

2009

ANNUAL REPORT

The Development Bank of the Philippines (DBP) on 12 June 2008 acquired 100% of the NDC Maritime Leasing Corporation (NMLC) to complement its maritime financing activities, particularly in facilitating the deployment of RORO vessels in RORO missionary routes. This conformed to the Adjusted Medium Term Philippine Development Plan for 2004-2010, which provided for the takeover of the NMLC by the DBP.

On 11 May 2009, the SEC approved the amendment of the Articles of Incorporation (Amended on June 12, 2008) renaming the company to DBP Maritime Leasing Corporation (DMLC) and amending its primary purpose, allowing it to engage in all aspects of leasing for all types real and personal properties, equipment, machines, vehicles and facilities, particularly maritime vessels. The number of members of the Board increased from five (5) to seven (7) with the appointment of two (2) new members.

Given the broad mandate and the infusion of capital, DMLC expanded its leasing activities to facilitate the deployment of RORO vessels, particularly in RORO missionary routes through the acquisition of safe and suitable ships, either second hand or through local construction, for lease to qualified operators under financial or operating lease arrangements, for the Road RORO Terminal System (RRTS) and the Strong Republic Nautical Highway (SRNH).

Investible funds were further made available with the additional capital infusion of PHP 200 Million from the DBP and PHP 300 Million in credit line from a bank.

Operations Performance

Route Assessment Studies

In 2008, DMLC identified 34 priority missionary routes in three (3) categories, namely: With Ports at Both Ends, With Port at One End and With No Ports at Both Ends. In order to attract qualified operators to deploy RORO vessels in these routes under its Lease Program, DMLC contracted consultants to conduct route assessment studies to determine the viability of the identified priority missionary routes. In 2008, studies on 14 routes were completed and 8 routes were found to be viable. For 2009, studies on the remaining 20 routes were completed, of which 12 routes were found to be viable. Of the 34 routes, 20 routes or around 60% have been found to be viable.

Lease Program

DBP MARITIME LEASING CORPORATION
Annual Report 2009

A total of 10 applications were processed in 2009, of which 3 applications were carried over from 2008 and 1 was a re-application. Of this number, 6 applications were submitted to and eventually approved by the DMLC Board. Additionally, 8 Letters of Intent were received in 2009, none of which were processed during the year pending completion of requirements. The approved applications involved 6 RORO vessels, 5 second hand and 1 brand new, with a Total Project Cost of PHP 361 Million.

However, only two (2) second hand RORO vessels were acquired from South Korea and leased out in 2009.

This brought the total number of acquired and leased RORO vessels to seven (7) RORO vessels by the end of 2009 distributed among 4 lessees.

Towards the end of 2009, DMLC initiated the bidding process for the local construction of brand new 200-passenger RORO vessel. Once completed in 2010, this will be a historic first for the local shipbuilding industry and is expected to jumpstart the demand for locally constructed RORO vessels.

Quality Management System

One of the causes identified for the low conversion rate of lease applications into actual leases was the long processing time. Notwithstanding the fact that a major portion of the processing time was uncontrollable, since it involved the submission of requirements by the applicant or processing of DLC applications by regulatory authorities, improvement of the delivery of leasing services to satisfy client/customer requirements was given priority.

In support of this objective, the DLC entered into a Memorandum of Agreement with the Development Academy of the Philippines to undertake the project entitled "*Development of Quality Management System certifiable to ISO 9001:2008 for the DBP Leasing Corporation (DLC)*" for completion within 8 months.

Oversight and Monitoring of Lessees

Cognizant of IMO and PCG findings that from 85% to 90% of maritime incidents are attributable to human error and as a diligent and responsible owner/lessor of leased RORO vessels, DMLC engaged the services of local experts/consultants to conduct Operational Readiness Evaluation (ORE) drills on board its leased vessels commencing 2010. This is a component of DMLC's Lessee Monitoring Program to ensure the safety of its leased vessels. Corrective action on the deficiencies of crew determined during the drills would be undertaken.

Corporate Social Responsibility

DBP MARITIME LEASING CORPORATION
Annual Report 2009

To encourage shipping operators to deploy RORO vessels in missionary routes, DMLC embarked on a program to stimulate viability in these routes, by spurring social and economic development and sustainability in identified RORO Missionary Communities, through its Corporate Social Responsibility (CSR) program, "Tatlong Hakbang sa Kaunlaran" (three steps to development), namely: formation of credit cooperatives, provision of skills training cum livelihood workshops and assistance to marketing the community's products.

After forming partnerships with institutions such as the Technology Resource Center and the Cooperative Development Authority, DMLC selected Barangay Balanacan located in Mogpog, Marinduque as its pilot area, since one of DLC's lessees already has existing RORO operations there.

The Balanacan Multi-Sectoral Credit Cooperative (BMCC) was established with more than 80 members and a series of lecture trainings and livelihood programs were conducted to equip the community with necessary skills and knowledge essential for enhancing their livelihood resources. Further assistance was provided in terms of facilities and equipment necessary for BMCC's operations.

Human Resource Development

The DMLC hired eight (8) additional personnel to perform finance, leasing, shipping operations, business development, marketing and CSR functions bringing to nineteen (19) the total number of DMLC personnel complement by the end of 2009. Their basic skills, competence and wealth experience were honed and fine-tuned through formal and on-the-job training to address the unique requirements of the ship leasing business.

Financial Performance

Capital Profile

Additional cash infusion in the amount of PHP 200 Million in the form of Deposit for Future Subscriptions was made by the DBP in March 2009. This completes the payment of DBP of its subscribed 6 million shares of common stocks, of which PHP 500 Million is in the form of Deposit for Future Subscriptions pending final approval by BSP.

	2005	2006	2007	2008	2009
Authorized	100,000,000	100,000,000	100,000,000	1,500,000,000	1,500,000,000
Subscribed	21,250,000	100,000,000	100,000,000	100,000,000	100,000,000
Paid-Up	21,500,000	100,000,000	100,000,000	100,000,000	100,000,000

Results of Operations

DBP MARITIME LEASING CORPORATION
Annual Report 2009

In 2009, Total Income from Operations amounted to PHP 42.71 Million and Total Administrative Expenses of PHP 21.77 Million. DMLC attained 94% of its annual budget on net income generating PHP 20.94 Million or a 365% increase in same period last year largely due to interest expense of around PHP 15.4 Million in 2008.

	Audited 2005 ¹	Audited 2006 ¹	Audited 2007 ¹	Audited 2008	Unaudited 2009
Total Income	31,330	10,029,975	43,355,585	41,518,253	42,709,828
Total Expenses	6,901,607	15,403,700	17,550,387	21,052,355	21,257,933
Net Income (Loss) from Operations	(6,870,287)	(5,373,725)	25,805,198	20,465,898	21,451,895
Financial Expenses	1,650	20,965,562	35,189,084	15,368,079	350,399
Net Income (Loss) Before Tax	(6,871,937)	(26,339,287)	(9,383,886)	5,097,819	21,101,496
Provision for Income Tax	-	-	-	600,192	158,782
Net Income (Loss) After Tax	-	-	-	4,497,627	20,942,715

¹ As Restated

Financial Position

Total Assets as of end of 2009 amounted to PHP 848 Million, of which PHP 598 or 70% are finance receivables from the seven (7) leased vessels. Retained Earnings improved from negative PHP 38 Million at the start of 2009 to negative PHP 17 Million by the end of 2009 or a 50% recovery. Net Worth of DMLC at the end of 2009 stood at PHP 583 Million.

	2005	2006	2007	2008	2009
Net Worth	14,628,063	66,788,776	57,404,890	361,902,517	583,013,919
Current Assets	12,781,112	144,251,999	159,218,283	152,731,123	294,503,855
Current Liabilities	1,110,130	90,317,887	62,254,197	1,355,983	47,642,896

Balance Sheet, December 31, 2009

DBP MARITIME LEASING CORPORATION
Annual Report 2009

(With comparative figures for 2008)
(In Philippine Peso)

	2009	2008	Increase (Decrease)
ASSETS			
Current Assets	294,503,855	152,731,123	141,772,732
Non-current Assets	553,724,560	325,369,436	228,355,124
TOTAL ASSETS	848,228,415	478,100,559	370,127,856
LIABILITIES & STOCKHOLDERS EQUITY			
Current Liabilities	47,642,896	1,355,983	46,286,913
Non-current Liabilities	217,571,600	114,842,059	102,729,541
Total Liabilities	265,214,496	116,198,042	149,016,454
Stockholders' Equity	583,013,919	361,902,517	221,111,402
TOTAL LIABILITIES & STOCKHOLDERS EQUITY	848,228,415	478,100,559	370,127,856

Statement of Income, for the Year Ended December 31, 2009

DBP MARITIME LEASING CORPORATION
Annual Report 2009

(With comparative figures for 2008)
(In Philippine Peso)

	2009	2008	Increase (Decrease)
INCOME			
Lease Income	35,637,896	39,002,092	(3,364,196)
Interest Income	6,194,117	2,187,556	4,006,561
Other Income	164,557	298,605	(134,048)
Processing Fee	713,258	30,000	683,258
TOTAL INCOME	42,709,828	41,518,253	1,191,575
EXPENSES			
Personnel Expenses	11,285,142	10,199,582	1,085,560
Maintenance and Other Operating Expenses	9,972,792	10,852,773	(879,981)
TOTAL EXPENSES	21,257,933	21,052,355	205,578
INCOME FROM OPERATIONS	21,451,895	20,465,898	985,997
FINANCIAL INCOME			
Foreign Exchange Gain	5,957	14,805	(8,848)
FINANCIAL EXPENSES			
Bank Charges	352,420	18,924	333,496
Interest Expense	-	15,359,710	(15,359,710)
Documentary Stamp Tax	-	4,250	(4,250)
Foreign Exchange Loss	3,936	-	3,936
TOTAL FINANCIAL EXPENSES	356,356	15,382,884	(15,026,528)
NET INCOME BEFORE TAX	21,101,496	5,097,819	16,003,677
Provision for Income Tax	158,782	600,192	(441,410)
NET INCOME	20,942,715	4,497,627	16,445,088