million in 2010, US$0.3 million in 2011, US$1.1 million in 2012 and US$1.0 million in 2013. The amount of experience adjustments on plan assets amounted to nil in 2009, US$2 thousand in 2010, US$415 in 2011, US$1 thousand in 2012 and nil in 2013.

The plan assets of Group are being held by various trustee banks. The investing decisions of these plans are made by the respective trustees.

The following table presents the carrying amounts and fair values of the combined assets of the plans less liabilities:

	2011	2012	2013
Cash and cash equivalents	US$347,386	US$398,188	US$999,445
Investments in debt securities	1,314,052	1,059,720	4,902,222
Investments in government securities	9,165,753	11,975,722	6,261,816
Investments in equity securities	44,521	825,787	975,842
Others	130,165	141,659	107,544
	11,001,877	14,401,076	13,246,869
Liabilities	–	(750,781)	(199,120)
	US$11,001,877	US$13,650,295	US$13,047,749

The plan assets' carrying amount approximates its fair value since these are either short-term in nature or stated at fair market values.

The plans' assets and investments consist of the following:

- Cash and cash equivalents, which includes regular savings and time deposits;
- Investments in corporate debt instruments, consisting of both short-term and long-term corporate loans, notes and bonds, which bear interest ranging from 4.875% to 8.50% and have maturities from 2014 to 2027;
- Investments in government securities, consisting of retail treasury bonds that bear interest ranging from 2.385% to 12.08% and have maturities from 2014 to 2037; and
- Investments in equity securities include investment in shares of ICTSI amounting to US$4.5 million, US$0.8 million and US$1.0 million as of December 31, 2011, 2012 and 2013, respectively. For the year ended December 31, 2013, gain arising from investment in ICTSI shares amounted to US$0.4 million.
- The carrying amounts of investments in equity securities also approximate their fair values given that they are stated at fair market values. The voting rights over these equity securities are exercised by the authorized officers of the respective subsidiary.
- Other financial assets held by these plans are primarily accrued interest income on cash deposits and debt securities held by the plan.
- Liabilities of the plan pertain to trust fee payable and retirement benefits payable.

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.

In addition, ICTSI Oregon maintains a Safe Harbor 401k plan (401k plan), covering all of its employees, which became effective January 1, 2011. Participants who are eligible can contribute up to 84 percent of their eligible compensation and those who have reached the age of 21 years old are eligible to make contributions on their first day of service. All participants in the 401k plan are eligible for matching contributions of 100 percent of each dollar contributed up to 6 percent of a participant's earnings. Participant's voluntary contributions and actual earnings thereon are immediately vested. ICTSI's matching contributions to the 401k plan are immediately vested and cannot be forfeited.

Contributions made by YRDICTL, ICTSI Oregon and PICT to the plans and recognized as expense under manpower costs totaled US$0.4 million in 2011, US$0.7 million in 2012 and US$0.9 million in 2013.

24. Significant 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 of December 31, 2013, ICTSI and its subsidiaries and joint venture are in compliance with their concession agreements.

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.

24.1 Contract for the Management, Operation and Development of the MICT

The Parent Company has a contract with the PPA for the exclusive management, operation, and development of the MICT for a period of 25 years starting May 18, 1988, which was extended for another 25 years until May 18, 2038 (see Note 1.2).

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$13.0 million in 2011, US$13.7 million in 2012 and US$14.1 million in 2013.

In addition, under the original contract, 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 percent to 20 percent during the term of the contract. Under the renewal contract effective May 18, 2013, the Parent Company agreed to pay the PPA a fixed fee of US$600.0 million payable in 100 advanced quarterly installments and pay a variable fee of 20 percent of the gross revenues (see Note 1.2).

The total variable fees paid to the PPA shown as part of "Port authorities' share in gross revenues" account in the consolidated statements of income amounted to US$48.0 million in 2011, US$55.9 million in 2012 and US$61.5 million in 2013. 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$21.3 million, US$0.3 million and US$339.7 million, as of December 31, 2011, 2012 and 2013, respectively. The current portion amounting to US$17.4 million, US$0.3 million and US$3.4 million, is presented as "Current portion of concession rights payable" and the noncurrent portion amounting to US$3.9 million, nil and US$336.3 million, is presented as "Concession rights payable - net of current portion" in the consolidated balance sheets as of December 31, 2011, 2012 and 2013, respectively.

Both the original and renewal contracts contain 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 the structures, buildings, facilities and equipment of the Parent Company being used at the MICT shall

automatically 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. Upon expiration of the original contract of MICT in May 2013, the Parent Company executed a deed of absolute transfer to effect the transfer of ownership of the said structures, improvements, buildings, facilities and equipment, except equipment purchased during the last five years of the original contract. Berth 6 was included in the said transfer. However, ICTSI shall continue to have possession, control and use of the transferred assets for another 25 years in accordance with the terms of the renewal contract in consideration for the upfront fee payment made by the Parent Company.

In 1997, the Parent Company signed a contract for leasehold rights over the storage facilities at the MICT. Under the contract, the Parent Company is committed to pay the PPA ₱55.0 million (equivalent to US$1.3 million as of December 31, 2012) a year from January 16, 1997 up to January 15, 2007 and a variable fee of 30 percent of revenues in excess of ₱273.0 million (equivalent to US$6.7 million as of December 31, 2012) generated from the operation of the storage facilities. This contract was renewed on June 11, 2008 and has been 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 has been 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 percent of its gross revenues from anchorage operations and 20 percent 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 percent of its gross revenues from berthside operations or 20 percent 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 non-containerized cargoes at berthside for the first three years, plus 10 percent thereof.

24.2 Contract with SBMA and Royal Port Services, Inc. (RPSI)

On February 20, 2007, SBITC was awarded by the SBMA the contract to operate the NCT-1 at Cubi Point in Subic for a period of 25 years. The NCT-1 was constructed by SBMA in accordance with the SBMA Port Master Plan and the Subic Bay Port Development Project. In consideration for the concession, SBITC shall pay: (i) base rent of US$0.70 per square meter per month with 6 percent 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 percent to 16 percent 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$0.3 million in 2011, US$0.4 million in 2012 and 2013. 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$20.2 million, US$20.0 million and US$19.7 million, as of December 31, 2011, 2012 and 2013, respectively. The current portion amounting to US$0.2 million, US$0.3 million and US$0.2 million, is presented as "Current portion of concession rights payable" and the noncurrent portion amounting to US$20.1 million, US$19.7 million and US$19.6 million is presented as "Concession rights payable - net of current portion" in the consolidated balance sheets as of December 31, 2011, 2012 and 2013, respectively.

24.3 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 €5.0 million (US$6.5 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 (US$1.3 million) per year; for the years 2008 to 2010, the fixed fees paid amounted to €1.5 million (US$1.9 million) per year; for 2011 to 2015, the fixed fees will be €2.0 million (US$2.6 million) per year; and for 2016 to 2024, fixed fees will be €2.5 million (US$3.2 million) per year. In addition, the Parent Company agreed to pay SPAT €5.0 million (US$6.5 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 (US$47.7) per Twenty-foot equivalents (TFE) is payable every 15th day of the following month. However, variable fee will be reduced by 20 percent 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$7.5 million (€5.4 million) in 2011, US$8.2 million (€6.3 million) in 2012 and US$9.0 million (€6.8 million) in 2013. 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$21.2 million (€16.3 million), US$21.2 million (€16.1 million) and US$21.6 million (€15.7 million) as of December 31, 2011, 2012 and 2013, respectively. The current portion amounting to US$0.4 million (€0.3 million), US$0.4 million (€0.3 million) and US$0.5 million (€0.3 million) is presented as "Current portion of concession rights payable" and the noncurrent portion amounting to US$20.8 million (€16.1 million), US$20.8 million (€15.7 million) and US$21.1 million (€15.4 million) is presented as "Concession rights payable - net of current portion" in the consolidated balance sheets as of December 31, 2011, 2012 and 2013, respectively.

24.4 Investment 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 container terminal 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 Investment Agreement which was amortized over the period of the concession. Under the Investment 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 Investment Agreement, TICT was granted the rights to operate Tartous container terminal. As a consideration for the right to operate Tartous container terminal, 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, which were re-evaluated each year on the basis of the official European Union inflation rate. The total variable fees paid and/or accrued by TICT to TPGC shown as part of "Port authorities' share in gross revenues" account in the consolidated statements of income amounted to US$0.7 million in 2011 and US$0.6 million in 2012. 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$13.2 million as of December 31, 2011. The current portion amounting to US$1.8 million is presented as "Current portion of concession rights payable" and the noncurrent portion amounting to US$11.4 million is presented as "Concession rights payable - net of current portion" in the 2011 consolidated balance sheet.

As discussed on Note 1.2, TICT filed a Notice of Termination of the abovementioned Investment Agreement on December 28, 2012. As a result of the termination of the Investment Agreement, ICTSI wrote-off its investment in TICT equivalent to the net assets of TICT as of December 28, 2012, amounting to US$0.8 million (see Note 20.3). Management believes that TICT has no obligation to settle the concession rights payable corresponding to the present value of fixed fees, which was recognized at inception of the Investment Agreement upon filing the Notice of Termination on the basis discussed in Note 1.2. TICT formally ceased operating the Tartous container terminal on January 27, 2013.

24.5 Concession Agreement with Autoridad Portuaria de Guayaquil (APG)

In May 2007, ICTSI, through CGSA, entered into a concession agreement with the Port Authority of Guayaquil for the exclusive operation and development of a container terminal in the Port of Guayaquil, Ecuador for a period of 20 years ending in 2027.

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.

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$12.9 million in 2011, US$14.0 million in 2012 and US$15.6 million in 2013. 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$66.0 million, US$64.1 million and US$62.0 million as of December 31, 2011, 2012 and 2013, respectively. The current portion amounting to US$1.9 million, US$2.1 million and US$2.3 million, is presented as "Current portion of concession rights payable" and the noncurrent portion amounting to US$64.1 million, US$62.0 million and US$59.8 million, is presented as "Concession rights payable - net of current portion" in the consolidated balance sheets as of December 31, 2011, 2012 and 2013, respectively.

24.6 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. Tecplata is expected to start commercial operations in 2014.

For the year ended December 31, 2011, 2012 and 2013, Tecplata has paid La Plata fixed rent fee amounting to US$0.9 million, US$0.9 million and US$1.1 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$0.5 million, US$0.5 million and nil, as of December 31, 2011, 2012 and 2013, 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.

24.7 Agreement on Concession of Container and Ro-Ro Terminal Brajdica

In March 2011, ICTSI, through its wholly-owned subsidiary, ICBV, entered into a Share Purchase Agreement (SPA) with Luka Rijeka D.D. (Luka Rijeka), a Croatian company, to purchase a 51 percent interest in the Adriatic Gate Container Terminal (AGCT). AGCT operates the Brajdica Container Terminal in Rijeka, Croatia with a concession period of 30 years until 2041. The concession agreement calls for a payment of fixed port fees in the amount of US$0.6 per square meter of the occupied concession area until second quarter of 2013 and variable port fees equivalent to 1 percent of annual gross revenues. After the delivery or handover of the new area, port fees shall be as follows: fixed port fees of €4.0 (US$5.2) per square meter; and variable fees based on annual volume handled. Variable fees shall be calculated in the following manner based on annual throughput: €6.4 (US$8.3) per TEU until

350,000 TEU-volume has been handled; €4.8 (US$6.2) per TEU for annual throughput of 350,001-400,000 TEUs; and €3.2 (US$4.1) per TEU for volume handled above 400,000 TEUs.

Total variable fees paid by AGCT to the port authority shown as part of "Port authorities' share in gross revenues" account in consolidated statement of income amounted to US$0.1 million (HRK0.6 million) in 2011, 2012 and 2013. 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$9.5 million (HRK55.5 million), US$10.3 million (HRK59.3 million) and US$16.4 million (HRK91.2 million) as of December 31, 2011, 2012 and 2013, respectively. The current portion amounting to US$0.2 million (HRK1.1 million) is presented as "Current portion of concession rights payable" as of December 31, 2013 and the noncurrent portion amounting to US$9.5 million (HRK55.5 million), US$10.3 million (HRK59.3 million) and US$16.2 million (HRK90.1 million) is presented as "Concession rights payable - net of current portion" in the consolidated balance sheets as of December 31, 2011, 2012 and 2013, respectively.

24.8 Contract for the Operation and Management on the New Container Terminal 2 (NCT-2 Contract)

On July 27, 2011, SBMA and ICTSI signed the concession agreement for the operation and management of NCT-2 at Cubi Point in Subic, Philippines for 25 years. On August 19, 2011, SBMA approved the assignment of ICTSI's rights, interests and obligations in the NCT-2 contract to ICTSI Subic, which was incorporated on May 31, 2011.

The NCT-2 was constructed by SBMA in accordance with the SBMA Port Master Plan and the Subic Bay Port Development Project. In consideration for the concession, ICTSI Subic shall pay:
(i) base rent of US$1.005 per square meter per month with 6 percent escalation on the fifth year and every three years thereafter; (ii) fixed fee of US$502,500 every year; and (iii) variable fee of 12 percent to 17 percent of ICTSI Subic's gross revenue depending on the volume of containers handled at the terminal. Under the NCT-2 Contract, ICTSI Subic shall manage and provide container handling and ancillary services to shipping lines and cargo owners at NCT-2. While SBMA shall provide the equipment at NCT-2, ICTSI Subic shall also provide additional equipment and facilities it may deem necessary to efficiently manage NCT-2 and pay certain fees to SBMA in consideration for the NCT-2 Contract. Furthermore, ICTSI Subic is committed to invest a total of ₱658.0 million (approximately US$16.0 million) for the entire duration of the concession agreement.

On August 2, 2012, SBMA issued the Notice to Proceed with the operation and management of the NCT-2 to ICTSI Subic (see Note 1.2). Consequently, ICTSI Subic recognized the present value of fixed port fees as concession rights and concession rights payable both amounting to US$28.7 million (see Note 6).

Total variable fees paid by ICTSI Subic to SMBA shown as part of "Port authorities' share in gross revenues" account in consolidated statement of income amounted to nil in 2012 and US$47.0 thousand in 2013. 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$29.0 million and US$28.7 million as of December 31, 2012 and 2013, respectively. The current portion amounting to US$0.2 million and US$0.4 million is presented as "Current portion of concession rights payable" and the noncurrent portion amounting to US$28.8 million and US$28.4 million is presented as "Concession rights payable - net of current portion" in the consolidated balance sheets as of December 31, 2012 and 2013, respectively.

24.9 Sub-Concession Agreement (SCA) between ICTSI and Lekki Port LFTZ Enterprise (Lekki Port)

On August 10, 2012, ICTSI and Lekki Port signed the SCA, which grants ICTSI the exclusive right to develop and operate the Deep Water Port in the LFTZ, and to provide certain handling equipment and container terminal services for a period of 21 years from start of commercial operation date (see Note 1.2). As considerations for the SCA, ICTSI shall: (i) pay royalties calculated as a percentage of Gross Revenue as defined in the SCA; (ii) pay sub-concession fee amounting to US$25.0 million, payable in two equal tranches; (iii) pay infrastructure fee of about US$37.2 million; and (iv) transfer certain equipment as specified in the SCA. The container terminal will have a quay length of 1,200 meters, an initial draft of 14.5 meters with the potential for further dredging to 16 meters, and maximum handling capacity of 2.5 million TEUs. With these features, shipping lines will be able to call with the new regional standard large vessels, turning the port into a seminal destination for the West African region. The container terminal construction is expected to start in 2014, and is scheduled to commence operations in late 2016 or early 2017. On November 7, 2012, ICTSI through ICBV, established Lekki International Container Terminal Services LFTZ Enterprise (LICTSLE) to operate the Deep Water Port in the LFTZ (see Note 1.3). In 2012, ICTSI paid US$12.5 million sub-concession fee to Lekki Port, which is recognized as Concession Rights in the consolidated balance sheet (see Note 6). On January 26, 2014, ICBV executed a Share Purchase Agreement with CMA Terminals (CMAT), a member of CMA-CGM Group. Under the said Agreement, ICBV sells its 25% shareholdings in LICTSLE to CMAT.

24.10 Implementation Agreement between Karachi Port Trust (KPT) and Premier Mercantile Services (PVT) Ltd. (PMS)

On June 18, 2002, KPT and PMS signed the Implementation Agreement for the exclusive construction, development, operations and management of a common user container terminal at the Karachi Port for a period of 21 years until 2023. PMS established PICT as the terminal operating company to develop, operate and maintain the site and the terminal in accordance with the Implementation Agreement. The Implementation Agreement sets forth the specific equipment and construction works to be performed based on the terminal's productivity level; calls for the payment of fixed and variable fees; and requires the turnover of specific terminal assets at the end of the term of the Implementation Agreement. Fixed fees are in the form of Lease Payments or Handling, Marshalling and Storage charges ("HMS Charges") at a unit rate of Rs411 per square meter per annum in respect of the site occupied by PICT and subject to an escalation of 15 percent every three years in accordance with the Lease Agreement between KPT and PICT, which is an integral part of the of the Implementation Agreement. On the other hand, variable fees are in the form of Royalty payments at a rate of US$12.54 per Cross Berth revenue move, subject to an escalation of 5 percent every three years.

As discussed in Note 1.2, ICTSI, through ICTSML, acquired 35 percent equity interest and gained control over PICT effective October 19, 2012. ICTSI further increased its ownership to 64.53 percent as of December 31, 2013 (see Note 15.4).

Total variable fees paid to KPT shown as part of "Port authorities' share in gross revenues" account in the consolidated statement of income, amounted to US$1.1 million (Rs.101.4 million) in 2012 and US$6.3 million (Rs.644.1 million) in 2013. 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$13.2 million (Rs.1.3 billion) and US$9.0 million (Rs.952.9 million), as of December 31, 2012 and 2013, respectively. The current portion amounting to US$0.7 million (Rs.63.4 million) and US$0.3 million (Rs.35.0 million) is presented as "Current portion of concession rights payable" and the noncurrent portion amounting to US$12.6 million (Rs.1.2 billion) and US$8.7 million (Rs.917.9 million) is presented as "Concession rights payable - net of current portion" in the consolidated balance sheet as of December 31, 2012 and 2013, respectively.

24.11 Agreement between OPC, the Republic of Honduras and Banco Financiera Commercial Hondurena, S.A

On February 1, 2013, ICTSI was awarded with a 29-year agreement by the Republic of Honduras, acting on behalf of the Commission for the Public-Private Alliance Promotion (COALIANZA), and Banco Financiera Comercial Hondurena, S.A. (FICOHSA Bank) for the design, financing, construction, maintenance, operation and development of the container terminals and general cargo of Puerto Cortés, Republic of Honduras (the "Agreement"). The said agreement was signed on March 21, 2013 and shall be valid until August 30, 2042. The Container and General Cargo Terminal of Puerto Cortés (the "Terminal") will have 1,100 meters of quay for containers and 400 meters of quay for general cargo, 14 meters of draft, 62.2 hectares of total surface area, 12 ship-to-shore cranes, and a volume capacity of approximately 1.8 million TEUs.

Pursuant to the Agreement, OPC is obliged to pay certain contributions to the following: (a) Municipality of Puerto Cortés - 4% of the gross income without considering the tax over sales, payable monthly; (b) National Port Company - US$100,000 for each hectare occupied of the existing surfaces, from the beginning of the development of the occupied spaces and the new built surfaces referring to the works of the National Port Company from the date of Occupation, payable annually; US$75,000 for each hectare of the new built and/or earned to the sea surfaces referring to the mandatory works from the beginning of the operation exploration of the occupied surfaces, payable annually; a certain amount for each movement of the container of importation/exportation regardless if it is full or empty, with a right to reimbursement in an amount equivalent to 25% of the imposed amount; for the load not packed in containers - US$1 for each ton of fractioned load that is operated in the Terminal, US$5 for each unit of rolling load that is operated in the Terminal, US$1 for each passenger operated in the Terminal; Upfront payment of US$25.0 million; (c) COALIANZA - 2% of the total of the Reference Investment of the Project, paid on execution date of the Agreement; and (d) Trustee (FICOHSA Bank) - 0.37% of the annual gross income, payable monthly; and US$1,584,835 paid on execution date of the Agreement. As of December 31, 2013, total payments in relation to this Agreement aggregated US$34.9 million, which are presented as part of "Intangibles" account in the 2013 consolidated balance sheet (see Note 6).

The total variable port fees paid by OPC shown as part of "Port authorities' share in gross revenues" account in the 2013 consolidated statement of income amounted to US$0.4 million. 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$41.5 million as of December 31, 2013 and is presented as "Concession rights payable - net of current portion" in the 2013 consolidated balance sheet.

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.

24.12 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 percent 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$16.7 million (R$28.0 million) in 2011, US$15.0 million (R$29.4 million) in 2012 and US$14.1 million (R$30.4 million) in 2013. 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$5.5 million (R$9.3 million) in 2011, US$5.1 million (R$9.9 million) in 2012 and US$4.9 million (R$10.5 million) in 2013.

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 2014 amounted to US$6.7 million (R$15.9 million); due starting 2015 up to 2018 totaled US$36.4 million (R$86.0 million); and due starting 2019 onwards totaled US$313.8 million (R$741.3 million).

24.13 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 €20.0 million is necessary within the first eight-year period. As of December 31, 2013, BCT invested US$47.5 million (€37.3 million), thus exceeding the minimum investment level required.

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$6.6 million in 2011, 2012 and in 2013.

Minimum lease payments relating to this agreement are as follows: due in 2014 amounted to US$6.6 million; due starting 2015 up to 2018 totaled US$26.4 million; and due starting 2019 onwards totaled US$29.2 million.

24.14 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. Total fixed fees paid to NPA pertaining to the contract, shown as part of "Equipment and facilities-related expenses" account in the consolidated statements of income, amounted to US$0.5 million (¥38.4 million) in 2011, US$0.5 million (¥43.6 million) in 2012 and US$0.4 million (¥41.9 million) in 2013. 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$0.4 million (¥33.2 million) in 2011, US$0.5 million (¥37.5 million) in 2012 and US$0.3 million (¥32.1 million) in 2013.

Minimum lease payments relating to this agreement are as follows: due in 2014 amounted to US$0.4 million (¥43.1 million); and due up to 2015, end of the lease term, totaled US$0.1 million (¥10.8 million).

24.15 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, 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 initially estimated to be US$180.1 million. SPIA shall pay the Colombian National Concessions Institute annual license fee of US$1.4 million over the 30-year concession period.

As of December 31, 2011 and 2012, SPIA's unpaid obligation on the acquisition of the concession right amounted to US$11.2 million and US$11.1 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$11.1 million and US$11.0 million, is presented as "Concession rights payable - net of current portion" in the consolidated balance sheets as of December 31, 2011 and 2012, respectively.

As discussed in Note 1.3, ICTSI sold its 45.64 percent share of SPIA to PSA. Consequently, SPIA ceased to be a subsidiary of ICTSI effective October 31, 2013 and the retained interest was subsequently accounted for as interest in a joint venture using equity method (see Note 1.3).

24.16 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 2014 amounted to US$0.8 million; due starting 2015 up to 2018 totaled US$3.1 million; and due starting 2019 onwards totaled US$28.4 million.

Total fixed fees shown as part of "Equipment and facilities-related expenses" account in the consolidated statements of income, amounted to US$0.8 million for each of the year ended December 31, 2011, 2012 and 2013.

24.17 Concession Contract for the Management and Operation of the MCT

On April 25, 2008, Phividec Industrial Authority (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 percent to 18 percent during the term of the contract. The said fixed fees will be subject to renegotiation by both parties after five years and every five years thereafter, taking into consideration variances between the projected and actual cargo volumes. 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$1.6 million (₱69.4 million) in 2011, US$1.8 million (₱76.7 million) in 2012 and US$1.8 million (₱78.5 million) in 2013. Total fixed fees paid to PIA, shown as part of "Equipment and facilities-related expenses" account in the consolidated statements of income amounted to US$0.8 million (₱36.0 million) in 2011, US$0.9 million (₱36.0 million) in 2012 and US$1.1 million (₱48.0 million) in 2013.

Minimum lease payments relating to this agreement are as follows: due in 2014 amounted to US$1.1 million (₱50.0 million); due starting 2015 up to 2018 totaled US$6.8 million (₱300.0 million); and due starting 2019 onwards totaled US$37.4 million (₱1.7 billion).

24.18 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$17,500 (approximately AR$87,500); and (iii) from the month following the commencement of operations in the terminal, monthly payments shall be US$35,000 (approximately AR$175,000), which was the amount originally agreed upon by both parties. In addition, the accumulated discount as a result of the amendment in 2010 relating to lease payments in 2011, 2012 and 2013 with respect to the original values of the lease amounting approximately US$0.5 million (as of December 31, 2013) will be paid in 36 installments once Tecplata starts operations. Tecplata paid US$0.4 million in 2011 and 2012 and US$0.5 million in 2013 to Compañia Fluvial del Sud, S.A. Tecplata is expected to start commercial operations in 2014.

Minimum lease payments relating to this agreement are as follows: due in 2014 amounted to US$0.5 million; due starting 2015 up to 2018 totaled US$2.1 million; and due starting 2019 onwards totaled US$8.4 million.

24.19 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 a 34-year concession for the development and operation of the second Specialized Container Terminal (TEC-II) at the Port of Manzanillo. ICTSI established 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.

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 CMSA 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.

CMSA started commercial operations in November 2013. The total variable fees paid by CMSA, shown as part of "Port authorities' share in gross revenues" account in the 2013 consolidated statements of income amounted to US$0.8 million (MXN10.5 million) in 2013. Total fixed fees paid by CMSA, shown as part of "Equipment and facilities-related expenses" account in the consolidated statements of income amounted to US$2.1 million (MXN26.3 million) in 2013.

Minimum lease payments relating to this agreement are as follows: due in 2014 amounted to US$14.4 million (MXN187.6 million); due starting 2015 up to 2018 totaled US$64.9 million (MXN0.8 billion); and due starting 2019 onwards totaled US$605.4 million (MXN7.9 billion).

24.20 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 would be used as facilities to acquire port facilities and equipment. At the end of 2012, SPIA decided to let these finance lease agreements expire as of December 31, 2012 without renewing or extending them. The decision was made based on the assessment of the financial terms of the finance lease agreements considering the current scenario of the international financial market and upon analysis of the benefits of the Free Trade Zone. Correspondingly, these finance lease agreements did not give rise to any finance lease obligation to SPIA.

24.21 Lease Agreement between the Port of Portland and ICTSI Oregon

On May 12, 2010, ICTSI Oregon 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 Oregon and ICTSI paid the Port US$8.0 million (US$2.0 million on May 12, 2010 as a signing deposit; and the remaining US$6.0 million on August 12, 2010) in addition to an annual rent payment of US$4.5 million, subject to any increases in the consumer price index. As terminal volume increases over time, ICTSI will pay the Port additional incremental revenue per container moved. Furthermore, 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.

The US$8.0 million upfront fee was allocated to concession rights and property and equipment amounting to US$4.2 million and US$3.8 million, respectively. ICTSI Oregon took over the operations of the Terminal 6 of the Port of Portland on February 12, 2011.

In 2012, ICTSI Oregon and the Port entered into an agreement for Cost Sharing Program, which served to reimburse the former for increased and unrecoverable costs incurred by ICTSI Oregon as a result of the work slowdowns, stoppages and other disruptions caused by the International Longshore and Warehouse Union (ILWU). The Cost Sharing Program did not modify the terms of the original lease with the Port or impact the existing contractual obligations under the lease. Further, the Cost Sharing Program did not represent a reduction in rent expense or a rent holiday; instead it compensated ICTSI Oregon for increased period costs which the Port elected to share in, as a show of good faith in the partnership between ICTSI Oregon and the Port. ICTSI Oregon received US$2.7 million as recovery of lost revenue and additional cost in 2012 under the Cost Sharing Program and recognized this amount as part of "Gross revenues from port operations" account in the 2012 consolidated statement of income.

On February 13, 2013, ICTSI Oregon and the Port entered into a Rent Rebate Program whereby the Port rebates a portion of the Annual Rent up to US$0.3 million per month (Rebate Payment) for each calendar month during 2013, subject to the terms and conditions set forth in the Rent Rebate Program. However, the total amount of Rebate Payments to ICTSI Oregon by the Port under the Rent Rebate Program shall not exceed US$3.7 million for the year. The term of the Rent Rebate Program ends December 31, 2013. The rent rebates are conditional on ICTSI Oregon meeting certain minimum service levels at the terminal and continuous container service. Under the said Rent Rebate Program, ICTSI Oregon recognized US$3.4 million as a reduction of rent expense under "Equipment and facilities-related expenses" account in the 2013 consolidated statement of income.

Total fees paid to the Port pertaining to the lease agreement, shown as part of "Equipment and facilities-related expenses" account in the consolidated statements of income, amounted to US$3.8 million in 2011, US$4.6 million in 2012 and US$4.7 million in 2013.

Minimum lease payments relating to this agreement are as follows: due in 2014 amounted to US$4.9 million; due starting 2015 up to 2018 totaled US$25.6 million; and due starting 2019 onwards totaled US$116.8 million.

Agreements outside the Scope of IFRIC 12 and IFRIC 4

24.22 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 (equivalent US$14.2 million as of December 31, 2013). The said land was transferred by IWI to BIPI under a tax-free exchange of asset for shares.

24.23 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 2013, renewable for another 10 years by mutual agreement. In December 2012, MTS extended the joint operation contract, which will originally expire on September 30, 2013, until January 31, 2023. Under the agreement, MTS provides and operates CHE at the Port of Makassar. For the services provided, MTS is paid by Pelindo IV 60 percent 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$4.8 million (IDR41.7 billion) in 2011, US$4.1 million (IDR38.9 billion) in 2012 and US$3.6 million (IDR37.1 billion) in 2013.

24.24 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 percent of the gross income for handling domestic cargo and 20 percent 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$0.7 million (₱31.4 million) in 2011, US$0.8 million (₱33.8 million) in 2012 and US$1.0 million (₱40.7 million) in 2013.

24.25 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 percent of the gross income for handling domestic cargo and 20 percent 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$3.4 million (₱148.3 million) in 2011, US$3.3 million (₱137.6 million) in 2012 and US$2.9 million (₱121.2 million) in 2013.

24.26 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 (equivalent to US$99.1 million as of December 31, 2013) 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 percent stock holdings in YRDICTL into Yantai Port Holdings (YPH). As such, the non-controlling shareholder of the Company was changed from YPG and SDIC to YPH (see Note 22.1).

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.

24.27 Contracts Entered into by OJA

As mentioned in Note 1.2, OJA has existing cooperation agreements which have terms of two years that can be extended pursuant to applicable provision in each agreement as follows:

- Cooperation Agreement for Operation of Terminal Area III of the Tanjung Priok Port at Jakarta, Indonesia between PT (Persero) Pelabuhan Indonesia II (Pelindo II) and OJA

  OJA has existing cooperation agreements with Pelindo II under a revenue sharing scheme covering the terminal operations of berths 300, 301, 302 and 303 located in Terminal Area III (referred to as "Cooperation Area") of the Tanjung Priok Port, Jakarta, Indonesia. OJA and Pelindo II share a fixed percentage based on various activities or services with container handling equipment and other facilities provided and operated by OJA in the Cooperation Area including stevedoring, lift-on/lift off, reefer container plugging and monitoring, trucking, and container customs inspection. The cooperation agreement was signed on March 7, 2011 and expired in March 7, 2013. On June 5, 2013, OJA signed a 15-year Cooperation Agreement with PT Pelabuhan Indonesia II (Persero) Tanjung Priok Branch for international container stevedoring services wherein the parties will share a fixed percentage of revenues.

  OJA's share in gross revenues included under "Gross revenues from port operations" account in the consolidated statements of income amounted to US$2.0 million (IDR18.9 billion) in 2012 and US$2.6 million (IDR27.5 billion) in 2013.

- Container Handling Lease Agreement between PT PBM JASA Trisari (Trisari) and OJA

  OJA entered into a lease agreement with Trisari for the following container handling equipment owned by OJA: two harbor mobile crane units, four reach stackers, and one container weighing unit. Under the lease agreement, Trisari agreed to pay fixed monthly rent and if Trisari intends to hire another reach stacker owned by OJA, Trisari agrees to pay on a per shift per unit basis. The lease agreement was signed on September 1, 2011 and was terminated on December 31, 2012 upon mutual agreement by the parties.

Other Contracts and Agreements

24.28 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 until 2014, extendable for another specified or unspecified period, upon the mutual agreement of both parties.

Under the terms of the licensing agreement, any improvements or modifications made on the Software shall require approval from CTSSI and shall remain its exclusive intellectual property. CTSSI has the right to terminate the licensing agreement in case the Software is used by CTSSI Phils. for any unauthorized purpose.

24.29Contract 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. Berth 6 was completed and started commercial operations in July 2012 (see Notes 21 and 29.4). Total cost of constructing Berth 6 amounted to US$145.1 million (₱6.5 billion).

However, the contract was extended to allow for the construction of an additional 75-meter of quay and return wall by Hanjin and EEI. The cost of the civil work construction was estimated to be approximately US$3.3 million (₱135.0 million) excluding costs of materials; however, due to late penalties incurred by Hanjin and EEI for the original Berth 6 scope, it was agreed that the work would be completed for a reduced lump sum cost of US$1.4 million (₱55 million). The construction work was completed in March 2013.

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

In July 2008, ICTSI, through ICTSI Ltd., acquired 100 percent 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 24.6).

24.31 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. 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.

24.32 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 22, 2009. The term may be extended for a period of one year at a time, for a maximum of two 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. In 2012, ICTSI got an extension for one year or until May 22, 2014. In December 2013, ICTSI applied for another extension and as of March 6, 2014, the approval is still pending.

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.

24.33 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.

MTS' share in gross revenues included under "Gross revenues from port operations" account in the consolidated statements of income amounted to US$0.1 million (IDR1.1 billion) in 2011, US$0.04 million (IDR0.4 billion) in 2012 and US$0.07 million (IDR0.8 billion) in 2013.

24.34 Operation of Container Port Agreement in L&T Shipbuilding Limited (LTSB), and ICTSI India and ICTSI Ltd.

On April 6, 2011, L&T Shipbuilding Limited (LTSB) and the subsidiaries of ICTSI namely, ICTSI Ltd. and ICTSI India, signed the Container Port Agreement for the Management and Operations of the Kattupalli Container Terminal in Tamil Nadu, India, which was originally scheduled to commence operations in March 2012 (see Note 1.2). The contract is effective until November 30, 2038.

Under the contract, ICTSI India has agreed to supervise, direct and manage the operations and maintenance of the Kattupalli Container Terminal and all activities incidental thereto, including undertaking recruitment and training of personnel of LTSB, developing operations and maintenance plans, procedures and manuals and achieve the Operations, Maintenance, Safety and Performance Standards in accordance with Good Industry Practices. ICTSI India agreed to pay LTSB the Contractor License Fee of US$18.0 million in installments as follows: Indian Rupees (INR) equivalent to US$12.0 million within 90 days from effective date of the agreement; and INR equivalent to US$6.0 million on or prior to 90 days prior to the scheduled date of commencement. ICTSI India has made an aggregate payment to LTSB amounting to US$16.2 million in 2011 and the remaining US$1.8 million was paid in January and February 2013 for US$1.0 million and US$0.8 million, respectively. The terminal has started commercial operations in January 2013.

In exchange for the Contract License Fee, ICTSI India shall receive the following fee: years one to two, US$1.15 million per year; years three to five, 3.3 percent of gross revenue; years six to 15, 8.25 percent of gross revenues; and years 16 to 27, 9.9 percent of gross revenues. ICTSI India has started earning this fee in April 2012.

The existing contracts and agreements entered into by certain subsidiaries contain certain commitments and restrictions which include, among others, the prohibition of the change in subsidiaries' shareholders without the prior consent of the port authority, maintenance of minimum capitalization and certain financial ratios, investment in the works stipulated in the investment program, provisions for insurance, submission of performance bonds, non-compete arrangements, and other related matters.

25. **Contingencies and Contingent Liabilities**

Due to the nature of the Group's business, it is involved in various legal proceedings, both as plaintiff and defendant, from time to time. The majority of outstanding litigation cases involve subrogation claims under which insurance companies have brought claims against the operator, shipping lines and/or brokerage firms for reimbursement of their payment of insurance claims for damaged equipment, facilities and cargoes. Except as discussed below, ICTSI is not engaged in any legal or arbitration proceedings (either as plaintiff or defendant), including those which are pending or known to be contemplated and its Board has no knowledge of any proceedings pending or threatened against the Group or any facts likely to give rise to any litigation, claims or proceedings which might materially affect its financial position or business.

In 2007, the Trustees of the Port of Karachi (KPT) filed a civil suit against the Pakistan International Container Terminal (PICT), a majority owned subsidiary of ICTSI through ICTSI Mauritius, Ltd., in the Honorable High Court of Sindh alleging mis-declaration of the category of goods on the import of a Quayside Container Crane and Rubber Tyred Gantry Cranes in 2004 and thereby claiming a sum of Rs.101.5 million (approximately US$1.0 million) as additional wharfage charges and Rs.203 million (approximately US$2.1 million) as penalty, with interest. Management is confident that there is no merit in this claim and hence there is a remote possibility that the case would be decided against PICT. PICT has not provided for possible obligations arising from the aforementioned legal proceeding.

Also, in 2007, PICT filed an interpleader civil suit against the Deputy District Officer, Excise and Taxation and the Trustees of KPT in the Honorable High Court of Sindh against the demand raised by the Deputy District Officer, Excise and Taxation under Section 14 of the Property Tax Act, 1958 to pay the property tax amounting to Rs.34.6 million (approximately US$0.4 million) for the period from 2003 to 2007 out of the rent payable to KPT. The Honorable High Court of Sindh granted a stay order to PICT directing that no coercive action be taken against the PICT in due course until the case has been finalized. In 2008, PICT has withheld the amount of Rs.34.6 million (approximately US$0.4 million) from the handling and marshalling charges billed by KPT for the period from July 1 until December 31, 2007, in accordance with the Honorable High Court's short order dated June 29, 2007. PICT's legal counsel believes that there is full merit in this case and the property tax imposed will be disallowed by the Honorable High Court. In view thereof, no provision for any liability has been made by PICT.

In 2008, a civil suit was filed by former customer Interfood Comercio (Interfood) against TSSA for damages to perishable cargo amounting to BRL7.0 million (approximately US$3.0 million). Interfood's cargo (garlic and birdseed) was declared improper for human and animal consumption due to long storage period at TSSA before it was claimed by owner. The cargo was destroyed by Brazilian customs authorities. The lower court and Court of Appeals ruled in favor of Interco. The case has been pending in the Supreme Court for more than four years already. An amount of BRL6.4 million (approximately US$2.7 million) in TSSA's bank account is now garnished by the lower court. TSSA had made an accrual for this contingency in the amount of BRL7.2 million (US$3.7 million) in 2012 and BRL0.6 million (US$0.3 million) in 2013, presented as part of "Administrative and other operating expenses" account in the 2012 and 2013 consolidated statements of income, respectively. The provision aggregating BRL11.0 million (US$5.4 million) and BRL12.0 million (US$5.0 million) were recognized as part of "Accounts payable and other current liabilities" account in the consolidated balance sheets as of December 31, 2012 and 2013, respectively (see Note 18). TSSA expects the Supreme Court to render judgment on the case anytime during the first semester of 2014. This judgment is still subject to a last appeal to the Supreme Court in Brasilia.

Port of Suape and TSSA are currently in the initial phase of arbitration involving a dispute which resulted from the parties' divergent interpretation of Section 6 of the Lease Contract they executed. Specifically, the Port of Suape is trying to collect an amount BRL8.3 million (approximately US$4.5 million) representing additional cabotage charges (coastal shipping) covering the years 2003 to 2008.

On December 4, 2009, the parties signed an amendment in order to modify the terms of Section 6 of the Lease Agreement. Thereafter, TSSA was able to obtain a Judicial Provisional Remedy before the District of Sao Paulo to suspend the collection of difference of the amounts charged in cabotage. The Port of Suape then filed a bill of review against the said decision. The case was closed in 2011 and TSSA recognized a liability amounting to BRL7.0 million (US$4.2 million) as of December 31, 2011, payable up to 2014. As of December 31, 2013, the outstanding balance of the liability presented as part of "Accounts payable and other current liabilities" account in the consolidated balance sheets amounted to BRL1.1 million (US$0.5 million) (see Note 18).

Ganmar S.A. (Ganmar) challenged, in summary proceedings, the legality of the Concession Agreement for the construction and operation of the Port of La Plata by Tecplata requesting also via three preliminary injunctions the suspension of the works at the terminal. Ganmar alleges that Tecplata's concession should have been awarded through a bidding process. The preliminary injunctions requested by Ganmar were rejected both by the Civil and Commercial Court and the Court of Appeals due to lack of evidence of the illegality of the Concession Agreement and/or the lack of urgent reasons to suspend the contract. Management of Tecplata believes that there is no merit in the action filed by Ganmar S.A and has not provided for possible obligations arising from the aforementioned legal proceedings.

As discussed in Note 1.2, TICT filed a Notice of Termination of the Investment Agreement on December 28, 2012. However, on February 18, 2013, a letter was filed by TPGC with the State Council of Damascus requesting for referral of the dispute to arbitration, the appointment of the respective arbitrators for TPGC and TICT, and for the designation by the State Council of Damascus an appropriate head for the arbitration board. The arbitration process is currently ongoing as of March 6, 2014.

In July 2013, BICTL has initiated arbitration proceedings to settle a dispute with its lessor Batumi Sea Port Ltd. (BSP). BICTL has been operating the multipurpose container terminal and the dry cargo and ferry terminal in the Black Sea Port of Batumi, Georgia, under a Lease Agreement entered into with BSP in September 20, 2007. The said lease was issued by virtue of a Concession Agreement that ICTSI Group entered into with Batumi Port Holdings Limited (BPHL) which had the management rights over BSP. However, BPHL was bought out by the group of JSC KazTransOil in February 2008. With the buy-out BSP is now controlled by JSC KazTransOil which also controls the nearby oil terminals in the Port of Batumi.

In June 2013, BSP has sent a notice of alleged violation of the terms and conditions of the Lease Agreement by BICTL. BICTL has formally responded disputing the alleged violations. BICTL filed the Request for Arbitration with the London Court of International Arbitration to settle the dispute in accordance with the dispute resolution mechanism under the Lease Agreement. On July 10, 2013, BICTL obtained an interim injunction from a Georgian Court preventing BSP from terminating the lease pending the outcome of the arbitration proceedings before the London Court of International Arbitration. On October 1, 2013, BICT and BSP signed a standstill agreement whereby the parties have agreed for a period of six months from the date of the agreement that neither party will take steps to advance the arbitration.

In 2013, a case was filed by Malayan Insurance Co., Inc. (MICO) against ICTSI for damages allegedly sustained by the assured cargo of Philippine Long Distance Telephone Company (PLDT) consisting of telecommunications equipment. The amount of claim is ₱223.8 million (approximately US$5.0 million) plus legal interest and attorney's fees of ₱1.0 million (US$22.5 thousand).

PLDT initially filed a claim against ICTSI, claiming that the cargo had been dropped while inside a container at the terminal of ICTSI and holding the latter responsible for the value of the equipment. ICTSI did not pay the claim, arguing that there is no evidence that the cargo had been damaged. ICTSI further argued that the containerized equipment was never dropped to the ground but was merely wedged in between containers while being moved in the container yard.

Due to the ongoing labor disruption in Portland, ICTSI Oregon has filed two separate unfair labor practices counter-claims against the union, ILWU: a damage claim lawsuit and an anti-trust lawsuit. ICTSI Oregon currently also has two federal injunctions against

the union prohibiting illegal work stoppages. ICTSI Oregon has filed lawsuits against the PMA for anti-trust and breach of fiduciary duty. Neither the union nor PMA have any financial lawsuits against ICTSI.

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 and proceedings, if any, will not have a material adverse impact on the Group's consolidated financial position and results of operations.

26. Financial Instruments

26.1 Fair Values

Set out below is a comparison of carrying amounts and fair values of the Group's financial instruments by category whose fair value is different from its carrying amount as of December 31:

	2011		2012		**2013**	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	**Carrying Amount**	**Fair Value**
Financial Liabilities						
Other financial liabilities:						
Long-term debt	US$648,724,075	US$761,523,056	US$771,116,929	US$920,426,290	**US$939,777,713**	**US$1,425,719,346**
Concession rights payable	163,072,817	223,673,739	169,762,448	239,052,974	**538,848,946**	**588,758,774**
	US$811,796,892	US$985,196,795	US$937,693,650	US$1,159,479,264	**US$1,478,626,659**	**US$2,014,478,120**

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 values of the US dollar-denominated notes and US dollar-denominated medium term notes are based on quoted prices. The fair value of other 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 from 0.014 percent to 4.712 percent in 2011, 0.82 percent to 18.749 percent in 2012 and 0.84 percent to 14.016 percent in 2013.

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 prepayment options, are calculated using valuation techniques with inputs and assumptions that are based on market observable data and conditions. For cross-currency swap, interest rate swaps, currency forwards and other structured derivatives, fair values are based on counterparty bank valuation.

26.2 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 as of December 31:

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities
Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

	2013			
	Amount	**Level 1**	**Level 2**	**Level 3**
Investment property*	**US$99,465,442**	**US$–**	**US$99,465,442**	**US$–**
Other financial liabilities:				
Long-term debt	**1,425,719,346**	**1,425,719,346**	**–**	**–**
Concession rights payable	**588,758,774**	**–**	**588,758,774**	**–**

* *Includes fair value of the investment property of CICTI classified as noncurrent asset held for sale in the 2013 consolidated balance sheet (see Note 1.3)*

In 2011, 2012 and 2013, 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.

26.3 Derivative Financial Instruments

ICTSI enters into derivative transactions 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.

26.4 Derivative Instruments Accounted for as Cash Flow Hedges

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

Counterparty	Outstanding Principal Balance		Interest Rate	Maturity Date
	(In 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:

2011							
Counterparty	Amounts		Receive	Pay	US$:₱ Rate	Maturity	Fair Value Gain (Loss)
	(In US Dollar)	(In Philippine Peso)					
Floating-to-Fixed							
HSBC	US$15,802,781	₱750,000,000	3M PDSTF + 175 bps	5.92%	47.46	2013	US$615,033
HSBC	7,866,583	375,000,000	3M PDSTF + 175 bps	5.97%	47.67	2013	422,689
HSBC	7,783,313	375,000,000	3M PDSTF + 175 bps	5.90%	48.18	2013	435,696
HSBC	7,797,879	375,000,000	3M PDSTF + 175 bps	5.35%	48.09	2013	476,044
HSBC	7,765,583	375,000,000	3M PDSTF + 175 bps	5.23%	48.29	2013	522,454
HSBC	7,773,632	375,000,000	3M PDSTF + 175 bps	5.19%	48.24	2013	518,996
HSBC	7,983,818	375,000,000	3M PDSTF + 175 bps	4.50%	46.97	2013	367,184
Deutsche Bank	7,833,716	375,000,000	3M PDSTF + 175 bps	5.39%	47.87	2013	442,275
Deutsche Bank	7,919,747	375,000,000	3M PDSTF + 175 bps	4.55%	47.35	2013	385,810
Citibank	7,763,975	375,000,000	3M PDSTF + 175 bps	4.65%	48.30	2013	513,728
Citibank	7,919,747	375,000,000	3M PDSTF + 175 bps	4.55%	47.35	2013	437,212
	94,210,774	4,500,000,000					5,137,121
Fixed-to-Fixed							
Deutsche Bank	9,804,043	475,300,000	10.25%	8.00%	48.48	2015	1,474,476
Total	US$104,014,817	₱4,975,300,000					US$6,611,597

2012							
Counterparty	Amounts		Receive	Pay	US$:₱ Rate	Maturity	Fair Value Gain (Loss)
	(In US Dollar)	(In Philippine Peso)					
Floating-to-Fixed							
HSBC	US$10,535,188	₱500,000,000	3M PDSTF + 175 bps	5.92%	47.46	2013	US$1,384,622
HSBC	5,182,421	250,000,000	3M PDSTF + 175 bps	5.19%	48.24	2013	804,747
HSBC	5,322,546	250,000,000	3M PDSTF + 175 bps	4.50%	46.97	2013	683,239
HSBC	5,198,586	250,000,000	3M PDSTF + 175 bps	5.35%	48.09	2013	782,498
HSBC	5,177,055	250,000,000	3M PDSTF + 175 bps	5.23%	48.29	2013	808,643
HSBC	5,244,389	250,000,000	3M PDSTF + 175 bps	5.97%	47.67	2013	769,399
HSBC	5,188,875	250,000,000	3M PDSTF + 175 bps	5.90%	48.18	2013	774,480
Deutsche Bank	5,279,831	250,000,000	3M PDSTF + 175 bps	4.55%	47.35	2013	744,415
Deutsche Bank	5,222,478	250,000,000	3M PDSTF + 175 bps	5.39%	47.87	2013	775,762
Citibank	5,279,831	250,000,000	3M PDSTF + 175 bps	4.55%	47.35	2013	545,149
Citibank	5,175,983	250,000,000	3M PDSTF + 175 bps	4.65%	48.30	2013	622,643
Total	US$62,807,183	₱3,000,000,000					US$8,695,597

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$1.4 million while the amount deferred in equity amounted to a loss of 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 consolidated statements of income under "Foreign exchange loss" account amounted to US$29 thousand in 2011, US$84 thousand in 2012 and US$0.1 million in 2013.

On January 4, 2012, ICTSI pre-terminated its fixed-to-fixed cross-currency swap with a notional amount of US$11.1 million, which was used to hedge its Philippine peso-denominated loan maturing in November 2015. The fair value of the cross-currency swap at the time of the pre-termination amounted to a gain of US$1.4 million while the amount deferred in equity amounted to a gain of US$0.4 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 consolidated statement of income under "Foreign exchange gain" account amounted to US$89 thousand in 2012 and US$0.1 million in 2013. Loss on settlement of cross-currency swap amounting to US$0.1 million was recognized in the 2012 consolidated statement of income.

As of December 31, 2011 and 2012, the market valuation gains on the outstanding cross-currency swaps amounted to US$6.6 million and US$8.7 million, respectively. The effective portion of the change in fair values of these cross-currency swaps amounting to US$4.6 million (net of US$2.0 million deferred tax) and US$6.1 million (net of US$2.6 million deferred tax) for the years ended December 31, 2011 and 2012, respectively, were taken to equity under other comprehensive loss (see Note 15.7). The ineffective portion of the hedge is immaterial.

As of December 31, 2013, ICTSI does not have any outstanding cross currency swaps.

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 the currency risk on Philippine peso-denominated payables that would arise from forecasted Philippine peso-denominated variable port fees. The hedging covers forecasted Philippine peso-denominated variable port fees until 2011.

On May 20, 2013, ICTSI designated US$39.4 million (₱1.75 billion) of its Philippine peso-denominated cash equivalent as cash flow hedges of the currency risk on Philippine peso-denominated payables that would arise from forecasted Philippine peso-denominated variable port fees. The hedging covers forecasted Philippine peso-denominated variable port fees payments from January until October 2014.

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. Foreign currency losses amounting to US$0.8 million in 2011 and nil in 2012 and 2013, was presented as part of "Port authorities' share in gross revenues" in the consolidated statements of income (see Note 20.2).

As of December 31, 2013, US$39.4 million (₱1.75 billion) of cash equivalents are hedged against the remaining forecasted Philippine peso-denominated variable port fees to the PPA (see Note 12). Foreign currency translation loss on Philippine peso-denominated cash equivalents designated as cash flow hedges aggregating to US$3.1 million have been recognized under equity. No ineffectiveness was recognized in the consolidated statement of income for the year ended December 31, 2013.

In 2011, ICTSI designated its Mexican peso-denominated short-term investments as cash flow hedges of the currency risk on Mexican peso-denominated payables that would arise from forecasted Mexican peso-denominated monthly fixed port fees to API and port construction costs to a contractor. The hedging covers forecasted Mexican peso-denominated monthly fixed port fees from November 2011 until October 2012 and approximately 24 percent of the total Mexican peso-denominated port construction costs. Foreign currency translation gains or losses deferred in equity would form part of the cost of the port infrastructure (including port fees during the construction period) and would be recycled to profit and loss through depreciation.

Also in December 2012, ICTSI designated its Mexican peso-denominated short-term investments as cash flow hedges of the currency risk on Mexican peso-denominated payables that would arise from forecasted Mexican peso-denominated operating expenses from January to March 2013.

As of December 31, 2011, an aggregate of US$14.1 million (MXN196.2 million) and US$40.0 million (MXN557.2 million) equivalent of Mexican peso- denominated short-term investments are hedged against the Mexican peso-denominated payables that would arise from forecasted Mexican peso-denominated monthly fixed port fees and civil work payments to a contractor, respectively(see Note 12). Foreign currency translation loss on Mexican peso-denominated short-term investments designated as cash flow hedges aggregating to US$5.6 million (net of deferred income tax of US$2.4 million) have been recognized under equity. No ineffectiveness was recognized in the consolidated statement of income for the year ended December 31, 2011. No amount has been recycled from equity to foreign exchange gain or loss in the 2011 consolidated statement of income.

As of December 31, 2012 an aggregate of US$5.3 million (MXN68.6 million) and US$24.6 million (MXN316.4 million) equivalent of Mexican peso-denominated short-term investments have been designated by the Parent Company as cash flow hedges of the variability of Mexican peso cash flows that is required to settle Mexican peso-denominated payables that would arise from forecasted Mexican peso-denominated operating expenses and civil work payments to contractors, respectively.

As of December 31, 2013, ICTSI does not have any outstanding Mexican peso designated as cash flow hedge.

In 2013, Tecplata designated an aggregate of US$173.0 million (AR$927.9 million) of its Argentine peso-denominated cash and cash equivalents as cash flow hedges of the currency risk on Argentine peso-denominated payables that would arise from forecasted Argentine peso-denominated capital expenditures. The hedging covers forecasted Argentine peso-denominated expenditures from April 2013 until June 2014. Foreign currency translation gains or losses deferred in equity would form part of the cost of the port infrastructure (including port fees during the construction period) and would be recycled to profit and loss through depreciation.

Foreign currency translation loss as of December 31, 2013 on Argentine peso-denominated cash and cash equivalents designated as cash flow hedges aggregating to US$12.1 million have been recognized under equity and US$10.2 million of which have been transferred from equity to construction in- progress in the 2013 consolidated balance sheet. No ineffectiveness was recognized in the consolidated statement of income for the year ended December 31, 2013.

Interest Rate Swap. In 2012, BCT entered into an interest rate swap transaction to hedge the interest rate exposure on its floating rate US dollar denominated loan maturing in 2021. A notional amount of US$5.0 million out of the total US$7.9 million floating rate loan was swapped to fixed rate. Under the interest rate swap, BCT pays fixed interest of 1.45% and receives floating rate of three-month LIBOR on the notional amount. As of December 31, 2012, the market valuation loss on the outstanding interest rate swap amounted to US$87 thousand. The effective portion of the change in the fair value of the interest rate swap amounting to US$70 thousand (net of US$17 thousand deferred tax) for the year ended December 31, 2012 was taken to equity under other comprehensive loss (see Note 15.7).

26.5 <u>Other Derivative Instruments Not Designated as Hedges</u>

Foreign Currency Forwards. As of December 31, 2011, ICTSI has outstanding sell US$ buy MXN pesos forward with an aggregate notional amount of US$15.0 million and fair value loss of US$0.2 million. The forward contracts are to hedge the variability of cash flows arising from the Mexican peso-denominated civil work payments to contractors and these matured between February and April 2012.

As of December 31, 2012, ICTSI has outstanding sell US$ buy MXN pesos forward with an aggregate notional amount of US$10.0 million and fair value gain of US$0.1 million. The forward contracts are to hedge the variability of cash flows arising from the Mexican peso-denominated civil work payments to contractors, which will mature between January and March 2013.

Embedded Prepayment Options. In 2008, embedded prepayment options were identified in ICTSI's two loan contracts with HSBC or the FXCN Note 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 16.2.4). The prepayment options are exercisable on the third (for the 5.5-year loan) and fourth (for the seven-year loan) anniversary of issue or any interest payment date thereafter. The 5.5-year loan can be preterminated at 102 percent of the outstanding principal if the remaining term at the time of prepayment is at least 18 months; and at 101 percent if the remaining term is less than 18 months. The seven-year loan can be preterminated at 103 percent of the outstanding principal if the remaining term at the time of prepayment is at least 36 months; 102 percent if the remaining term is less than 36 but more than 12 months; or 101 percent 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.

In May 2012, ICTSI exercised the prepayment option on its 5.5-year loan with The Hong Kong and Shanghai Banking Corporation Limited (HSBC) with outstanding principal amount of US$16.5 million (₱693.6 million). Fair value of the embedded derivative amounting to US$1.2 million as of exercise date was charged to “Other expense” account in the 2012 consolidated statement of income (see Note 20.3).

The total fair value of the embedded derivatives as of December 31, 2011, 2012 and 2013 amounted to US$1.8 million, US$1.1 million and US$0.7 million, respectively. Net change in fair value recognized in profit or loss amounted to US$0.9 million gain, US$0.7 million loss and US$0.4 million loss in 2011, 2012 and 2013, respectively.

26.6 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:

	2011	2012	**2013**
Balance at beginning of year	US$10,272,180	US$8,119,622	**US$9,807,188**
Net changes in fair value of derivatives:			
Designated as accounting hedges	(626,460)	6,647,169	**(2,159,541)**
Not designated as accounting hedges	2,201,141	2,168,210	**(376,620)**
	11,846,861	16,935,001	**7,271,027**
Less fair value of settled instruments	3,727,239	7,127,813	**6,533,446**
Balance at end of year	US$8,119,622	US$9,807,188	**US$737,581**

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:

	2011	2012	**2013**
Balance at beginning of year	(US$1,797,967)	(US$7,550,633)	**(US$9,726,549)**
Changes in fair value of cash flow hedges			
Designated derivatives	(626,460)	6,647,169	**(2,159,541)**
Designated cash equivalents	(8,935,759)	1,983,543	**(15,147,243)**
Transferred to construction in-progress	–	–	**15,977,281**
Transferred to consolidated statements of income	1,344,124	(4,978,464)	**3,719,684**
Tax effects	2,465,429	(5,828,164)	**2,592,178**
Balance at end of year	(US$7,550,633)	(US$9,726,549)	**(US$4,744,190)**

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 statements of income under the following accounts:

	2011	2012	**2013**
Foreign exchange gain (loss)	US$2,991,780	US$7,387,540	**(US$3,678,361)**
Interest expense on borrowings	(1,962,797)	(854,131)	**(878,803)**
Port authorities' share in gross revenues	(784,308)	–	**–**
Other income	612,342	613,265	**460,859**
	US$857,017	US$7,146,674	**(US$4,096,305)**

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

	2011	2012	**2013**
Derivative assets:			
Freestanding	US$6,611,597	US$8,779,837	**US$–**
Embedded	1,757,610	1,114,200	**737,581**
Subtotal	8,369,207	9,894,037	**737,581**
Derivative liabilities – freestanding	(249,585)	(86,849)	**–**
Total	US$8,119,622	US$9,807,188	**US$737,581**

27. 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 had port operations and development projects in 20 countries as of December 31, 2013. 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 regularly 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 US Dollar, Philippine Peso, Euro and Pakistani Rupee at fixed and floating rates of interest. The Group minimizes its currency exposure by matching its currency of borrowing to the currency of operations and functional currency 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.

In the context of PFRS 7, the main risks arising from the normal course of the Group's business are interest rate risk, liquidity risk, foreign currency risk and credit risk.

Working Capital Management

The Parent Company has minimal working capital requirements due to the short cash collection cycle of its business. Working capital requirements are well within the credit facilities established which are adequate and available to the Parent Company to meet day-to-day liquidity and working capital requirements. The credit facilities are regularly reviewed by the Treasury Group to ensure that they meet the objectives of the Group. Most of the foreign operating subsidiaries currently do not access short-term credit facilities as their respective cash flows are sufficient to meet working capital needs.

Interest Rate Risk

The Group's exposure to market risk for changes in interest rates relates primarily to the Group's bank loans and is addressed by a periodic review of the Group's debt mix with the objective of reducing interest cost and maximizing available loan terms. The following table sets out the carrying amount, by maturity, of the Group's liabilities that are exposed to interest rate risk as of December 31:

2011

	1 Year	2 Years	3 Years	4 Years	Over 5 Years	Total *(In Original Currency)*	Total *(In US Dollar)*	Net Debt*
Liabilities								
Long-term Debt								
Floating Rate:								
US$ Loan	US$7,875,000	US$–	US$–	US$–	US$–	US$7,875,000	US$7,875,000	US$7,839,881
Interest rate	LIBOR+1.10% spread	–	–	–	–			
US$ Securities	US$1,870,753	US$2,005,774	US$2,150,541	US$2,305,757	US$2,472,175	US$10,805,000	US$10,805,000	US$10,570,817
Interest rate	Passive Referential Rate from Ecuador Central Bank (PRECB)+2.5%	PRECB+2.5%	PRECB+2.5%	PRECB+2.5%	PRECB+2.5%	PRECB+2.5%		

** Net of Debt Issuance Costs*

2012

	1 Year	2 Years	3 Years	4 Years	Over 5 Years	Total *(In Original Currency)*	Total *(In US Dollar)*	Net Debt*
Liabilities								
Long-term Debt								
Floating Rate:								
US$ Loan	US$287,500	US$287,500	US$287,500	US$352,064	US$2,377,536	US$3,592,100	US$3,592,100	US$3,528,501
Interest rate	LIBOR+2.65% spread							
US$ Loan	US$150,000,000	US$10,000,000	US$–	US$–	US$–	US$160,000,000	160,000,000	159,352,887
Interest rate	Prevailing market rates							
US$ Securities	US$2,784,509	US$2,985,480	US$3,200,958	US$3,431,988	US$–	US$12,402,935	12,402,935	12,234,286
Interest rate	Passive Referential Rate from Ecuador Central Bank (PRECB)+2.5%							
PKR loan	Rs497,925,776	Rs497,925,776	Rs497,925,776	Rs497,925,784	Rs–	Rs1,991,703,112	20,503,957	20,408,740
Interest rate	KIBOR+1.75 p.a.							

** Net of Debt Issuance Costs*

2013

	1 Year	**2 Years**	**3 Years**	**4 Years**	**Over 5 Years**	**Total** *(In Original Currency)*	**Total** *(In US Dollar)*	**Net Debt***
Liabilities								
Long-term Debt								
Floating Rate:								
US$ Loan	**US$787,500**	**US$787,500**	**US$1,002,064**	**US$1,216,627**	**US$5,760,908**	**US$9,554,599**	**US$9,554,599**	**US$9,380,687**
Interest rate	**LIBOR+2.65% spread**							
US$ Loan	**20,000,000**	**–**	**–**	**–**	**–**	**20,000,000**	**20,000,000**	**19,922,071**
Interest rate	**Prevailing market rates**							
US$ Securities	**2,985,481**	**3,200,958**	**3,431,988**	**–**	**–**	**9,618,427**	**9,618,427**	**9,496,042**
Interest rate	**Passive Referential Rate from Ecuador Central Bank (PRECB)+2.5%**							
PKR loan	**–**	**597,510,934**	**597,510,934**	**298,755,468**	**–**	**1,493,777,336**	**14,182,431**	**14,182,431**
Interest rate	**KIBOR+0.75 p.a.**							
Euro loan	**1,104,286**	**1,104,286**	**1,012,262**	**1,104,286**	**6,274,880**	**10,600,000**	**14,567,580**	**14,567,580**
Interest rate	**EURIBOR+4.2% spread**							

** Net of Debt Issuance Costs*

Re-pricing of floating rate financial instruments is mostly done monthly, quarterly or semi-annually. Interest on fixed rate financial instruments is fixed until maturity of the instrument. Financial instruments not included in the above tables are either noninterest bearing, therefore not subject to interest rate risk, or has minimal interest rate exposure due to the short-term nature of the account (i.e., cash equivalents).

The sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of ICTSI's profit before tax and equity (through the impact on unhedged floating rate borrowings and fair value of cross-currency swaps designated as hedges, respectively), at December 31 are as follows (amounts in millions unless otherwise indicated):

		Effect on Profit Before Tax		
	Increase/Decrease in Interest Rates (%)	2011	2012	**2013**
Loans	+1.0	(US$0.2)	(US$2.0)	**(US$0.7)**
	-1.0	0.2	2.0	**0.7**

		Effect on Equity		
	Increase/Decrease in Interest Rates (%)	2011	2012	**2013**
Derivative assets	+1.0	(US$0.4)	(US$0.1)	**US$–**
	-1.0	0.4	0.1	**–**

Liquidity Risk

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 percent of borrowings should mature in any 12-month period. Nine percent and 26 percent of the Group's total borrowings, gross of debt issuance costs, as of December 31, 2011 and 2012, respectively, matured in less than a year from the balance sheet date. Currently maturing debt grew as at December 31, 2012 mainly because of the US$160.0 million bridge financing availed towards the end of 2012 for the acquisitions and general corporate requirements of the Group. On the other hand, seven percent of the Group's total borrowings, gross of debt issuance costs as of December 31, 2013 will mature in the ensuing 12 months. The Group is reassessing its policy in mitigating liquidity risk in line with the current developments and demands of its rapidly growing business.

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

			2011			
	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$21.0	US$13.2	US$25.3	US$142.8	US$450.0	US$652.3
Accounts payable and other curren liabilities*	99.3	0.1	9.6	–	–	109.0
Loans payable	2.5	–	–	–	–	2.5
Concession rights payable	10.1	10.1	19.8	90.4	164.1	294.5
Derivative liability	0.2	–	–	–	–	0.2
Total	US$133.1	US$23.4	US$54.7	US$233.2	US$614.1	US$1,058.5

* Excludes statutory liabilities and provisions for claims and losses

			2012			
	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$35.6	US$24.6	US$221.0	US$259.0	US$558.2	US$1,098.4
Accounts payable and other current liabilities*	145.8	0.1	14.6	–	–	160.5
Loans payable	–	0.3	9.9	–	–	10.2
Concession rights payable	4.7	4.7	9.4	76.6	248.4	343.8
Derivative liability	0.1	–	–	–	–	0.1
Total	US$186.2	US$29.7	US$254.9	US$335.6	US$806.6	US$1,613.0

* Excludes statutory liabilities and provisions for claims and losses

			2013			
	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$13.1**	**US$24.8**	**US$60.9**	**US$342.6**	**US$1,031.4**	**US$1,472.8**
Accounts payable and other current liabilities*	**128.5**	**0.1**	**6.8**	**–**	**–**	**135.4**
Loans payable	**–**	**–**	**12.1**	**–**	**–**	**12.1**
Concession rights payable	**11.6**	**12.2**	**22.5**	**247.5**	**824.4**	**1,118.2**
Total	**US$153.2**	**US$37.1**	**US$102.3**	**US$590.1**	**US$1,855.8**	**US$2,738.5**

* Excludes statutory liabilities and provisions for claims and losses

The financial liabilities in the above tables are gross undiscounted cash flows. However, those amounts may be settled using cash on hand and cash in banks, aggregating US$67.8 million, US$65.3 million and US$117.9 million as of December 31, 2011, 2012 and 2013, respectively. Furthermore, cash equivalents, amounting to US$389.8 million, US$121.6 million and US$124.3 million as of December 31, 2011, 2012 and 2013, respectively, may also be used to manage liquidity.

Foreign Currency Risk

As a result of operations in subsidiaries whose functional currency is not the US dollars, the Group's consolidated balance sheets can be affected significantly by movements in the subsidiary's functional currency and US dollar exchange rates (see Note 1.3).

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 recognized in the consolidated statements of income net foreign exchange gain amounting to US$3.5 million in 2011, US$5.3 million in 2012 and net foreign exchange loss amounting to US$3.6 million in 2013, arising from net foreign-currency denominated financial assets and liabilities as of December 31, 2011, 2012 and 2013, 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 financial assets and liabilities and their US Dollar equivalents at December 31:

	2011		2012		**2013**	
	Foreign Currency	US Dollar	Foreign Currency	US Dollar	**Foreign Currency**	**US Dollar**
Current Financial Assets						
Cash and cash equivalents:						
Philippine peso	4,124,881,883	US$34,432,659	2,112,619,285	US$51,464,538	**2,250,610,223**	**US$50,695,128**
RMB	66,854,353	10,620,400	108,287,902	17,380,012	**146,441,087**	**24,187,947**
PKR	–	–	1,513,567,845	15,581,705	**2,025,967,449**	**19,235,226**
EUR	17,441,114	22,605,427	7,227,082	9,534,689	**1,225,377**	**1,684,036**
ARS	11,015,912	2,561,840	32,369,143	6,585,117	**120,169,164**	**18,431,701**
MXN	1,389,521,952	99,709,520	65,158,021	5,069,361	**69,773,599**	**5,352,091**
COP	459,472,225	237,025	4,178,385,013	2,364,677	**–**	**–**
INR	–	–	99,524,435	1,809,700	**29,945,866**	**484,561**
BND	2,203,972	1,699,416	2,135,190	1,747,863	**695,487**	**551,143**
JPY	133,342,133	1,733,742	142,043,582	1,637,390	**161,129,355**	**1,530,048**
IDR	8,979,266,622	990,105	14,475,543,373	1,478,152	**8,739,964,714**	**718,098**
MGA	8,193,827,898	3,649,812	3,187,907,554	1,402,511	**777,247,669**	**346,986**
BRL	4,541,715	2,432,888	1,540,113	750,689	**1,070,724**	**453,293**
USD	1,218,631	1,218,631	436,123	436,123	**1,029,625**	**1,029,625**
PLN	1,355,675	393,474	742,225	239,923	**5,520,721**	**1,826,239**
HRK	2,106,034	362,092	368,090	64,191	**8,676,284**	**1,564,760**
Receivable:						
BRL	18,477,627	9,898,022	22,846,146	11,135,770	**33,447,545**	**14,160,088**
Philippine peso	154,599,086	3,526,439	195,652,263	4,766,194	**280,453,896**	**6,317,241**
IDR	3,952,069,846	435,778	31,775,451,754	3,244,711	**7,617,092,487**	**625,839**
MGA	4,791,188,722	2,134,160	7,358,076,426	3,237,165	**6,567,971,282**	**2,932,130**
PKR	–	–	247,696,720	2,549,960	**360,496,374**	**3,422,675**
RMB	15,892,454	2,524,656	14,776,760	2,371,643	**23,273,100**	**3,844,061**
PLN	3,028,803	879,086	3,826,745	1,236,988	**16,856,939**	**5,576,229**
EUR	–	–	813,462	1,073,200	**648,229**	**890,862**
BND	811,738	625,906	864,857	707,971	**903,900**	**716,301**
COP	513,484,326	264,887	878,753,342	497,314	**–**	**–**
HRK	1,503,731	258,537	711,417	124,063	**1,171,836**	**211,340**
USD	785,588	785,588	–	–	**1,300,690**	**1,300,690**
		203,980,090		148,491,620		**168,088,338**
Current Financial Liabilities						
Accounts payable and other current liabilities:						
Philippine peso	2,391,972,299	54,561,412	2,170,467,686	52,873,756	**3,806,498,165**	**85,741,596**
MXN	2,339,005	167,843	317,091,122	24,670,016	**187,071,893**	**14,349,636**
BRL	28,891,863	15,476,678	34,475,394	16,804,150	**37,798,105**	**16,001,907**
USD	501,657	501,657	13,548,181	13,548,181	**1,844,244**	**1,844,244**
PKR	–	–	886,431,585	9,125,534	**812,492,212**	**7,714,078**
MGA	13,332,828,610	5,938,899	15,581,418,344	6,855,001	**22,621,337,069**	**10,098,811**
ARS	33,429,245	7,774,243	27,972,216	5,690,615	**–**	**–**
PLN	5,992,017	1,739,135	6,548,501	2,116,790	**29,585,393**	**9,786,766**
IDR	4,569,513,883	503,861	20,627,823,621	2,106,385	**12,029,643,924**	**988,386**
COP	3,951,816,929	2,038,595	3,505,022,877	1,983,601	**–**	**–**
JPY	172,653,119	2,244,872	167,353,967	1,929,152	**176,814,665**	**1,678,992**
HRK	12,056,292	2,072,846	9,638,234	1,680,804	**8,597,307**	**1,550,517**
RMB	6,514,577	1,034,898	8,529,978	1,369,046	**8,349,116**	**1,379,039**
Georgian lari	631,000	378,865	1,297,018	782,279	**1,381,611**	**795,401**
EUR	69,698	90,335	308,013	406,361	**662,624**	**910,645**
BND	540,502	416,765	451,745	369,798	**449,724**	**356,386**
SYP	195,990	3,625	–	–	**–**	**–**

(Forward)

	2011		2012		2013	
	Foreign Currency	US Dollar	Foreign Currency	US Dollar	**Foreign Currency**	**US Dollar**
Noncurrent Financial Liabilities						
Long-term debt						
PKR	–	US$–	1,982,454,030	US$20,408,741	**1,493,777,335**	**US$14,182,431**
PHP	693,077,257	15,809,244	470,831,062	11,469,697	**465,795,181**	**10,492,064**
Concession rights payable						
PKR	–	–	1,283,875,000	13,217,089	**952,931,916**	**9,047,460**
EUR	16,342,902	21,182,036	23,892,010	31,520,729	**106,980,291**	**37,934,110**
		131,935,809		218,927,725		**224,852,469**
Net foreign currency-denominated financial assets (liabilities)		US$72,044,281		(US$70,436,105)		**(US$56,764,131)**

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 3.3).

The following tables present the impact on the Group's income before income tax (due to change in the fair value of foreign currency denominated financial assets and liabilities) and equity (due to translation hedging), of changes in the exchange rate between the foreign currencies and the US dollar (holding all other variables held constant) as at December 31 (amounts in millions of US dollar unless otherwise indicated):

2011	Effect on Profit Before Tax	Effect on Equity
Change in US dollar against other foreign currency exchange rates:		
5% appreciation	(US$0.1)	US$1.3
5% depreciation	0.1	(1.5)

2012	Effect on Profit Before Tax	Effect on Equity
Change in US dollar against other foreign currency exchange rates:		
5% appreciation	(US$0.5)	(US$0.7)
5% depreciation	0.5	0.9

2013	**Effect on Profit Before Tax**	**Effect on Equity**
Change in US dollar against other foreign currency exchange rates:		
5% appreciation	**0.9**	**(0.9)**
5% depreciation	**(1.0)**	**0.9**

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 of cash and cash equivalents, and available-for-sale investments, 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, 2011, 2012 and 2013, about 39 percent, 20 percent and 55 percent, respectively, 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 credit information and maximum exposure of ICTSI's financial assets (amounts in million dollars unless otherwise indicated):

2011	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$67.8	US$–	US$–	US$67.8
Cash equivalents	389.8	–	–	389.8
Receivables				
Trade	33.8	11.5	3.1	48.4
Advances and nontrade	11.1	0.3	0.1	11.5
AFS Investments				
Unquoted equity shares	0.8	–	–	0.8
Quoted equity shares	1.0	–	–	1.0
Derivative Assets	8.4	–	–	8.4
	US$512.7	US$11.8	US$3.2	US$527.7

(Forward)

2012	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$65.3	US$–	US$–	US$65.3
Cash equivalents	121.6	–	–	121.6
Receivables				
Trade	47.0	15.1	3.3	65.4
Advances and nontrade	12.4	0.3	0.1	12.8
AFS Investments				
Unquoted equity shares	0.8	–	–	0.8
Quoted equity shares	1.4	–	–	1.4
Derivative Assets	9.9	–	–	9.9
	US$258.4	US$15.4	US$3.4	US$277.2

2013	**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$117.9**	**US$–**	**US$–**	**US$117.9**
Cash equivalents	**124.3**	**–**	**–**	**124.3**
Receivables				
Trade	**52.2**	**18.5**	**3.3**	**74.0**
Advances and nontrade	**12.1**	**2.3**	**0.1**	**14.5**
AFS Investments				
Unquoted equity shares	**0.8**	**–**	**–**	**0.8**
Quoted equity shares	**1.6**	**–**	**–**	**1.6**
Derivative Assets	**0.7**	**–**	**–**	**0.7**
	US$309.6	**US$20.8**	**US$3.4**	**US$333.8**

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):

2011	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$67.8	US$–	US$–	US$67.8
Cash equivalents	389.8	–	–	389.8
Receivables:				
Trade	32.3	1.1	0.4	33.8
Advances and nontrade	10.9	0.2	–	11.1
AFS Investments				
Unquoted equity shares	0.8	–	–	0.8
Quoted equity shares	1.0	–	–	1.0
Derivative Assets	8.4	–	–	8.4
	US$511.0	US$1.3	US$0.4	US$512.7

2012	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$65.3	US$–	US$–	US$65.3
Cash equivalents	121.6	–	–	121.6
Receivables:				
Trade	36.4	7.1	3.5	47.0
Advances and nontrade	12.3	0.1	–	12.4

(Forward)

	2012			
	Neither Past Due nor Impaired			
	Grade A	Grade B	Grade C	Total
AFS Investments				
Unquoted equity shares	US$0.8	US$–	US$–	US$0.8
Quoted equity shares	1.4	–	–	1.4
Derivative Assets	9.9	–	–	9.9
	US$247.7	US$7.2	US$3.5	US$258.4

	2013			
	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$117.9**	**US$–**	**US$–**	**US$117.9**
Cash equivalents	**124.3**	**–**	**–**	**124.3**
Receivables:				
Trade	**46.0**	**4.0**	**2.2**	**52.2**
Advances and nontrade	**10.7**	**1.4**	**–**	**12.1**
AFS Investments				
Unquoted equity shares	**0.8**	**–**	**–**	**0.8**
Quoted equity shares	**1.6**	**–**	**–**	**1.6**
Derivative Assets	**0.7**	**–**	**–**	**0.7**
	US$302.0	**US$5.4**	**US$2.2**	**US$309.6**

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

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

	2011				
	Past Due but Not Impaired				
	30 Days	60 Days	120 Days	More than 120 Days	Total
Trade	US$8.7	US$1.2	US$0.9	US$0.7	US$11.5
Advances and nontrade	0.1	0.1	0.1	–	0.3
	US$8.8	US$1.3	US$1.0	US$0.7	US$11.8

	2012				
	Past Due but Not Impaired				
	30 Days	60 Days	120 Days	More than 120 Days	Total
Trade	US$9.9	US$2.6	US$1.6	US$1.0	US$15.1
Advances and nontrade	0.1	0.1	–	0.1	0.3
	US$10.0	US$2.7	US$1.6	US$1.1	US$15.4

	2013				
	Past Due but Not Impaired				
	30 Days	**60 Days**	**120 Days**	**More than 120 Days**	**Total**
Trade	**US$9.0**	**US$6.3**	**US$2.5**	**US$0.7**	**US$18.5**
Advances and nontrade	**1.6**	**0.2**	**0.3**	**0.2**	**2.3**
	US$10.6	**US$6.5**	**US$2.8**	**US$0.9**	**US$20.8**

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, 2011, 2012 and 2013.

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

The Group's policy is to keep the gearing ratio within two times.

	2011 (As Restated)	2012 (As Restated)	**2013**
Long-term debt	US$648,724,075	US$771,116,929	**US$939,777,713**
Loans payable	2,481,536	10,225,949	**12,009,852**
Total debt (a)	651,205,611	781,342,878	**951,787,565**
Net worth (b)	941,561,130	1,110,236,103	**1,353,237,377**
Gearing ratio (a/b)	0.69 times	0.70 times	**0.70 times**

28. **Earnings Per Share Computation**

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

	2011 (As Restated - see Note 3)	2012 (As Restated - see Notes 3 and 4)	**2013**
Net income attributable to equity holders of the parent, as previously reported	US$130,529,698	US$143,211,542	**US$172,379,532**
Effect of PAS 19R (see Note 3)	402,025	167,208	**–**
Effect of finalization of business combinations (see Note 4)	–	(220,889)	**–**
Net income attributable to equity holders of the parent, as presented in the consolidated statements of income	130,931,723	143,157,861	**172,379,532**
Adjustment for the effect of cumulative distribution on subordinated perpetual capital securities (see Note 15.6)	(10,934,028)	(28,719,271)	**(29,312,500)**
Net income attributable to equity holders of the parent, as adjusted (a)	US$119,997,695	US$114,438,590	**US$143,067,032**
Common shares outstanding at beginning of year	1,992,066,860	1,992,066,860	**1,992,066,860**
Weighted shares issued during the year	–	–	**30,980,577**
Weighted shares held by subsidiaries	(22,610,850)	(6,455,313)	**–**
Weighted treasury shares	(53,204,625)	(50,348,375)	**(26,955,098)**
Weighted average shares outstanding (b)	1,916,251,385	1,935,263,172	**1,996,092,339**
Effect of dilutive stock grants	52,186,500	49,694,000	**11,252,311**
Weighted average shares outstanding adjusted for potential common shares (c)	1,968,437,885	1,984,957,172	**2,007,344,650**
Basic earnings per share (a/b)	US$0.063	US$0.059	**US$0.072**
Diluted earnings per share (a/c)	US$0.061	US$0.058	**US$0.071**

29. **Subsequent Events and Other Matters**

29.1 Formation of a Joint Venture Company to develop a river port in Matadi, Democratic Republic of Congo

On January 23, 2014, the Company, through its subsidiary ICTSI Cooperatief U.A. (ICTSI Cooperatief), forged a business partnership with La Societe de Gestion Immobiliere Lengo (SIMOBILE) for the establishment and formation of a joint venture company, ICTSI DR Congo. ICTSI DR Congo will build a new terminal along the river bank of the Congo River in Matadi and manage, develop and operate the same as a container terminal, as well as provide exclusive container handling services and general cargo services therein.

The amount of initial capitalization of ICTSI DR Congo is US$12.5 million broken down as follows: (a) ICTSI Cooperatief will contribute cash in the amount of US$7.5 million and (b) SIMOBILE will contribute a parcel of land valued at US$5.0 million. As such, ICTSI will effectively own 60% of the total shareholdings in ICTSI DR Congo. SIMOBILE is a concessionaire of a parcel of land along the Congo River in the district of of Mbengu, Township of Matadi in the Democratic Republic of Congo, intended for port use.

The facility to be constructed in Phase 1 will consist of two berths that will be able to handle 120,000 TEUs and 350,000 metric tons. The capacity and berth length can, subject to demand, be doubled in Phase 2. Phase 1 is expected to be completed within 18 to 24 months from the start of construction. The construction of the terminal is expected to start between April and May 2014 and is scheduled to commence operations in late 2015.

29.2 Sale of 25% Shares of ICBV in LICTSLE to CMA Terminals

On January 26, 2014, ICBV executed a Share Purchase Agreement with CMA Terminals (CMAT), a member of CMA-CGM Group. Under the said Agreement, ICBV sold its 25% shareholdings in LICTSLE to CMAT.

29.3 Amendment in the Articles of Incorporation of ICTSI

On April 14, 2011, the stockholders and the Board of ICTSI approved the amendment in its Article of Incorporation to include in its primary purpose the power to establish subsidiaries or affiliates in the Philippines or in any part of the world to carry on its business and those incidental thereto, and to guaranty the obligations of such subsidiaries or affiliates or any entity in which ICTSI has lawful interest.

29.4 MICT Berth 6

The MICT Berth 6 Project is a port development project being undertaken by the Company with the approval of the PPA and in compliance with the Company'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."

The Company 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.

On November 26, 2010, the PPA, through the Office of the Solicitor General, filed a petition for certiorari and prohibition with application for the issuance of a temporary restraining order and/or writ of preliminary injunction assailing City Council Resolution No. 141 of the City Council 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.

On June 1, 2011, the Supreme Court granted the Company's motion to intervene in case of PPA vs. City of Manila and City Council of Manila (G.R. No. 194420), which allowed the Company to participate in the proceedings before the Supreme Court, as the Company has a legal interest in the matter in litigation and in the success of PPA. The Supreme Court likewise admitted the Company's petition-in-intervention. The Company received the City Council of Manila's comment to its petition-in-intervention on August 23, 2011 and the City of Manila's comment on December 15, 2011. On April 11, 2012, the Company filed its consolidated reply to these comments. As of March 6, 2014, the parties still await the Supreme Court's resolution of this case.

Notwithstanding the foregoing legal proceedings, the MICT Berth 6 Project was completed and inaugurated by the President of the Republic of the Philippines in July 2012 (see Notes 21 and 24.29).

Board of Directors

Enrique K. Razon Jr.
Chairman

Jon Ramon Aboitiz
Director

Jose C. Ibazeta
Director

Octavio Victor R. Espiritu
Independent Director

Stephen A. Paradies
Director

Joseph R. Higdon
Independent Director

Andres Soriano III
Director

Atty. Rafael T. Durian
Corporate Secretary

Atty. Benjamin M. Gorospe III
Assistant Corporate Secretary

Atty. Silverio Benny J. Tan
Assistant Corporate Secretary

25 YEARS

Corporate Management

Enrique K. Razon Jr.
President

Senior Vice Presidents and Region Managers

Jens O. Floe
Senior Vice President and Africa Region Head

Fernando L. Gaspar
Senior Vice President and Chief Administration Officer

Christian R. Gonzalez
Vice President and Asian Region Head

Paul P.L. Lo
Senior Vice President and Greater China Area Head

Hans Ole-Madsen
Senior Vice President and Europe and Middle East Region Head

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

Marcelo J. Suarez
Senior Vice President and Americas Region Head

Vice Presidents

Sandy Alzul Alipio
Vice President, Audit and Compliance
Effective February 2014

Rafael J. Consing Jr.
Vice President and Treasurer

Jose Manuel M. De Jesus
Vice President, Business Development Asia

Lisa Marie Teresa Escaler
Vice President and Human Resources Head
Effective February 2014

Earl Eric Nestor H. Ferrer
Vice President, Global IT

Guillaume Lucci
Vice President and Global Infrastructure Director

Vivien F. Miñana
Vice President and Senior Administration Officer

Brian Oakley
Vice President and Global Equipment Director

Jose Joel M. Sebastian
Vice President and Controller

Ton Van Den Bosch
Vice President, Corporate Affairs and Compliance
Effective October 2013

Terminal Heads

Asia

Christian R. Gonzalez
Manila International Container Terminal General Manager
ICTSI Jasa Prima Tbk President Commissioner
Bauan International Port, Inc. President

Capt. Zafar Iqbal Awan
Pakistan International Container Terminal Chief Executive Officer

Rico T. Cruz
New Muara Container Terminal Sdn. Bhd. General Manager

Jose Manuel M. De Jesus
ICTSI Subic, Inc. President
Hijo International Port Services, Inc. President
Davao Integrated Port Services and Stevedoring Corp. President
South Cotabato Integrated Port Services, Inc. President
Mindanao Container Terminal Services, Inc. President

Romeo A. Salvador
PT PBM Olah Jasa Andal President Director
PT Makassar Terminal Services President Director and Chief Executive Officer

Reimond Linus B. Silvestre
Subic Bay International Container Terminal Corp. General Manager

Ajay Tyagi
ICTSI India (Pvt.) General Manager

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

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

Americas

Miguel Arturo Abisambra
Sociedad Puerto Industrial de Aguadulce, S. A. General Manager

Luis Cao
Tecon Suape, S. A.Chief Executive Officer

Juan Corujo
Operadora Portuaria Centroamericana SA de CV Chief Executive Officer

Elvis Ganda
ICTSI Oregon, Inc. Chief Executive Officer

Enrique M. Gutierrez
Contecon Manzanillo, S.A. de C.V. Chief Executive Officer

Jose Miguel Muñoz Jimenez
Contecon Guayaquil S.A. Chief Executive Officer

Eduardo A. Zabalza
Tecplata S.A. Chief Executive Officer

Europe, Middle East and Africa

Aurelio C. Garcia
Batumi International Container Terminal LLC Chief Executive Officer/General Manager

Phillip Marsham
Adriatic Gate Container Terminal Chief Executive Officer

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

Tim Vancampen
Madagascar International Container Terminal Services Ltd. Chief Executive Officer and General Manager

25 YEARS

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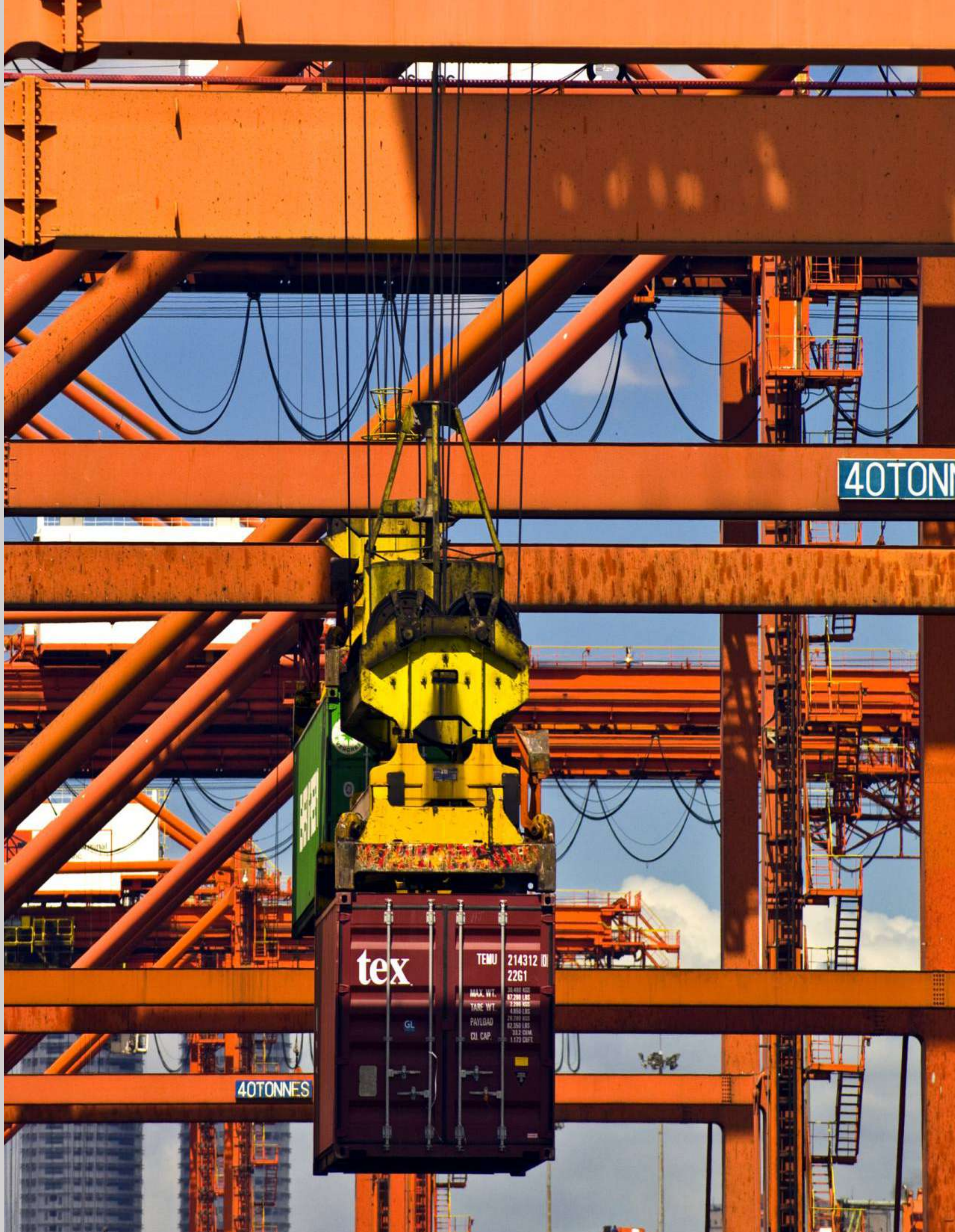

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